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Meet Marios Skandalis: Successfully walking the crossroad of survival and extinction

Marios Skandalis, FCCA, CFE, CFC, FICA, FCG, Director of Compliance, Bank of Cyprus, Nicosia, Cyprus

Marios Skandalis was interviewed by Adam Turteltaub (adam.turteltaub@corporatecompliance.org), Vice President, Strategic Initiatives & International Programs at SCCE & HCCA.

AT: Let's start back a few years ago. Cyprus suffered a banking crisis of epic proportions. Can you start by giving an overview of what led to the crisis?

MS: Indeed, the Cyprus economy—and especially its banking sector—went through an unprecedented crisis back in 2013, both in terms of its magnitude as well as in terms of the immense measures introduced to address it.

The banking sector up until 2012 had grown in what many would call an unorthodox and uncontrollable way, reaching the size of eight times the country's gross domestic product! At the same time, it was exposed to comparatively large amounts of capital abroad and in operations in various jurisdictions outside the European Union. The absorption of large amounts of liquidity and capital from such operations combined with moderately stressed scenarios, as well as the moderate corporate governance frameworks in place, led to the events of 2013.

The extent of the crisis and the funding gap was such that the lenders (Troika)—the European Commission, the European Central Bank, and the International Monetary Fund—demanded that the second largest bank of the island, Cyprus Popular Bank (Laiki Bank), shut down while the largest bank of Cyprus, Bank of Cyprus, go through a bail-in process with a haircut of all of its depositors by nearly 50%!

At the same time, Troika signed a memorandum of understanding for the bailout of the Cyprus economy with immense restrictive measures and controls primarily governing the inefficient operation of the government sector and its poor administration.

AT: That must have been tremendously disruptive at the Bank of Cyprus, where you work. What did the bank do to get through this period?

MS: The year 2013 was a crossroad for Bank of Cyprus. It was a critical situation that required an uncompromising will, a holistic approach, and a collective effort by all stakeholders of the economy, rather than merely fixing an operational dysfunction.

It was a time when we all realized that unless we changed the way we behaved and did business—and be able to demonstrate clear results of this behavioral remediation—then we would certainly not regain the trust of our clients, shareholders, and other stakeholders and simply would not stand a chance of survival!

Our focus was to holistically enhance our compliance and overall governance frameworks, adhering not only to the letter of the law but to the best international standards and practices while focusing on delivering the desired results.

If excellence could not be reached, then it would be game over for Bank of Cyprus!

AT: From a financial perspective, things worked out well for the bank in the end. You were able to move through this and not just survive, but thrive.

MS: In adopting this new revolutionary framework that aimed not only for performance excellence but also for behavioral/cultural change, our bank has successfully gone through a three-phase evolution.