Chapter 24

Greece

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I. BANKING SYSTEM

II. AUTHORIZATION OF CREDIT INSTITUTIONS

III. REGULATION AND SUPERVISION OF BANKS

IV. REFORM AND RESTRUCTURING OF BANKING SYSTEM

I. BANKING SYSTEM

§ 24:1 Definition of "bank"

In Greece, the term "bank" is identical to the term "credit institution," which means "an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account" pursuant to Law Number 4261/2014 (the "Banking Law"), which transposed Directive 2013/36/EU and referred to in Regulation (EU) 575/2013.

§ 24:2 Types of banks

Usually, banks provide all banking activities as referred to below and most of them also provide investment services. Banks can be in the form of a *société anonyme* (the most common form), a cooperative society, a European company under Regulation (EC) 2157/2001, or a European cooperative society under Regulation (EC) 1435/2003. In Greece. there are nine banks established as a *société anonyme* and six established as cooperative banks. There also are institutions established under special regimes to perform certain banking and related activities:

1. The Bank of Greece is the Greek central bank, responsible for conducting monetary policy and, in the context of the Single Supervisory Mechanism, it is the national supervisor of the Greek financial system;[1]
2. The Consignment Deposits and Loans Fund is the public entity that supports regional development and keeps and manages specific deposits in accordance with the applicable law; and
3. The Hellenic Development Bank S.A. is a state-owned institution with the objective to support the Greek market

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[Section 24:2]

[1]The Bank of Greece also ensures price stability, supports the national economic policy, and supervises Greek credit institutions and insurance companies.

by cooperating with Greek banks and providing state guarantees or co-funding in loans to Greek enterprises.[2]

§ 24:3 Banking activities

The activities that a bank can perform are listed in article 11 of the Banking Law:

1. Taking deposits and other repayable funds;
2. Lending, including consumer credit, credit agreements relating to immovable property, factoring, with or without recourse, and financing of commercial transactions (including forfeiting);
3. Engaging in financial leasing;
4. Providing payment services;[1]
5. Issuing and administering other means of payment (e.g., traveler checks and bank drafts), insofar as such activity is not covered by item 4, above;
6. Issuing guarantees and commitments;
7. Trading for own account or for account of customers in money market instruments;
8. Executing foreign exchange;
9. Offering financial futures and options;
10. Offering exchange and interest-rate instruments;
11. Issuing transferable securities;
12. Participating in securities issues and the provision of services relating to such issues;
13. Providing advice to undertakings on capital structure, industrial strategy and related questions, and advice as well as services relating to mergers and the purchase of undertakings;
14. Engaging in money broking;
15. Providing portfolio management and advice;
16. Offering safekeeping and administration of securities;
17. Offering credit reference services;
18. Providing safe custody services;
19. Issuing electronic money; and
20. Providing investment services.[2]

In principle, Greek banks are not specialized in a particular

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[2]Law Number 3912/2011 and Law Number 4608/2019.

[Section 24:3]

[1]Directive (EU) 2015/2366, article 4(3).

[2]Directive 2014/65/EU.

type of business. A bank can perform one or more of the activities mentioned above according to its license. The four Greek system banks can perform all the activities mentioned above. Cooperative banks may perform the same activities, but only within the borders of a specific geographic region if they have been licensed as regional cooperative banks.[3]

§ 24:4 Ownership requirements

If an individual or legal entity intends to acquire, directly or indirectly, a holding in a Greek credit institution that reaches or exceeds 10 percent, 20 percent, two-thirds, or 50 percent of the credit institution's total share capital or voting rights, it must obtain prior written approval by the Bank of Greece. Prior to the acquisition, the proposed acquirer should the relevant fit and proper assessment documents. and the Bank of Greece should assess the proposed acquisition within 60 business days and grant its approval or oppose the proposed acquisition.[1]

More specifically, the Bank of Greece, taking into consideration the likely influence of the proposed acquirer, assesses the suitability of the proposed acquirer and the financial soundness of the proposed acquisition in order to ensure the sound and prudent management of the credit institution.[2] Furthermore, if a potential acquirer is about to reach or exceed five percent of a credit institution's total share capital or voting rights, it must notify the Bank of Greece, and the Bank of Greece will assess whether such holding will result in the holder getting significant influence over the target credit institution. In the affirmative, the Bank of Greece will require the fit and proper approval prior to exceed the five percent threshold. Prior written notice to the Bank of Greece also is required if a holder falls below 10 percent, 20 percent, one-third, or 50 percent of a credit institution's voting rights or share capital.[3]

§ 24:5 Other financial institutions

The Banking Law defines a financial institution as an undertak-

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[3]Higher initial capital requirements apply if the cooperative bank is active in border regions or, in particular, in the regions of Attica or Thessaloniki, in accordance with Act of the Governor of the Bank of Greece, Act Number 2471 of 10 April 2001.

[Section 24:4]

[1]Banking Law, article 23.

[2]Banking Law, article 24.

[3]Banking Law, article 23.

ing, other than a credit institution, an investment firm, or a holding company, the principle activity of which is to acquire holdings or pursue one more of the activities listed in items 2-12 and 15, above, including a financial holding company, a payment institution,[1] and an asset management company, but excluding insurance holding companies. The following institutions are deemed to be financial institutions and an authorisation is required to operate in Greece:

1. Leasing companies;
2. Factoring companies;
3. Credit servicing companies;
4. Credit provision companies;
5. Electronic money institutions;
6. Payment institutions;
7. Mutual fund management companies; and
8. Alternative investment fund management companies.

§ 24:6 Banks operating abroad

Greek Banks Operating Abroad

Within the European Economic Area (EEA), the principle of mutual recognition of licenses of credit institutions is applicable based on the freedom to provide services and the freedom of establishment via a branch. In accordance with this principle, a credit institution licensed in Greece can provide banking services in another EEA member state, following a simple registration procedure called an "EU Passport."

Therefore, for a Greek bank to perform banking activities in an EEA member state by establishing a branch or without a branch, it must notify its intention to the Bank of Greece together with the activities to be provided and, in the case of a branch, the program of operation, organisational structure, and responsible person who will oversee the business of the branch. The Bank of Greece sends this notification to competent authority of the host member state in which the bank wishes to provide services and, if there is no opposition by the Bank of Greece or the competent

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[Section 24:5]

[1]Directive (EU) 2015/2366, article (4).

authority of the host member state, the bank obtains the EU Passport and can start operating in the EEA member state.[1]

However, this is not applicable if a Greek bank wishes to perform activities in a non-EEA member state. In this case, and subject to the applicable laws of the host country, a Greek bank can establish a branch only if it obtains the prior approval of the Bank of Greece. For this purpose, it should inform the Bank of Greece about its program of operation of the new branch, a three-year business plan, and the organisational structure of the branch.[2]

Foreign Banks Operating in Greece

European Economic Area Banks. A bank licensed and operating in a member state of the EEA can provide banking services in Greece via the EU Passport process. For this purpose, the bank should notify its home regulator of its intention to provide banking services in Greece, indicating the activities to be provided in Greece and, in the case of establishing a branch, the branch's program of operations and organisational structure, the persons responsible for the branch's activities, and information regarding compensation schemes applicable in its home state.[3]

The regulator provides the Bank of Greece the above information and, unless there is an objection by the Greek or home regulators, the bank may carry out banking activities in Greece, covered by the EU Passport, in the same manner as the activities are carried out in its home state, subject to certain local rules on consumer and investor protection, local transparency rules preventing deceptive and misleading advertising, and other mandatory rules intended to protect the general public interest.

Non-European Economic Area Banks. If a bank from a non-EEA country wishes to provide banking services in Greece, it must establish a Greek branch, following authorisation by the Bank of Greece.[4] The Bank of Greece will examine the detailed program of operations, the organisational structure, and persons who will operate the business of the Greek branch.[5] The establishment of a branch requires payment of a deposit of at least €9-million, which is treated as the bank's own funds.

[Section 24:6]

[1]Banking Law, articles 33 and 38.

[2]Banking Law, article 36.

[3]Banking Law, articles 34 and 38.

[4]Banking Law, article 36.

[5]Bank of Greece Executive Committee Act Number 58/2016.

This minimum amount permits the establishment of up to four business units of the bank in Greece. To establish more than four business units, the bank shall be required to additional deposits until up to the amount required for establishing a Greek bank (€18-million).[6] The amount of own funds of the branches of credit institutions established in non-EEA countries may not fall below the appropriate initial capital. The own funds of a branch are calculated as if it were a Greek credit institution in accordance with Regulation (EU) 575/2013.[7]

Representative Office. The Banking Law provides the possibility to establish a representative office in Greece. Representative offices are business units that cannot provide regulated banking activities as referred to above, but they can perform exclusively one or more of the following activities:

1. Collecting and providing financial and business information on behalf of the headquarters, the branches, and the clients of the represented credit institution;
2. Taking initiatives for the cooperation between the represented credit institution and Greek companies in the financial sector and conducting research for the promotion of business activities by Greek or foreign agencies;
3. Representing the interests of the credit institution in Greece; and
4. Advertising and promoting products and services of credit institutions that provide services via an EU Passport.

A representative office is licensed by the Bank of Greece in accordance with the Bank of Greece Executive Committee Act Number 211 of 5 December 2005, following notification by the competent authority that supervises the bank that is about to establish the representative office in Greece. The notification includes basic information about the bank, including financial statements of the bank and designations of persons who will conduct the business of the representative office.

Reverse Solicitation. Although it is not explicitly provided by the Banking Law, it is recognized in legal theory and has been acknowledged by EU institutions and bodies[8] that, if a credit institution licensed in a non-EEA state provides banking services to a Greek client under this client's own initiative, a license by the Bank of Greece is not necessary (Reverse Solicitation Principle).

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[6]Banking Law, article 36.

[7]Bank of Greece Executive Committee Act Number 58/2016.

[8]Judgment of the Athens Court of Appeals 5659/2007.

II. AUTHORIZATION OF CREDIT INSTITUTIONS

§ 24:7 Licensing procedure

In General

The procedure pertaining to the granting of an establishment and operating license for a credit institution in Greece is regulated by the Banking Law. The Bank of Greece grants the authorisations for credit institutions and notifies every grant or revocation of a banking license to the European Banking Authority (EBA). However, according to Regulation (EU) 1024/2013 on Single Supervisory Mechanism (SSM) that has direct effect in the EU member states, effective from 4 November 2014, the authority for the issuance of banking licenses has been transferred to the European Central Bank.

For the European Central Bank to grant a license to an applicant credit institution, it assesses the organisational structure of the applicant, its business plan, its capital requirements, and the suitability of its main shareholders, the members of the board of directors, and the significant officers of the applicant.

Capital Requirements

Regulation (EU) 575/2013 and the Banking Law implementing the Basel III global regulatory standards on capital adequacy and liquidity provide the capital requirements for Greek credit institutions. The capital requirements aim to cover the credit institutions' exposure against credit risk, market risk, and operational risk. The basic rule is that credit institutions must maintain a minimum total capital ratio of eight percent, composed of a Common Equity Tier I (CET1) capital[1] ratio of 4.5 percent with the overall minimum Tier I capital ratio being six percent. The capital ratios are expressed as a percentage of the total risk exposure amount.[2] The European Central Bank or the Bank of Greece, as applicable, have additional discretion pursuant to their supervisory powers to further increase a bank's minimum capital if exposed to particular risks that justify a larger capital buffer.[3]

Except for the above capital ratios, the Banking Law requires a minimum paid-up initial capital equal to €18-million for a Greek

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[Section 24:7]

[1]Common Equity Tier 1 capital composed by the items and instruments are provided in detail under articles 26-31 of Regulation (EU) 575/2013.

[2]Regulation (EU) 575/2013, article 92, paragraph 1.

[3]Banking Law, article 96.

credit institution, €9-million for a branch of a credit institution authorised in a third country, and €6-million for a cooperative bank. The above thresholds may be adjusted by the competent authority to amounts of not less than €5-million.[4]

The European Central Bank and the Bank of Greece have adopted measures for temporary capital relief in the context of the initiatives to deal with the effects of the COVID-19 pandemic. One of the measures allows banks to partially use capital that is not normally included in CET1 (such as Additional Tier 1 and Tier 2 capital[5]) for measuring compliance with the capital requirements.

Organizational Structure

Chapter IV of the Banking Law requires the institutions to have robust governance arrangements, effective processes of risk monitoring and management, adequate internal control mechanisms, and remuneration policies and practices that are consistent with and promote sound and effective risk management.

The corporate governance regime also is set out in the Bank of Greece Governor's Act 2577/2006, as in force. Greek banks listed on the regulated market of the Athens Exchange, must also comply with the provisions of the Greek legal framework on corporate governance of listed companies, which was recently amended with the adoption of Law Number 4706/2020.[6]

§ 24:8 Fit and proper assessment

In General

Apart from the suitability requirements of significant shareholders analysed above, a credit institution must ensure that its management body and the significant officers are of sufficiently good repute and possess sufficient knowledge, skills, and experience to perform their duties.[1] The Bank of Greece requests from credit institutions specific information about their managers and

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[4]Banking Law, article 12.

[5]Tier 1 and Tier 2 capital composed by the items and instruments ae provided in detail under articles 51 et seq. and 62 et seq. of Regulation (EU) 575/2013, respectively.

[6]The majority of the corporate governance provisions of Law Number 4706/2020 were to enter into force in July 2021; until then, the provisions of Law Number 3016/2002 were to apply.

[Section 24:8]

[1]Banking Law, article 83.

significant officers in order to assess their suitability to operate the business of a credit institution.[2]

The European Central Bank and the Bank of Greece have extensive powers to require information and documents, in exercising their supervisory roles, both prior to the granting an authorisation and during the operation with regards to capital adequacy, solvency, liquidity, adequate transparency of the institutions, and their positions, especially by preventing any concentrations of risk, and ensuring compliance with applicable law.[3] The European Central Bank and the Bank of Greece are authorised to audit and inspect books and accounts of the credit institutions they supervise and may introduce or impose administrative sanctions or other measures on credit institutions that violate the Banking Law, Regulation (EU) 575/2013, or other applicable laws.[4]

Authorisation Revocation

In accordance with article 19 of the Banking Law, the authorisation of a bank may be revoked only if the bank:

1. Does not make use of the authorisation within 12 months, expressly renounces the authorization, or has ceased to engage in business for more than six months;
2. Has obtained the authorization through false statements or any other irregular means;
3. No longer fulfils the conditions under which the authorisation was granted;
4. No longer meets the prudential requirements set out in Regulation (EU) 575/2013 or the Banking Law or can no longer be relied upon to fulfil its obligations towards its creditors, and, in particular, no longer provides security for the assets entrusted to it by its depositors;
5. Falls within one of the other cases where national law provides for withdrawal of an authorisation;
6. Commits a breach relating to corporate governance, capital adequacy and reporting requirements;[5]
7. Is not able or eager to proceed to increase its own funds;
8. Obstructs the supervision exercised by the Bank of Greece;

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[2]Bank of Greece Executive Committee Act Number 142/2018.

[3]Banking Law, article 15.

[4]Articles 56-62 of the Banking Law provide for the powers to impose penalties, as well as criteria for the exercise of such powers.

[5]These breaches are provided in detail under article 59, paragraph 1, of the Banking Law.

9. Violates the provisions of laws related to the supervision or the activity of credit institutions or decisions of the Bank of Greece, to the extent that the solvency of the credit institution or, in general, the achievement of the objectives exercised by the Bank of Greek supervision may be endangered; or
10. If the laws, regulations, or administrative provisions of a third country governing one or more natural or legal persons with which the credit institution has close links, prevent the effective exercise of the Bank of Greece's or European Central Bank's supervisory powers or the structure of the credit institution has been changed in such a way as to impede the effective exercise of the Bank of Greece's or the European Central Bank's supervisory powers.

§ 24:9 Recovery and resolution—Liquidation

In General

A credit institution may not be declared bankrupt and no pre-bankruptcy resolution proceeding may be instituted against it, but it may be subject to the proceedings under Law Number 4335/2015 or to a special liquidation process that follows the revocation of its authorization.[1]

Instead of revoking a bank's authorisation, the supervising authority may implement resolution tools under Law Number 4335/2015, transposing into Greek law Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 "Establishing a framework for the Recovery and Resolution of credit institutions and investment firms," after consulting with the resolution authority, so long as:

1. It determines that the institution is failing or likely to fail;[2]
2. Having regard to timing and other relevant circumstances,

[Section 24:9]

[1]Banking Law, article 145, paragraph 1.

[2]An institution is deemed to be failing or likely to fail where: (a) the institution infringes or there are objective indications to support a determination that the institution will, in the near future, infringe the requirements for continuing authorization in a way that would justify the withdrawal of the authorization by the competent authority, including, but not limited to, because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds; (b) the assets of the institution are or there are objective indications to support a determination that the assets of the institution will, in the near future, be less than its liabilities; (c) the institution

there is no reasonable prospect that any alternative private sector measures or supervisory action, including early intervention measures or the write-down and/or conversion of relevant capital instruments taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe; and

3. A resolution action is necessary in the public interest if it is necessary for the achievement of and is proportionate to one or more of the resolution objectives set out in article 31 of Law Number 4335/2015 and the special liquidation of the institution under normal insolvency proceedings would not meet the resolution objectives to the same extent and would risk prolonged uncertainty or financial instability.

Law Number 4335/2015 regulates the recovery and resolution of the Greek banking institutions, working in parallel with Regulation (EU) 806/2014 on the Single Resolution Mechanism (SRM Regulation) since January 2016. Within the Single Resolution Mechanism, Directive 2014/59/EU and Regulation (EU) 806/2014 are complementary. Directive 2014/59/EU and Regulation (EU) 806/2014 enshrine in binding rules the bail-in and the "no creditor worse off" principles and introduce both "crisis prevention" and "crisis management" measures.

Directive 2014/59/EU provides uniform rules across the EU Single Market and Regulation (EU) 806/2014 sets out the institutional and funding architecture for applying those rules in the euro area, establishing a Single Resolution Board (SRB) and a Single Resolution Fund (SRF). Under Law Number 4335/2015, the Bank of Greece is appointed as the resolution authority at the national level, competent to perform resolution tools and mechanisms and exercise resolution powers. In parallel and in line with Regulation (EU) 806/2014, the Single Resolution Board,

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is or there are objective indications to support a determination that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due; or (d) where extraordinary public financial support is required except when, in order to remedy a serious disturbance in the national economy and preserve financial stability, the extraordinary public financial support takes any of the following forms: (i) a state guarantee for liquidity facilities provided by the central bank according to the central bank's conditions on its operation; (ii) a state guarantee for newly issued liabilities; or (iii) an injection of own funds or purchase of capital instruments at prices and on terms that do not confer an advantage upon the institution, where neither the circumstances referred to in point (a), (b), or (c), above, nor circumstances referred to in paragraphs 2 and 9 of article 59 of the Law Number 4335/2015 (i.e., when the institution is "healthy" and is not under insolvency or threat of insolvency) at the time of the grant of the state aid.

together with the European Council and, where relevant, the European Commission, replaced the Bank of Greece with respect to all aspects related to the resolution decision-making process regarding credit institutions supervised by European Central Bank or to be funded by the Single Resolution Fund while, operationally, the Single Resolution Board's decisions must be implemented in cooperation with the Bank of Greece.

Under Law Number 4335/2015, the resolution authority has the power to apply several resolution tools, without requiring the consent of shareholders or a third party or complying with any procedural requirements prescribed in corporate or securities laws.

Sale of Business Tool

Article 38 of Law Number 4335/2015 provides that the resolution authority may transfer to a purchaser, which is not a bridge institution, shares or other instruments of ownership issued by an institution under resolution, all or any assets of an institution under resolution, especially rights or liabilities as well as contractual relationships, meaning that the purchaser is submitted as a contracting party in the place of the institution under resolution. The transfer is conducted on commercial terms, taking into consideration the circumstances and in accordance with the EU framework on state aid.

Bridge Institution Tool

Article 40 of Law Number4335/2015 provides that the resolution authority may transfer to a bridge institution[3] shares or other instruments of ownership issued by one or more institutions under resolution; all or any assets of one or more institutions under resolution, especially rights or liabilities as well as contractual relationships.

Asset Separation Tool

Article 42 of Law Number 4335/2015[4] provides that the resolu-

[3]The bridge institution is a legal entity, which cumulatively fulfils the following requirements: (a) it is wholly or partially owned by the Resolution Scheme of the Hellenic Deposit and Investment Guarantee Fund (HDIGF), or by one or more public authorities, including the resolution authority, and is controlled by the resolution authority; and (b) is created for the purpose to acquire and maintain some or all shares, or other property titles issued by the institution under resolution, or some or all assets of one or more institutions under resolution, in order to secure all material operations and the sale of the institution.

[4]Transfer of assets through the asset separation tool may be effected by

tion authority may transfer assets, especially rights or liabilities as well as contractual relationships, of an institution under resolution or a bridge institution, to one or more asset management vehicles,[5] with the aim of maximising the assets' value through an eventual sale or liquidation.

Bail-in Tool

Article 43 of Law Number 4335/2015[6] provides that the resolution authority has the power to write down the capital instruments and/or claims of unsecured creditors of a failing institution and/or to convert such claims into equity. The tool can be used to recapitalise an institution that meets the resolution requirements to such an extent that will allow the restitution of its ability to comply with the requirements of its operating license, the continuation of the operations for which it has obtained a license, as well as the maintenance of sufficient market trust in it. The resolution authority may only use this measure where its application will restore the institution to financial soundness and long-term viability. In any other case, the resolution authority may implement any of the resolution measures above.

The resolution tools can be applied individually or in combination, with the exception of the asset separation tool, which must be applied in combination with other tools.[7] In applying the resolution tools, the resolution authority has a broad range of powers, including, indicatively, the power to take control of an institution under resolution and exercise all the rights and powers conferred upon the shareholders, other owners, and the management body

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the resolution authority only if: (a) the situation of the particular market for those assets is of such a nature that the liquidation of those assets under normal insolvency proceedings could have an adverse effect on one or more financial markets; (b) such a transfer is necessary to ensure the proper functioning of the institution under resolution or bridge institution; or (c) such a transfer is necessary to maximize liquidation proceeds.

[5]The asset management vehicle is the legal entity which cumulatively fulfils the following requirements: (a) is wholly or partially owned or controlled by one or more public authorities, including the resolution authority, and is controlled by the resolution authority; and (b) is created for the purpose to acquire some or all assets, rights, and obligations of one or more institutions under resolution or of a bridge institution.

[6]Several liabilities are excluded from the scope of the bail-in tool; for exclusions that may be applicable in the issue at stake please see below under III; in addition, in exceptional circumstances and under certain conditions, where the bail-in tool is applied, the resolution authority may exclude or partially exclude certain liabilities from the application of the write-down or conversion powers.

[7]Law Number 4335/2015, article 37.

of the institution under resolution and to require an institution under resolution or a relevant parent institution to issue new shares other capital instruments.

In the event of withdrawal of its authorisation, a credit institution must enter into a special liquidation process by a decision of the Bank of Greece.[8] During the liquidation process, a special liquidator (whether a natural or legal person) appointed by the Bank of Greece shall take over the credit institution's management.[9] As from the communication to the credit institution of the decision placing it under special liquidation, the credit institution may not accept deposits.

The Bank of Greece also may restrict other operations of the credit institution.[10] In addition, the financial instruments owned by the credit institution's customers, whether in physical or book-entry form and held, directly or indirectly, by the credit institution and in respect of which the customers' claims are verified by entries in the books and records of the credit institution or by any other written evidence, as well as the contents of safe deposit boxes, shall be separated from the credit institution's assets and be restored to their beneficiaries, unless they have been pledged, in which case they must be delivered to the pledgee, or the credit institution has an outstanding claim against the beneficiaries, in which case claims will be netted.[11] A credit institution also may voluntarily be placed under special liquidation.[12]

III. REGULATION AND SUPERVISION OF BANKS

§ 24:10 Banking supervision

The European Central Bank is exclusively competent to authorise and withdraw authorisations for credit institutions established in Greece and has assumed the prudential supervision of systemically significant[1] credit institutions. The European Central Bank supervision aims to ensure the robust governance

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[8]Banking Law, article 145 paragraph 1(b).

[9]Banking Law, article 145 paragraph 1(c).

[10]Banking Law, article 145 paragraph 1(e).

[11]Banking Law, article 145 paragraph 3.

[12]Law Number 3458/2006, article 12.

[Section 24:10]

[1]The distinction between banks that are systemically important and those that are not considered systemically significant is made based on certain criteria set out in SSM Regulation (EU) 1024/2013 and specified in Regulation (EU) 468/2014, which establishes the framework of cooperation between the European Central Bank, the competent national authorities and the designated national

arrangements and internal control mechanisms of such banking institutions, assesses notifications on the acquisition or disposal of qualifying holdings, imposes prudential requirements in the areas of own funds, liquidity, leverage risk, and remuneration policies and carries out reviews and stress tests. The European Central Bank exercises its tasks in cooperation with the Bank of Greece.

The Bank of Greece retains exclusive and direct supervisory authority over Greek credit institutions that are not considered systemically significant for the economy and the financial stability of the European Union and therefore do not fall within the scope of the SSM. Apart from the prudential supervision of the few remaining smaller Greek banks, the Bank of Greece remains competent for all banking institutions established or operating in Greece in the fields of prevention of the use of the financial system for the purpose of anti-money laundering and terrorist financing (AML) and consumer protection.

As to branches of credit institutions authorised in an EEA member state, the main supervision is performed by the competent authority of the home member state, and the Bank of Greece exercises supporting supervision.[2] For credit institutions authorised in an EEA member state and providing banking services in Greece without a branch, the main supervision is performed by the competent authority of home member state. However, if a credit institution that provides banking services in Greece with or without a branch violates the Banking Law or Regulation (EU) 575/2013 and the competent authority of the home member state has not taken sufficient measures to stop the violation or has not imposed appropriate sanctions, the Bank of Greece is able to impose sanctions.[3]

For branches of credit institutions authorised in a non-EEA

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authorities under the SSM Regulation. The European Central Bank can decide at any time to classify a bank as significant to ensure that high supervisory standards are applied consistently, based on the following criteria: (a) size—the total value of its assets exceeds €30-billion; (b) Economic importance—for the specific country or the EU economy as a whole; (c) crossborder activities – the total value of its assets exceeds €5-billion and the ratio of its cross-border assets/liabilities in more than one other participating member state to its total assets/liabilities is above 20 percent; (d) Direct public financial assistance—it has requested or received funding from the European Stability Mechanism or the European Financial Stability Facility. A supervised bank also can be considered significant if it is one of the three most significant banks established in a particular country.

[2]Banking Law, article 45.

[3]Banking Law, article 47.

state, the Bank of Greece has extensive supervisory authorities similar to those that it has over the domestic credit institutions.[4] In general, banking supervision is in accordance with the European common supervisory framework for all member states. Greece does not have significant bilateral or multilateral agreements aimed at achieving a consistent international position in banking regulation; these agreements are mainly concluded at a European level.

§ 24:11 Reporting obligations and accounting

Greek credit institutions have extensive reporting obligations to the Bank of Greece, as provided in Banking Law, Regulation (EU) 575/2013 and its implementing and delegated regulations, and the Bank of Greece Governor's Act Number 2651/ of 20 January 2012. The Bank of Greece Governor's Act Number 2651/ 20.1.2012 determines the periodic reporting requirements of credit institutions to the Bank of Greece, thus completing on a technical level the implementation of the Basel II and III bank supervision framework. Such reporting requirements include:

1. Capital structure, special participations, persons who have a special relationship with the credit institution and loans or other types of credit exposures that have been provided to such persons by the credit institution;
2. Own funds and capital adequacy ratios;
3. Credit risk, counterparty credit risk and delivery and settlement risk;
4. Market risk of the trading portfolio and foreign exchange risk;
5. Information on the composition of the credit institution's portfolio;
6. Operational risk;
7. Large exposures and concentration risk;
8. Liquidity risk;
9. Interbank market data;
10. Financial statements and other financial information;
11. Covered bonds;
12. Internal control systems;
13. Combating of money laundering and terrorism financing;
14. Provision of information concerning the risk assessment of money laundering and terrorist financing;
15. Information technology systems; and

[4]Bank of Greece Executive Committee Act Number. 58 of 18 January 2016.

16. Provision of other information.

Credit institutions submit to the Bank of Greece regulatory reports at both individual and group level in accordance with applicable law.

The credit institutions are drafting their financial statements according to the International Financial Reporting Standards. Apart from certain specific reports required to be filed by the auditors to the Bank of Greece, there are no other provisions and obligations related to the auditors and accountants of the credit institutions.

§ 24:12 Banking corporate transformations

Mergers of banks with other entities are subject to the prior approval of the Bank of Greece. The Bank of Greece may not grant such approval if the merger would result in the management, accounting or the internal audit processes of the bank [risk of] becoming inadequate or if the principles and regulations governing the supervision of banks, especially in relation to risk concentration or capital adequacy, are not met or risk to be jeopardized. Existing authorizations are ipso jure transferred to the absorbing entity or the acquirer or the newly incorporated entity, unless otherwise provided in the approval of the Bank of Greece.[1]

Prior approval by the Bank of Greece also is required in the event of a division of a credit institution and an acquisition of a business unit or part of the business or branch(es) of an operating bank by another operating bank, if such division or acquisition results in an increase of the assets of the beneficiary credit institution by 10 percent or more or an increase in the total number of branches and vaults. Similarly, the prior approval of the Bank of Greece is required when a Greek branch of a foreign bank is transformed into a credit institution established in Greece or in case of transfer of such a branch to a credit institution. The general provisions regulating corporate transformations also apply to banking corporate transformations, while Law Number 2515/1997 provides for certain preferential tax and accounting treatments in banking corporate transformations as well as for certain simplifications in the relevant procedures.

§ 24:13 Protection of primary residence

At the beginning of the financial crisis, a special standstill

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[Section 24:12]

[1]Law Number 2515/1997, article 16.

regime for indebted individuals came into force by virtue of Law Number 3869/2010 (the "Katseli's Law"). The Law aimed at protecting over-indebted debtors and blocking enforcement against primary residences.[1]

The protections were used by many debtors—sometimes abusively—to obtain standstills on enforcement of mostly banking debts and created a huge backlog in the courts. Law Number 3869/2010 was repealed on 28 February 2019, and a new framework under Law Number 4605/2019 was enacted. The new framework limits the possibilities for abusive use and subsidizes repayment of loans with mortgages on primary residence in order to facilitate a debtor to keep its primary residence. The Law was to be replaced at the end of July 2021 by a new bankruptcy code that will stop the special protection of the primary residence in most of the cases but provides an alternative approach to the repayment of debts. Enforcement against real estate assets (including primary residence) was to be freely allowed and then the debtor would have the option to rent its primary residence and to purchase it back after 12 years at the price at which it was auctioned.[2]

IV. REFORM AND RESTRUCTURING OF BANKING SYSTEM

§ 24:14 In general

A major restructuring of the banking sector took place in Greece from 2010 to 2018, in the context of the three Economic Adjustment Programmes (EAPs) implemented in Greece, aiming at stabilising the financial sector in the short-term and restoring growth prospects and Greece's capacity to finance itself fully in the financial markets (fiscal sustainability) in the medium and long run.

Part of the reform was establishment of the Hellenic Financial Stability Fund (HFSF) by Law Number 3864/2010. HFSF was established as a private law entity and enjoys administrative and economic independence. It was established with the objective to contribute to the maintenance of the stability of the Greek banking system, for the sake of public interest. In pursuing this objective, HFSF is entitled to provide capital support to credit institutions according to Law Number 3864/2010 and in compliance

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[Section 24:13]

[1]Law Number 3869/2010, article 9.

[2]Law Number 4738/2020, articles 217 *et seq*.

with the EU state aid rules; it also monitors and assesses how credit institutions, to which capital support is provided by HFSF, comply with their restructuring plans. HFSF exercises its shareholding rights deriving from its participation in the credit institutions to which capital support is provided by HFSF, as these rights are defined in Law Number 3864/2010 and in the relationship framework agreements entered into with the credit institutions. It also provides loans to the Hellenic Deposit and Investment Guarantee Fund (HDIGF) for resolution purposes.[1] HFSF also facilitates the management of the non-performing loans of the credit institutions.

HFSF participated in the share capital increases of the four systemic banks that took place in 2013 and the share capital increases of National Bank of Greece S.A. and Piraeus Bank S.A. that took place in December 2015. Its holding in the four Greek systemic credit institutions is: 61.34 percent in Piraeus Financial Holdings S.A.,[2] 1.4 percent in Eurobank Holdings S.A.,[3] 11.01 percent in Alpha Bank S.A., and 40.39 percent in National Bank of Greece S.A. It has one member on the board of directors of each systemic credit institution.

HFSF's duration, following extensions, expires on 31 December 2022 and may be further extended by decisions of the Minister of Finance, if deemed necessary. Following successful completion of the bank restructuring plans, HFSF is gradually moving to the next phase by separating from the four systemic banks, according to its divestment strategy, as an active shareholder of the banks.[4]

Reforms in the banking system in recent years focus on the effort to reduce the high non-performing loan (NPL) stock of Greek credit institutions, which, at end-September 2020, amounted to €58.7-billion, down by 14.3 percent from end-2019 (€68.5-billion).[5] Law Number 4354/2015 opened the way for development of a secondary market for non-performing loans with a view not only to stabilize the banking sector, by providing immediate liquidity to credit institutions, but also to help defaulting borrowers to

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[Section 24:14]

[1]Law Number 3864/2010, article 16.

[2]Piraeus Financial Holdings S.A. is the sole shareholder of Piraeus Bank S.A.

[3]Eurobank Holdings S.A. is the sole shareholder of Eurobank S.A.

[4]HFSF Strategy 2021-2022, January 2021, see https://www.hfsf.gr.

[5]Bank of Greece, Financial Stability Review, January 2021, See https://www.bankofgreece.gr/ekdoseis-ereyna/ekdoseis/ekthesh-xrhmatopistwtikhs-statherothtas.

restructure their debts in a more efficient way.[6] Law Number 4354/2015, complemented by decisions of the Bank of Greece,[7] sets out the minimum requirements for the establishment, operation and supervision of the NPL management and NPL acquiring companies in Greece, as well as the requirements and the minimum content of the relevant management or transfer agreements.

More recently, the Hellenic Asset Protection Scheme the "Hercules scheme" was introduced by Law Number 4649/2019. The Hercules scheme is designed to assist credit institutions in securitizing non-performing exposures (NPEs) and moving them out of their balance-sheets.[8] Under the scheme, an individually managed, private securitization vehicle buys non-performing exposures from the bank and issues notes to investors. The Greek state provides a guarantee for the senior, less-risky notes of the securitization vehicle, subject to a minimum BB—rating. In exchange for the guarantee, the Greek state receives a commission at market terms. The commission is defined by a ministerial decision based on the level and duration of the risk undertaken by the Greek state through its guarantee.

The guarantees provided under the Hercules scheme may not exceed a maximum aggregate amount of €12-billion, which can be increased in the future by a decision of the Ministry of Finance. The deadline for a request of a guarantee by the Greek state under the Hercules scheme was to expire in April 2021 and the Greek government has already expressed its intention to extend its duration and introduce certain amendments to the scheme to facilitate credit institutions in addressing non-performing exposures.

All four Greek systemic institutions have made use of the Hercules scheme. Three (Eurobank S.A., Piraeus Bank S.A., and Alpha Bank S.A.) combined securitizations under the "Hercules" scheme with corporate transformations that resulted in the establishment of new banks that replaced all assets and liabilities of the sector of banking activity of the demerged entity, aiming at

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[6]Law Number 4354/2015 was adopted in compliance with the Greek state's commitments under the Third Economic Adjustment Program.

[7]Act Number 118/2017, as amended, specifies the process and requirements for licensing NPL management companies.

[8]The Hercules scheme provisions apply to securitization of Greek bank claims effected in accordance with Law Number 3156/2003 (the "Securitization Law").

improving its financial structure through reduction of non-performing exposures.[9]

In parallel, in September 2020 the Bank of Greece submitted a proposal to the government for the creation of an Asset Management Company (AMC), a central scheme, with the cooperation of the private and the public sector, to undertake the management of a substantial share of NPLs, while the proposal also addresses the issue of deferred tax credits (DTCs).[10] The proposal has not been adopted so far.

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[9]Alpha Bank S.A.'s process has not been not been completed at publication.

[10]Bank of Greece, Interim Report on Monetary Policy 2020, available at https://www.bankofgreece.gr/Publications/Inter_NomPol2020.pdf.