



FBME BANK

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FBME Bank Limited Cyprus Branch wishes to inform its customers of the services currently available to them as a result of the serious problems it still faces, and officially advise of developments regarding the Branch's situation. Due to the sequence of events outlined below and without access to the SWIFT banking transactions system, the only method currently available for clients to access their funds, is by requesting a cheque drawn in their favour. At the moment, only cheques drawn in EURO are available with a daily limit of €10.000, non-cumulative, per customer.

Challenges faced that prevent normal banking operations

The Cyprus Branch has experienced a number of severe operational and other problems in the past few weeks, which, despite statements made by other parties, have prevented it from servicing its clients as would be expected under the normal course of business.

The trigger event for these problems was the public announcement of the Financial Crimes Enforcement Network (FinCEN), of the United States Department of the Treasury, on 17/07/2014. This led to FBME's name being formally or informally cast out by a number of domestic and foreign institutions and banks (across different countries), as well as other crucial providers of essential banking and other financial services (data/trading platforms, processors of card transactions, etc).

To effectively execute a payment instruction, the Branch requires the cooperation of several different banks (one or more correspondents and the beneficiary's bank), which could be located in various countries. Which and how many banks are used to execute a transaction is not known at the initiation stage.

Under Section 311 of the USA Patriot Act, institutions in the USA were directly required to take "special measures" against FBME which have effectively led to the Branch being unable to implement transactions in US Dollars. In the case of non-USA based institutions, the decision to cooperate with FBME depends on the internal policies of each institution, domestically and abroad, in dealing with banks with a FinCEN announcement of this nature against them. For obvious reasons and given the severity of the FinCEN announcement, there is a clear reluctance by institutions to continue their cooperation with FBME, resulting in significant challenges which affect the Branch's ability to transact in other currencies as well.

Therefore, as the banking community appears notably reluctant to carry out normal business with the Branch, there are significant risks that transactions will be rejected by one of the several banks involved in executing a transaction, including by the final receiving bank. Even payments initiated but not completed before the FinCEN announcement on the 17th July, have been rejected and returned.

Consequently, in order to execute transactions, even under a Special Administrator's approval, other banks should be willing and able to accept them.

Efforts made and new challenges faced

While one cannot ask other banks to amend their internal policies in order to accept the Branch's transactions, my immediate focus since my appointment on the 21st July has been to liaise with a number of domestic and foreign institutions, as well as providers of crucial banking and other financial services, in order to improve the ability of the Branch to commence successful operations the soonest possible. This involved providing all the information and comforts these organisations may require in an effort to find ways to be able to service clients of this Branch. It has been a time consuming interactive process with more and more information requested and provided since.

Following an initial 2-3 weeks of efforts conducted towards this direction and the establishment of certain approval and notification processes with some institutions who were comforted that the Branch of FBME was now under a Special Administrator's management with the Resolution Authority's involvement, I gave instructions in the week commencing the 11th August for the Branch to commence servicing customer instructions, domestically and abroad, up to an initial limit of €10.000 per customer per day. These would be reassessed with the intention to be further relaxed towards the establishment of full operations, provided that operationally the Branch was able to function effectively.

Despite establishing all the procedures necessary at the Branch to be able to commence these operations in the week commencing the 11th August, with the intention to start following the long weekend of the 15th August holiday, this has not to date been possible, as the Branch's SWIFT system of implementing banking transactions was shut down by the Statutory Manager of FBME Bank in Tanzania.

Without a SWIFT system and proper correspondent banks, the Branch is unfortunately not able to implement payment transactions and provide its customers full access to their funds.

Services currently available

As a result of the above and with the SWIFT system remaining shut despite efforts made via the appropriate channels to rectify the situation, efforts commenced to find an alternative method to allow customers access to their funds. These efforts, given the FinCEN announcement, again proved difficult and time consuming, with several reassurances required by the parties involved in order for a new process to be established.

Following the above sequence of events, the only method currently available for clients to access their funds, is by requesting a cheque drawn in their favour. At the moment, only cheques drawn in EURO are available with a daily limit of €10.000, non-cumulative, per customer. This service is available with immediate effect, and will continue to be assessed with the intention of allowing larger amounts on a daily basis. In parallel, the Branch is striving for the SWIFT system to operate, which will enable the Branch to recommence its efforts to implement customer transactions without the need for cheques.

It should further be noted that all inter-Branch transactions, which do not require the use of SWIFT or other parties and can be processed internally, continue to be available to clients with no daily limits. These include transfers between accounts held at the Branch in the name of the same customer, to other Branch customers, or for currency conversions, for example, clients wishing to convert Dollars to Euros.

Communication with Cyprus Branch

Finally, I would like to take this opportunity to clarify that, contrary to other statements made, the Special Administrator has not prevented anyone at the Branch from keeping its depositors, correspondents and others from being informed as to what is happening. During the past few weeks, I have held frequent meetings with the Heads of the various departments of the Branch, who remain fully informed and involved in the above efforts made. Both the relevant departments and I have engaged in daily communication with correspondent banks and have seen a number of the Branch's clients or their representatives.

During this challenging time for everyone involved with the Branch, no members of staff have been removed from their positions, and the Branch maintains a fully designated Customer Services department. Clients are therefore advised to continue contacting the Branch via the appropriate channels, as they did previously, in order to obtain further official updates.



Dinos Christofides
Special Administrator
FBME Bank Limited Cyprus Branch