

Investing in People (INVIP): Good practices by banks and credit institutions for the integration of migrants and refugees

Report on Cyprus

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Executive summary

This chapter offers a brief description of the services offered to migrants by banks and other credit institutions, as emerging from interviews with banking officials, credit institutions, migrants and other stakeholders such as migrants' organisations and trade unions. The first section describes briefly Cyprus' recent turbulent history and the events creating the shortage of labour which in turn led to the change in policy in the 1990s, abandoning the restrictive approach and opening the country's door to the immigration flows that resulted from social transformations in the ex-Soviet Union and political unrest in the Middle East. However, the policy assumption on which the new immigration regime rested proved to be ill-founded as the state was unable to contain either the numbers of migrants entering the country or the length of their stay. As discussed in section B, the result is an inflexible immigration framework based on short term visas issued for work only with specific employers in specific sectors, in low-skilled and low-paid jobs and under conditions that allow considerable violations of the employment contract by employers. A recent court decision essentially denying most migrants the benefit of the status of the long term migrants has intensified the vulnerable position of migrants in Cyprus, rendering liable to deportations and even more unfavourable working conditions.

Banks do not offer special packages addressing the needs of migrants. They open savings accounts and issue debit cards without credit facilities to documented migrants, but the account activities are monitored for any "suspect" transactions, being transactions involving amounts well in excess of their salaries, which are in any case too low to present any real threat. Loan facilities may be granted for housing, personal needs, acquiring professional premises etc provided a combination of considerations are in place. These are usually whether the foreigner is a permanent or a non-permanent resident, whether there is a housing loan already in place that is guaranteed by a mortgage, sufficient income, assignment of life insurance policy and fire policy where appropriate, own contribution where appropriate, bank reference letter, Cypriot guarantors etc. For most loan products, banks do not distinguish between third country nationals and EU nationals, the only constant factor being that undocumented migrants are totally excluded. International payment services companies allow the dispatch of money only for documented migrants producing evidence of lawful stay and employment; "safeguards" against money laundering are also in place here with a maximum ceiling of €3,000 per month.

A number of obstacles to access and other problems have been identified by this research. These include language and access to information, the difficulties in obtaining guarantees and security for loans, the total exclusion of undocumented migrants, the suspicion that migrants are often faced with and the alleged link with money laundering.

Few initiatives qualify as “good practice” with only one meeting most of the set criteria: a scheme currently under development affecting the Pontian community whereby the state provides the guarantee to the bank for loans to acquire homes and start small businesses.

A final section with conclusions and recommendations proposes the adoption of a holistic approach involving state and stakeholder intervention in order to set up a special regime governing banking services to migrants targeting their needs and overcoming prejudices and suspicion and promoting their social and economic integration.

A. Introduction on context and methods

i. Context

Since independence from British colonial rule in 1960, political unrest, inter-ethnic conflict and foreign intervention have dominated the political stage and public concern in Cyprus. The violent clashes in the years 1964-1974 between the two constitutionally recognised ‘communities’, the Greek-Cypriots and the Turkish-Cypriots, representing at the time 78% and 18% of the population respectively, and the foreign military interventions from Greece and Turkey in 1974 left behind them many hundreds of dead and missing people and the economy devastated. A de facto partition of the island between north and south which started in 1964 and was sealed with the Turkish invasion of 1974 keep the island divided until presently, with the Greek-Cypriots residing in the southern part of the country and the Turkish-Cypriots in the north. In 2003 the Turkish Cypriot administration lifted (partially) the ban on freedom of movement, which essentially opened the sealed border between north and south, enabling many thousands of people to cross from north to south and vice versa on a daily basis. On May 1st 2004 Cyprus acceded to the EU as a divided country having missed a chance to resolve its 50-year old problem on the basis of the United Nations Secretary General’s settlement plan, which was rejected by the Greek Cypriots in a referendum just days before EU accession. Only the southern territory, controlled by the Republic of Cyprus is officially part of the EU, which is run since 1963 by Greek-Cypriots. The research was conducted only in the territories controlled by the Greek-Cypriots, where there are 138,000 non-Cypriots legally resident (and another estimated 30,000 irregular migrants consisting mainly of ‘overstayers’) a number constituting about 20% of its population. Most immigrants are employed in domestic work, the service industry (tourism, trade), the manufacturing industry, agriculture and construction, in low-paid and low-status jobs.

Cyprus had historically been a country of emigration, exporting migrants to richer countries. A change of policy in 1990 transformed Cyprus from an emigration country to an immigration destination. Cyprus has since become a prime instance of a southern European country which functions as the ‘entrance hall’ to the EU and often serves as a ‘waiting room’ for many migrants who have the northern European countries as a destination. Apart from the need to meet

the labour shortages created from the rapid growth of the 1980s, there were regional and international reasons that account for the migratory flows to Cyprus. On the one hand, economic developments such as the world wide growth in tourism resulted in economic growth which increased the demand for labour in Cyprus. On the other hand, political developments such as the collapse of the Soviet Union resulted in the migration of labour from ex Soviet countries but also to the migration of a large number of Pontian Greeks from the Caucasus region who received Greek nationality and were thus able to migrate to Cyprus with minimum formalities. In addition, the Gulf war, successive crises in the Gulf region, unrest in Israel/Palestine, wars and ensuing violence in Iraq, as well as poverty and political unrest in the Middle East and northern Africa have caused the inflow into Cyprus of both economic as well as political refugees from the affected regions.

Prior to its accession to the EU, Cyprus was the only country to allow Russian nationals to enter without visas, in an effort to attract businesses, holiday makers and much sought-after capital. This policy has resulted in several thousands of Russians migrating to Cyprus and establishing offshore businesses, Russian schools and Russian churches. Following its EU accession, Cyprus was forced to adopt a more restrictive policy in granting entry rights to Russian visitors. However, many of the people who came to Cyprus in the 1990s have settled here on a temporary residence visa which is renewed annually. They form a distinct category of third country nationals as their personal wealth and corporate structures receive more attention and hence more targeted services from the banks in Cyprus, than the economic migrants whose turnover is a small percentage of that of Russian businessmen (whose turnover is often several millions of dollars per year).

ii. Methodology

The methods used in our research was desktop a study, structured interviews with 95 migrants, 2 focus groups and interviews with 5 financial institutions. Migrant Interviewees were randomly selected from places around Nicosia and Limassol frequented by migrants: an NGO offering support and assistance to migrants, the open-air markets where migrants often work and some also have their own stores; the municipality parks where they spend their Sundays. Furthermore, in an effort to minimise the risk of not fully receiving the perspective of migrants due to lack of trust, a phenomenon which we did encounter when interviewing strangers in the streets, some interviews were also conducted by appointment with migrants whom the researchers knew personally. Two focus groups were conducted in Nicosia's municipal park on 29.03.2009. More analytically, a breakdown of the interviews, consultation processes and focus groups is as follows: (a). 75 (Men: 45, Women: 30) third country nationals working as employees on a short term visa (both documented and undocumented); (b). 20 Pontians¹ and EU nationals; (c). 2 focus groups

¹ Persons of Pontian origin came to Cyprus from the Caucasus region following the collapse of the Soviet Union, either with a Greek passport, in which case with minimum formalities since they are EU citizens, or

with third country nationals working as employees on a short term visa: 6 persons participated in one focus group and 8 persons in the other; (d). 8 migrant entrepreneurs; (e) 6 public institutions, trade unions and NGOs;² and (f) 6 officers from 5 different credit institutions (banks, co-operative societies, and international payment services companies³). Two officers from the same bank were interviewed, because the second interviewee was willing to divulge more information about bank practices than what the first one did.

A stakeholders' meeting was held in Nicosia where all banks were invited to attend, together with representatives of migrant organisations, a representative from UNHCR, a representative from the Nicosia municipality and migrant support NGO representatives. No representative from the banks attended the meeting. The justification offered to the organisers by virtually all the banks was their busy schedule in view of the international financial crisis. Further investigations on the part of the organisers in their efforts to hold a second stakeholders' meeting have resulted in the same conclusion, i.e. the banks at the moment continue to be unwilling/unable to attend. A final conference presenting the results of the project to all stakeholders is currently under way.

B. Short description of immigration

Cyprus abandoned the restrictive immigration policy followed until 1990 in an effort to meet low-skill labour shortages, generated by an economic developmental model based on mass tourism and services. The high levels of growth led to a growth in the demand for labour that exceeded the supply from indigenous sources and the slowing down in economic growth in the 1990s in comparison to the late 1970s and 1980s, together with the rise of inflation, formed the basis for the abandoning of the restrictive labour policies. In 1990 Cyprus reviewed its immigration policy and opened up its doors to migrants, in an effort to address the shortage of labour for low skill labour intensive jobs. With the change of policy in 1990, the criteria for granting permits were extended and a procedure was outlined for employers to recruit staff from abroad.

The policy assumption, which in the end proved to be ill-founded, was that the employment of migrant workers would be short-term, temporary, restricted to specific sectors and to specific employers. Although the actual developments of the 1990s reversed the presumption that the stay of migrants would be short term and sector/employer-specific, a number of institutional devices, designed

as economic migrants from Georgia and other neighbouring countries. They currently form the largest ethnic migrant community of Cyprus. Their organisations claim that their number is up to 40,000.

² We have consulted with representatives from the following: The Nicosia Municipality, UNHCR, the Pancyprian Federation of Labour-PEO and the Cypriot Confederation of Workers –SEK (the two largest trade unions in the country), the Ombudsman/national equality body, the Progressive Association of Pontians - PROSOPO

³ These are: The Co-operative Society of Strovolos, the Bank of Cyprus, the Cyprus Popular Bank, the Commercial Bank, and Moneygram International.

with those goals in mind, have resulted in an institutional framework which carries the following characteristics: (a) Work permits are granted on the condition that each migrant worker is attached to a specific employer without the freedom to change jobs unless the original employer consents to such change; (b) Work permits are granted on an annual basis and with a maximum ceiling of initially six and then four years structurally producing and reproducing a framework of precariousness and exclusion. The ‘temporary’ nature of the work permits issued to third country nationals led to an interpretation by the national Courts of the law transposing Directive 2003/109/EC for the status of long term migrants, to the effect that migrants with visas of fixed term duration (the vast majority of them) are deemed to fall outside the scope of the law transposing the Directive, for being “residence permits....officially restricted as regards ... duration” (article 3(2)(e) of the Directive).⁴ As a result, the vast majority of third country nationals in Cyprus cannot benefit from the rights conferred by the said Directive, thus remaining at the mercy of the employer as regards working conditions and liable to deportation upon expiry of their visa.

Evidence of non-compliance by employers with labour laws is abundant and recorded in relevant reports of Parliament in 1997, regular reports by the Ombudsman, also acting as the national specialised body created under Article 13 of the Racial Equality Directive, as well as by the Reports of the European Commission against Racism and Intolerance, Amnesty International, US State Department Human Rights Country reports, etc.

The institutional framework fails to properly accommodate and encourage civic participation of migrants so as to develop a sense of belonging to Cypriot society. Only very recently have the debates on the rights of migrant workers and multicultural society emerged, but these are largely still focused on regularization rather than on tolerance and integration. Migrants and asylum seekers face a rather hostile environment in society including a hostile media and an unsympathetic police and immigration regime based on ‘control’.

C. Brief description of basic banking services and other credit facilities addressed to migrants

In order to open accounts with any bank, migrants have to produce their residence permit, work permit and copies of their employment contract and passport. In the case of foreign students a certificate from the educational institution they attend must also be supplied to the bank. Migrants (including students) can open savings accounts and transfer money out of their account. However, banks will monitor the amounts deposited and transferred and if these exceed what is deemed reasonable according to the account holder’s income, then they will investigate the case to ensure compliance with money laundering legislation. This is a rather absurd practice, given that transactions of, say,

⁴ Cresencia Cabotaje Motilla v. Republic of Cyprus through the Interior Minister and the Chief Immigration Office, Supreme Court Case No. 673/2006 (21.01.2008).

2,000 Euros may well be in excess of a migrant's lawful income, which can be in the area of 300 Euros per month, but it can hardly be a suspect amount for money laundering purposes. Instead, it may be evidence that the particular account holder has undeclared means of income; this is a matter of concern for the immigration authorities but in theory it can hardly be of interest for profit making institutions in the private sector. The fact that, as a matter of practice, banks consider any amounts in excess of a migrant's income to be 'suspect' amounts may be the result of prejudice or even compliance with instructions from the immigration authorities. No such information emerged from the interviews and the assumption amounts to mere speculation. However, an officer of the Central Bank interviewed for the purposes of this research stated that banks have an obligation to investigate transactions involving "large amounts", although the relevant Central Bank Directive to the commercial banks does not specify what is "large" but, rather, call upon the banks to investigate "suspect" transactions. In the absence of instructions from the immigration authorities, it is presumably the banks' own interpretation that amounts in the area of 2,000 Euros may be suspect for money laundering.

Upon request, they may be issued with a debit card, for use at the bank's cashpoint machines to draw only from their own money; this card cannot be used in shops or in any other place. In some cases, debit cards (electron) may be issued to migrants for use in shops without security, but only for the amount they have in their account. No overdraft or credit facilities are granted for these accounts.

Cypriot banks do not offer specialised services to economic migrants. Instead they offer to them some of the services offered to locals under certain conditions, which do not apply to locals.

There are two large banks in Cyprus that have the largest share of the market enjoying a rather monopolistic position: the Bank of Cyprus and the Cyprus Popular Bank. The latter has laid down rules with regard to granting loan facilities to foreigners which are summarised in the following paragraphs. The Bank of Cyprus offers similar packages but did not make a list available to the researchers. In an interview to the researchers, a bank official stated that no distinction is made between third country nationals and EU nationals and that housing loans may be granted with a mortgage and a reference letter from the borrower's bank in his country of origin, the borrower must have 40% own contribution and evidence of income sufficient to pay for the instalment. For personal loans, personal guarantees from persons who work with him/her are required, preferably Cypriots, for instance the borrower's employer. The bank official clarified that the preference to Cypriot guarantors was not a requirement of the Central Bank but rather the bank's own policy.

The other large bank, the Cyprus Popular Bank, also does not distinguish between EU nationals and third country nationals in the services provided, the crucial distinction being between permanent and non-permanent residents. The

term 'permanent residents' refers to foreign nationals working or residing in Cyprus or who will stay and work in Cyprus for at least one year. Foreign students are not deemed to fall within this definition, despite the fact that they live and work in Cyprus for over one year. As a general rule, credit facilities (housing loans, personal loans, current accounts, cards) are offered to permanent residents and to non-permanent residents on the same conditions offered to Cypriots *provided that* at the same time a housing loan is advanced with a collateral (first mortgage, assignment of sales agreement in combination with a waiver or a guarantee, cash, bank guarantee).

With regard to the issue of **credit and debit cards**, foreigners who are permanent residents are supplied with debit cards (electron/embossed) as well as with credit cards with a limit of up to CYP3,000 (€5,126) without security. Where there is a housing loan, this category of migrants can be issued with credit cards under the same conditions as Cypriots. In the case of foreigners who are not permanent residents, where there is no housing loan, debt cards (electron/embossed) are issued without security and credit cards are issued only with a collateral cash guarantee; where there is a housing loan in place, then the same conditions as for Cypriots apply. All foreigners to whom credit cards are issued are obliged to place a standing order on their accounts for the automatic settlement of their credit card instalments; for Cypriots, such standing order is optional. The distinction made here between those customers of the bank with and those without a housing loan does not so much refer to the loan itself but rather to the solid security provided for the loan, which is also charged for the credit card so issued.

With regard to other **loan facilities**, similar conditions as above apply. In other words, foreign nationals who are permanent residents can be given loan facilities under the same conditions as Cypriots where there is a housing loan, and with a mortgage where there is no housing loan. By contrast, foreign nationals who are not permanent residents may be granted loan facilities under the same conditions as Cypriots where there is a housing loan, but in the absence of such a loan, no loan facilities may be granted. The vast majority of economic migrants fall under this latter category. Loans for **professional premises** are granted only to foreign nationals who are permanent residents. **Personal loans** to private persons and to small enterprises are granted to foreigners who are permanent residents by way of overdraft in a current account and/or credit card and/or a personal loan of up to 4 years or a combination of the three for a maximum amount of €5,125 without collateral. In the case of non-permanent residents, these facilities are granted only if there is a housing loan in place. It should be noted that no person is entitled to any facilities as a matter of right; it is up to the discretion of the banker to decide if the circumstances of the applicant are such that the granting of a facility is justified or not. The most important criterion in examining applications for facilities is the applicant's ability to repay and each case is looked upon separately. Personal loans or overdrafts or housing loans **in foreign currency** are granted to permanent

residents. For non-permanent residents, these facilities are available when a housing loan is being advanced at the same time.

Both permanent and non-permanent residents may **deposit** money in interest-earning notice accounts, fixed deposits and in savings accounts. **Housing loans in foreign currency** are advanced to permanent and non-permanent residents alike for unlimited amounts and for a duration of up to 15 years, with an interest rate of $\text{libor} + 2,50\%$ and a grace period of up to 2 years in both capital and interest from the date of advancement of the loan, following which additional grace period is granted for another 3 years provided the interest is being paid. The collateral must be a mortgage of 125% of the value of the property, plus a personal guarantee and assignment to the bank of life insurance policy and fire policy (where appropriate). The customer is asked to provide his own contribution to the price of the property as follows:

Description of product	Euros	Swiss francs	Other currency
Purchase of 1 st residence for own use	20%	25%	30%
Purchase of land, holiday home for small investment	30%	30%	35%
Purchase or building of professional premises	30%	30%	35%

Personal loans of up to CYP10,000 (€17,088) are granted to permanent and non-permanent residents alike, under the same conditions as for Cypriots, provided there is a housing loan in place, guaranteed with a mortgage. In the absence of a housing loan, this loan is not granted to non-permanent residents. It may however be granted to permanent residents under the following terms: the borrower and the guarantor must score high in a credit points system operated by the bank; the borrower must deposit his/her salary at this bank; there must be standing order for the repayment of the loan and of the premium for a life insurance policy and a fire policy (where applicable); there must be a mortgage or cash collateral or bank guarantee to secure the loan.

There are several similar loan packages made available to foreigners, all governed by the same security-conscious rationale whereby persons on a temporary visa and/or persons who did not already give a mortgage to the bank are excluded.

The interview with a Popular Bank officer revealed that the practice is to grant loans to foreigners based on their income which determines the nature and the limit of the service provided. Proof of income must be verified by the employer and the salary must be deposited/transferred automatically to his/her account, so as for the bank to monitor the amount and the frequency of the payment. Another important consideration is the length of previous business with the bank, in other words how long has the applicant been a customer at the bank and how punctual the client was with his/her other obligations. If these considerations are satisfied, the bank may grant a personal loan of up to

€5,000 only with the steady income as a guarantee. This amount however can double to €10,000 if the client has been doing business with that bank for some time and the bank was satisfied with his/her performance. For amounts exceeding €10,000 they must present Cypriot guarantors.

There are two **international payment services companies** operating in Cyprus: Money Gram International and Western Union. These two companies have various outlets throughout the country where persons may send money to any part of the world without the need for either the sender or the receiver to have a bank account. The outlets used are either independent and run by the international payment services company themselves or are located within the premises of banks and operated by bank officers. In either case, the person sending the money must be lawfully residing in Cyprus and the amount must not exceed €3,000 in one month, as an anti-money laundering measure. EU citizens may send money by producing an official identification document (passport, driving license etc) but third country nationals must additionally present their “pink skip” (residence visa), employment contract and evidence of having withdrawn the same amount of money from the bank on the same day. Interviews with migrants have revealed, however, that only the residence visa and the alien book (proof of identification) are required for the dispatch of money.

D. Issues / problems highlighted by the research

With the exception of those migrants who are on very high incomes or who are settled in Cyprus for a long time, in general there is lack of information available to economic migrants as regard the services available by banks, as well as a lack of specialised packages addressing the needs of economic migrants.

There are various banking and financial services and products for foreign nationals with a permanent presence in Cyprus who have, according to some interviews, access to banking, loan and finance facilities comparable to those provided for Cypriots. The difficulties in obtaining guarantees and security for loan and other financial facilities diminish for foreigners permanently settled in Cyprus, particularly for those who are better established and own property or have better links with high income earners and/or immovable property owners who provide the collateral for them. Moreover, financial products to wealthy clients of banks, including foreign nationals from third countries and the EU who are investors, are well developed: there are specific packages for investors or high income earners and companies. The fact that several of these packages are in US dollars suggests that foreign investors (outside the EU) are particularly targeted as a market. Prior to acceding to the EU, Cyprus had been a prime off-shore company destination; post accession it continues to offer tax benefits for companies with the lowest company taxation regime in Europe. This category of third country nationals ought to be distinguished from the vast majority of economic migrants who are in a radically different socio-economic and legal

position: the vast majority of migrants are in a vulnerable position and the poor, non-targeted banking and finance services offered reflect their marginal position. The two markets are clearly demarked and segmented: on the one hand the high income earners, some of whom are long term settled migrants, or are business people with business interests in Cyprus; and on the other hand the vast majority of migrants who are on a temporary visa, performing low income and low status or precarious jobs, referred to in the report as 'economic migrants'.

For the market of the economic migrants, language and access to information on the subject is of crucial significance. The vast majority of migrants interviewed from this category professed lack of awareness on financial services available by Cypriot banks or other institutions. Many stated that the language used by the banks is a problem: although in addition to Greek, English is the medium used by banks as regards basic services (e.g. periodic statements of account), the information concerning above-the-basic services particularly as regards loans, mortgages etc, is not readily available in English. The question of access to banking services is a wider issue here: not only are there very few services targeting and designed to meet the needs of the majority of third country migrants but the issue of the working hours of banks, which are open to the public from 8.30 until 13.00 pm Monday to Friday. During winter months (October-April) banks also open on Monday afternoons between 15.15–16.45. This timetable is inconvenient for working people and may hinder efforts to seek and obtain personal advice or other services. Exceptions to this rule are provided by the international payment services companies which have outlets in key spots in the cities open during Sundays and holidays as well as until late at nights in order to serve the needs of economic migrants and who also print information in several languages and disseminate it to places frequented by migrants.

A comparative analysis of the interviews has shown that bank managers at each branch and other employees dealing with clients enjoy a wide margin of discretion, which can be open to discrimination against low income clients and particularly the more vulnerable migrants. All bank officials claim that there is no difference in the treatment of economic migrants and EU/Cypriot citizens: the distinction is, they claim, not based on '*EU/Cypriot versus migrant*' distinction but rather on residence, where residence is defined as staying for one year plus. However, the story told by economic migrants, including migrant entrepreneurs, is that banks do engage in practices that exclude and discriminate against migrants in comparison to Cypriots. An issue reported in the interviews by many migrants was the fact that they were unable to obtain loans due to the fact they could not provide the necessary collateral, as they lacked the necessary network and support locally to provide the necessary guarantees and security. Even Greek Pontians who have a longer presence in Cyprus than other groups of migrants and are therefore amongst the most settled albeit socially excluded group to a large extent, many of whom have EU passports (i.e. Greek passports) reported this to be a major obstacle. A key informant involved in supporting

Pontian migrants reported as a priority issue the difficulty faced by permanently settled Pontian migrants in obtaining mortgages; it was even reported that they face discrimination for being regarded as unreliable subjects by banks and credit institutions.

In lieu of banks, many economic migrants prefer to use the services of Moneygram and Western Union who offer more targeted and flexible services to migrants and who advertise their services in several languages at migrant gathering places. These services however are restricted to the dispatch of money to their countries of origin and have little to do with their social and economic integration in Cyprus.

The study reveals a gap in banking practices which have so far failed to engage with economic migrants to gain their trust and treat them as potential clients. Moreover, most migrants interviewed stated that they encounter problems in the use of banking services. Most entrepreneurs interviewed referred to their own difficulties to earn the trust of the banks and credit institutions. Various stereotypical perceptions about specific ethnic groups and their alleged unreliability or propensity to crime act as effective barriers to access to banking services for many migrants. From the discourses by bank officials, it is apparent that there is some form of undeclared racial profiling practiced. Banks may decline requests for overdraft facilities, which is highly detrimental to small enterprises, whose main problem is reportedly not growth or good management but the denial of the bank to provide such facilities that may be crucial for the survival of smaller enterprises.

The legal (i.e. immigration) status of third country migrants is a major factor which effectively blocks access to banking services. All banks, including the Central Bank, have stressed that they are interested in providing services without exclusion or discrimination but only to those who are *legally resident*. Those who are not legally resident are excluded. Overall, products for precarious migrants not only are they under-developed, but there seems to be a policy of refusing services to such persons, rendering them even more vulnerable and prone to exploitation.

The main problems highlighted were the following:

- i. The inequality in bargaining power between credit institutions and economic migrants, who form a marginal group. This has led to a situation whereby credit institutions have little interest in interacting with the target group and in specialising their service in order to meet their needs, as the turnover that this group can generate is marginal by bank standards, particularly when compared to other foreign clients.
- ii. There is a lack of faith and at times fear of the authorities on the part of the migrants, particularly the undocumented migrants, created by regular mass deportations, the practice of the police of seizing and

arresting migrants from public space in order to verify the validity of their visa, etc. It was therefore not easy for them to divulge information to interviewers even where these were introduced to them from other migrants. This has also manifested itself in a reluctance to divulge information to the interviewers about their sources of income and the amount of their income.

- iii. A large section of economic migrants, and particularly the undocumented ones, do not use credit services at all and are located wholly outside the banking system. The only exception is the use of the international payment services companies, such as Western Union and Moneygram. Even in those cases undocumented migrants have to resort to documented friends (and in rare occasions Cypriots) who will dispatch their money on their behalf.
- iv. Undocumented migrants are excluded from the banking system altogether: all banks including the Central Bank of Cyprus stressed that proof of legal residence is a condition precedent to opening accounts and to provision of any services. In fact, in some cases, the persistence on “legality” borders on obsession as some interviewees from credit institutions expressed the view that offering services to “illegal” migrants is “illegal” per se and damages the integrity of the institution. In addition, stereotypical perceptions were expressed from banking officials about “illegal” migrants being prone to drug trafficking, money laundering etc. The link between migrants using the banking system and allegations of money laundering appears to be strong in all discourses emerging from the interviews with bank officials, including Moneygram whose clientele is 80% migrants. Moreover, migrants in general (both documented and undocumented) are perceived by bankers as “impossible to obtain a loan” because they are ab initio considered as unable to provide the collateral. This approach is effectively shutting the door in the face of those migrants who meet the criteria set by the credit institution.

The five banks and coops interviewed are of the approach that the services provided are adequate and migrants are treated just like any other individual on a case to case basis. However, it has to be pointed out that from a methodological perspective that this lack of interest by the banks largely reflects the marginal position the majority of third country migrants. There is a minority of wealthy entrepreneurs, who are also users of financial services and enjoy, if not the most privileged, one of the most privileged, position in the financial and banking sector.

No research has been conducted on the subject and even migrant-support NGOs do not keep systematic data, as they are concerned with the immediate issues of the more basic coping such as migration status and residence, addressing employment, welfare, housing related problems and everyday survival.

E. Examples of good practices

In reality, no good practices have been located that meet the criteria set out by the Fundamental Rights Agency of the European Union, as follows:

- **Anti-discrimination:** Does the initiative target discrimination, either by attempting to change the attitudes or practices of those at risk of discriminating, or by empowering minorities to resist discrimination?
- **Sustainability:** Is the initiative more than just a 'one off' activity? Does it have the potential for continuing in the future, or being established in an organisation's routines?
- **Effectiveness and Impact:** Is there any evidence that the initiative has either a short term measurable output or a longer term impact?
- Does the initiative have the potential to be one that others can copy, and that can be transferred to other settings and/or Member States?
- **Review and assessment:** Does the initiative have review and assessment built into it?
- **Participation of beneficiaries:** Are beneficiaries and other stakeholders involved in the design, planning, evaluation, review, assessment and implementation?

In fact, the research has shown that most practices do not even meet some of the criteria. Given that no particular services are designed for and/or addressed to economic migrants, the following practices have been identified as either having the potential of developing into good practice or simply serving some of the needs of migrants:

1. An initiative is currently being discussed between the Pontian associations in Cyprus, who are in consultation with government officials and municipal councils to design a financial package whereby the government that would provide the banks with collateral so that Pontians residing in Cyprus will be able to obtain housing loans from banks as well as loans to start small businesses. The initiative is still at the stage of development and the model used in Greece for the same purpose will be utilised. When finally adopted, this initiative will enable the large community of Pontians to escape getthoisation and develop entrepreneurship / practice their skills instead of being under-occupied in low-skill and low-paid jobs. This initiative meets the criteria of: participation of beneficiaries (or at least their representative) in the design; transferability, as it can be used as a model for addressing the banking needs of other ethnic communities across Europe; sustainability if the measure becomes institutionalised; anti-discrimination as it attempts to tackle attitudes and practices that have so far marginalised and indirectly discriminated against Pontians. Once implemented, perhaps review and

assessment procedures will be instilled, however it should generally be noted that Cypriot institutions are not familiar with the concept of evaluation and assessment.

2. International payment services companies such as Western Union and Moneygram, whose clientele is mostly made up of migrants, make a conscious effort to attract migrant clients and to formulate their products to meet their needs. In particular, they promote their products in places frequented by migrants (municipal parks, church services on Sundays etc). They have flexible opening hours and those branches located in areas frequented by migrants are open on Sundays and holidays so as to serve migrants when the latter are off work. Moreover, they have developed an effective system of promotions by (a) offering cheaper prices for transferring funds to specific destinations such as the migrants' countries of origin; (b) they utilize migrants as "promoters", whose role is to provide information to potential customers in order to expand their cycle of business. Leaflets with information on their products are printed in English, Chinese and several Asiatic languages. Interestingly, there are no leaflets in European languages other than English. In terms of the criteria so as to constitute good practice, this practice is sustainable in that it is continuous and maximises business; it is effective as it has resulted in bringing a lot of foreign clientele for the international payment services companies and it is transferable to other contexts.
3. A practice followed by almost all banks is that statements of account and most banking products are available in English, owing more to Cyprus' tradition as an international banking centre rather than to any intention to serve the migrant community. Moreover, all banking personnel are fluent in English and well trained; many migrant interviewees have stated that they were treated politely by bank employees. This practice meets only the criteria of sustainability and transferability.

F. Conclusions & Recommendation

i. Conclusions

1. The precarious nature of the stay and work of third country nationals places them in a disadvantageous position vis-a-vis the banking system which is security-conscious and status-oriented. Such is the marginal position of economic migrants that banks and co-operatives tend to disregard their needs and often ignore their presence altogether. In spite of the large number of migrants in Cyprus, constituting up to 20% of the population, the relative volume of business they bring to the bank is minute in comparison with other corporate customers, a significant number of whom are themselves wealthy Third Country Nationals (e.g. Businessmen from the Ex Soviet Union)

2. Undocumented migrants are totally excluded from the banking system, as they are denied the chance to even open accounts. This exclusion marginalises them even more and opens them up to the possibility of exploitation by persons who profess to be in a position to illegally offer them unlicensed financial services (loans, money transfers, and savings). At times, the refusal to serve undocumented migrants takes more racist dimensions, as banking officials stereotype them as potential criminals (link with money laundering, drug trafficking etc).
3. There are no specialised packages designed for the needs of migrants, except for international payment services companies whose only service towards migrants is the quick transfer of money abroad.

ii. Recommendations

4. An institutionalised concerted response is needed, involving the state, public bodies such as the equality body, the central bank and the central co-operative bank, social partners and NGOs in order to establish a special regime governing the provision of banking and credit services to economic migrants, so that it will no longer be left to the banks whose bargaining power exceeds by far that of the target group. There must be a policy intervention to reduce the wide margin of discretion currently practiced by banks and remove all subjective criteria, which are essentially based on preconceived ideas, stereotypical assumptions and racial profiling.
5. A process of consultation must be held, facilitated by NGOs in order to determine the specific needs of various groups of economic migrants at the end of which banks should come up with specific solutions in various areas such as: savings, transfers abroad, payment of bills, short term credit, etc.
6. The issue as to whether a migrant has papers or not should not be a criterion for providing access to the banking system. Also, asylum seekers should be integrated into the banking system with facilities to suit their special needs. The requirement by banks that in order to open accounts, migrants must show an alien book, a valid visa, a letter from their employer stating their monthly salaries, is excessive and unnecessary, particularly when the applicants do not require credit facilities.
7. The initiative of the international payment services companies to print material in several languages, to disseminate it in places frequented by migrants using ethnic liaison officers for marketing should be followed by banks and co-operative institutions as well. Also, the initiative currently under formulation with regard to the Pontians, whereby the state offers collateral to banks in order for Pontians to be granted loans should be expanded also to other migrant communities with a settled presence in

Cyprus, including refugees and asylum seekers whose application was not examined within 12 months from submission.

8. Banks should take an active role in promoting the demarginalisation of economic migrants in collaboration with central government, municipal authorities, the Ombudsman / equality body etc by participating in inner-city regeneration programs and other community development initiatives. Moreover, specialised and individualised packages such as measures in support of schooling of migrant children, education and vocational training of migrants should be promoted / financed by banks and backed by the state.