

Chapter 24

Greece

Elli Anastopoulou, Anastasios Charalampous and Elena Theocharakou

Potamitis Vekris

Athens, Greece

I. BANKING SYSTEM

- § 24:1 Definition of “bank”
- § 24:2 Types of banks
- § 24:3 Banking activities
- § 24:4 Ownership requirements
- § 24:5 Other financial institutions
- § 24:6 Banks operating abroad

II. AUTHORIZATION OF CREDIT INSTITUTIONS

- § 24:7 Licensing procedure
- § 24:8 Fit and proper assessment
- § 24:9 Recovery and resolution—Liquidation

III. REGULATION AND SUPERVISION OF BANKS

- § 24:10 Banking supervision
- § 24:11 Reporting obligations and accounting
- § 24:12 Banking corporate transformations
- § 24:13 Protection of primary residence

IV. REFORM AND RESTRUCTURING OF BANKING SYSTEM

- § 24:14 In general

I. BANKING SYSTEM

§ 24:1 Definition of “bank”

In Greece, pursuant to Law Number 4261/2014 (the “Banking

Law”), which transposed Directive 2013/36/EU, the term “bank” is identical to the term “credit institution,” as referred to in article 4, paragraph 1, point 1 of Regulation (EU) 575/2013, and means “an undertaking the business of which” consists of any of the following:

1. To take deposits or other repayable funds from the public and to grant credits for its own account; and
2. To carry out any of the activities referred to in points (3) and (6) of section A of Annex I to Directive 2014/65/EU, but the undertaking is not a commodity and emission allowance dealer, a collective investment undertaking, or an insurance undertaking.¹

§ 24:2 Types of banks

Usually, banks provide all banking activities as referred to in section 24:3 below, including, in most cases, the investment services described therein. Furthermore, they also usually provide insurance distribution services in accordance with Law Number 4583/2018, which transposed Directive 2016/97/EU. Banks can be incorporated in the legal form of a *société anonyme* (the most common legal form), a cooperative society, a European company under Regulation (EC) 2157/2001, or a European cooperative society under Regulation (EC) 1435/2003. Among the banks

[Section 24:1]

¹Provided in this case that one of the following applies:

- (i) The total value of the consolidated assets of the undertaking is equal to or exceeds EUR 30-billion;
- (ii) the total value of the assets of the undertaking is less than EUR 30-billion, and the undertaking is part of a group in which the total value of the consolidated assets of all undertakings in that group that individually have total assets of less than EUR 30-billion and that carry out any of the activities referred to in points (3) and (6) of section A of Annex I to Directive 2014/65/EU is equal to or exceeds EUR 30-billion; or
- (iii) the total value of the assets of the undertaking is less than EUR 30-billion, and the undertaking is part of a group in which the total value of the consolidated assets of all undertakings in the group that carry out any of the activities referred to in points (3) and (6) of section A of Annex I to Directive 2014/65/EU is equal to or exceeds EUR 30-billion, where the consolidating supervisor, in consultation with the supervisory college, so decides in order to address potential risks of circumvention and potential risks for the financial stability of the European Union. For the purposes of points (ii) and (iii), where the undertaking is part of a third-country group, the total assets of each branch of the third-country group authorized in the European Union shall be included in the combined total value of the assets of all undertakings in the group.

established in Greece, nine of them are established as a *société anonyme* (out of which two have their shares listed on the Athens Exchange) whereas six are established as cooperative banks. There also are institutions established under special regimes to perform certain banking and related activities, namely:

1. The Bank of Greece is the Greek central bank. In the context of the European System of Central Banks, the Bank of Greece is responsible for contributing to the objectives of the Eurosystem and the performance of the Eurosystem tasks, including preserving price stability and implementing the monetary policy of the euro area. In the context of the Single Supervisory Mechanism, the Bank of Greece is entrusted with direct prudential supervision over less significant Greek banks;¹
2. The Consignment Deposits and Loans Fund is a financial institution incorporated under public law. Its purpose is to serve the general public and social interest, to support regional development, and to keep and manage specific deposits in accordance with the applicable law; and
3. The Hellenic Development Bank S.A. (the “HDB”)² is the successor of the Hellenic Fund for Entrepreneurship and Development (ETEAN S.A.).³ HBD is a financial institution fully owned by the Greek state with the objective to support the Greek market by cooperating with Greek banks and providing state guarantees or co-funding in loans to Greek micro, small, and medium-size enterprises.⁴

§ 24:3 Banking activities

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

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;

[Section 24:2]

¹The Bank of Greece also supports the national economic policy and supervises Greek insurance companies.

²Established by Law Number 4608/2019.

³Established by Law Number 3912/2011.

⁴Law Number 3912/2011 and Law Number 4608/2019.

4. Providing payment services;¹
5. Issuing and administering other means of payment (e.g., traveller's 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 type of business. A bank can perform one or more of the activities mentioned above according to its license. The four Greek systemic banks can perform all the activities mentioned above, as well as the activity of insurance distribution as registered insurance intermediaries pursuant to the provisions of Law Number 4583/2018. Cooperative banks may perform the same activities (including insurance distribution for most of them), but only within the borders of a specific geographic region if they have been licensed as regional cooperative banks.³

[Section 24:3]

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

²Directive 2014/65/EU.

³Higher 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 Number 2471 of 10 April 2001.

§ 24:4 Ownership requirements

It is noted from the outset that the approval of the acquisition of qualifying holdings or proposed further increases of qualifying holdings fall under the so-called “common procedures”¹ for which the European Central Bank is exclusively competent, regardless of whether the credit institution is classified as significant or less significant. The Bank of Greece performs the initial assessment and prepares a draft proposal to the European Central Bank. In cooperation with the Bank of Greece, the European Central Bank performs its own assessment and then notifies the proposed acquirer and the Bank of Greece about the outcome of the assessment.²

If an individual or legal entity intends to acquire, directly or indirectly, (1) a qualifying holding in a Greek credit institution, that is a direct or indirect holding which represents 10 percent or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that credit institution; or (2) to further increase, directly or indirectly, such a qualifying holding as a result of which the proportion of the voting rights or of the capital held would reach or exceed 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 supervisor. Prior to the acquisition, the proposed acquirer should furnish the relevant fit and proper assessment documents, and the Bank of Greece, in cooperation with the European Central Bank in the context of the Single Supervisory Mechanism (as explained below), should assess the proposed acquisition within 60 business days and grant its approval or oppose the proposed acquisition.³

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

[Section 24:4]

¹I.e., the licensing of banks, withdrawal of banking licenses and authorization of acquisitions of qualifying holdings in banks.

²Council Regulation (EU) Number 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (SSMR), articles 4(1)(c) and 15, and Regulation (EU) Number 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSMFR), articles 85–88.

³Banking Law, articles 3(33) and 23.

the proposed acquisition in order to ensure the sound and prudent management of the credit institution, and proposes a draft decision to the European Central Bank to oppose or not to oppose to the acquisition.⁴

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 within five business days 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 proposed holder to undergo a fit and proper approval prior to exceeding the five percent threshold.⁵

Prior written notice to the Bank of Greece is also required if any natural or legal person has decided to dispose, directly or indirectly, of a qualifying holding (i.e., 10 percent of the capital or of the voting rights) or has decided to reduce its qualifying holding so that the proportion of the voting rights or of the capital held would fall below 20 percent, one-third, or 50 percent.⁶

§ 24:5 Other financial institutions

The Banking Law defines a financial institution as an undertaking, other than a credit institution, an investment firm, or a holding company, the principal activity of which is to acquire holdings or pursue one more of the activities listed in items 2-12 and 15, mentioned under section 24:3 above, including a financial holding company, a payment institution,¹ and an asset management company, but excluding insurance holding companies. The following institutions are considered to be financial institutions whose operation in Greece is subject to prior authorization:

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.

⁴Banking Law, article 24.

⁵Banking Law, article 23.

⁶Banking Law, article 26.

[Section 24:5]

¹Directive 2015/2366/EU4.

§ 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 EU primary law's 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 "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 in that EEA member state (the "host member state") and, in the case a branch is established, it must further provide to the Bank of Greece the program of operation, the organizational structure, and person responsible who will oversee the business of the branch.¹ The Bank of Greece sends this notification to the 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 authority of the host member state, the bank obtains the EU Passport and can start operating in the EEA member state.²

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.³

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 member state's regulator of its intention to provide banking services in Greece, indicating the activities to be provided in Greece and, in the case of establishing

[Section 24:6]

¹Banking Law, article 33.

²Banking Law, articles 33 and 38.

³Banking Law, article 36.

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 member state.⁴

The regulator of the home member state provides the Bank of Greece with the above information and, unless there is an objection by the Greek regulator or the regulator of the home member state, 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 member 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.⁵ 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.⁶ The establishment of a branch requires payment of a deposit of at least €9-million, which is treated as the bank's own funds.

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).⁷ 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) 575/2013.⁸

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 under section 24:3 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;

⁴Banking Law, articles 34 and 38.

⁵Banking Law, article 36.

⁶Bank of Greece Executive Committee Act Number 58 of 18 January 2016.

⁷Banking Law, article 36.

⁸Bank of Greece Executive Committee Act Number 58 of 18 January 2016.

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 that, if a credit institution licensed in a non-EEA state provides banking services to a Greek client under this client's own initiative, an authorization by the Bank of Greece is not necessary (Reverse Solicitation Principle).

II. AUTHORIZATION OF CREDIT INSTITUTIONS

§ 24:7 Licensing procedure

In General

The procedure pertaining to the establishment and granting of an operating license for a credit institution in Greece is regulated by the Banking Law.¹ The Bank of Greece grants the authorizations 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 the 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 which is the competent authority for banking authorizations for both significant and less significant credit institutions under the common procedures.

[Section 24:7]

¹Further specified in the Bank of Greece Executive Committee Act 142 of 11 June 2018 (as amended by Executive Committee Act 178/4 of 2 October 2020) and Banking and Credit Committee Decision 211 of 5 December 2005.

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. Under Pillar I capital requirements, the basic rule is that credit institutions must maintain a minimum total capital ratio of eight percent, composed of minimum two percent Tier 2 capital and of minimum six percent Tier 1 capital of which a minimum of 4.5 percent constitutes Common Equity Tier I (CET1) capital and a minimum of 1.5 percent constitutes Additional Tier 1 capital.² The capital ratios are expressed as a percentage of the total risk exposure amount.³ The European Central Bank or the Bank of Greece, as applicable, have discretion pursuant to their supervisory powers to further increase a bank's minimum capital requirements if said bank is exposed to particular risks that justify a larger capital buffer.⁴ In addition to Pillar I capital requirements, banks are expected to comply with Pillar II capital requirements and also to follow the Pillar II Guidance issued by the European Central Bank.

Except for the above capital ratios, the Banking Law requires a minimum paid-up initial capital equal to €18-million for a Greek 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.⁵

The European Central Bank and the Bank of Greece have adopted measures for temporary capital and leverage relief in the context of the initiatives to deal with the effects of the COVID-19 pandemic. The measures are gradually lifted and most of them are expected to have expired by the end of 2022.

²Common Equity Tier 1 capital is composed of the items and instruments provided in detail under articles 26–31 of Regulation (EU) 575/2013.

³Regulation (EU) 575/2013, article 92, paragraph 1.

⁴Banking Law, article 96A.

⁵Banking Law, article 12 and Council Regulation (EU) Number 1024/2013, article 16(2)(a).

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 shareholders with qualifying holdings 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 significant officers (i.e., heads of critical functions within the credit institutions) 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 of an authorization and during the operation with regards to capital adequacy, solvency, liquidity, adequate transparency of the credit 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

⁶The majority of the corporate governance provisions of Law Number 4706/2020 entered into force in July 2021; until then, the provisions of Law Number 3016/2002 were applicable.

[Section 24:8]

¹Banking Law, article 83.

²Bank of Greece Executive Committee Act Number 142 of 11 June 2018.

³Banking Law, article 15.

that violate the Banking Law, Regulation (EU) 575/2013, or other applicable laws.⁴

Authorization Revocation

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

1. Does not make use of the authorization 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 authorization;
6. Commits a breach relating to corporate governance, capital adequacy and reporting requirements;⁵
7. Is unable or refuses to proceed to increase its own funds;
8. Obstructs the supervision exercised by the Bank of Greece;
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.

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

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

§ 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, transposing into Greek law Directive 2014/59/EU (BRRD),¹ or to a special liquidation process (provided for in the Banking Law) that follows the revocation of its authorization.²

Instead of revoking a bank's authorization, the Bank of Greece in its capacity as resolution authority and without prejudice to the powers of the Single Resolution Board in the context of the European Banking Union, may implement resolution tools under Law Number 4335/2015, after consulting with the supervisory authority, so long as:

1. The supervisory authority in consultation with the resolution authority determines that the institution is failing or likely to fail;³
2. Having regard to timing and other relevant circumstances,

[Section 24:9]

¹Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 “[e]stablishing a framework for the Recovery and Resolution of credit institutions and investment firms.”

²Banking Law, article 145, paragraph 1.

³An 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 authorizations 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 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.

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 tool and the “no creditor worse off” principle 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, 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 significant credit institutions which are thus supervised by the European Central Bank and 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 Number 4335/2015 provides that the resolution authority may transfer to a bridge institution⁴ 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 4335/2015⁵ provides that the resolution 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,⁶ with the aim of maximising the assets' value through an eventual sale or liquidation.

⁴The 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.

⁵Transfer of assets through the asset separation tool may be effected by 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.

⁶The 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

Bail-in Tool

Article 43 of Law Number 4335/2015⁷ 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.⁸ 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 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.⁹ 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.¹⁰ 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

some or all assets, rights, and obligations of one or more institutions under resolution or of a bridge institution.

⁷Several 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.

⁸Law Number 4335/2015, article 37(3).

⁹Banking Law, article 145 paragraph 1(b).

¹⁰Banking Law, article 145 paragraph 1(c).

credit institution.¹¹ 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.¹² A credit institution also may voluntarily be placed under special liquidation.¹³

III. REGULATION AND SUPERVISION OF BANKS

§ 24:10 Banking supervision

The European Central Bank is exclusively competent to authorize and withdraw authorizations for all credit institutions established in Greece under the common procedures within the Single Supervisory Mechanism and has assumed the prudential supervision of systemically significant¹ credit institutions. The European Central Bank supervision aims to ensure the robust governance arrangements and internal control mechanisms of such banking institutions, assesses notifications on the acquisition or disposal of qualifying holdings, imposes prudential

¹¹Banking Law, article 145 paragraph 1(e).

¹²Banking Law, article 145 paragraph 3.

¹³Law Number 3458/2006, article 12.

[Section 24:10]

¹The 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 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) cross-border 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.

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 of cooperation with the Bank of Greece based on the allocation of tasks and powers established under the Single Supervisory Mechanism Regulation.

The Bank of Greece exercises 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 are not subject to the direct supervision of the European Central Bank. 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 cease the violation or has not imposed appropriate sanctions, the Bank of Greece is able to impose sanctions, after having informed the competent authority of the home member state.³

For branches of credit institutions authorised in a non-EEA 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.

²Banking Law, article 45.

³Banking Law, article 47.

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

§ 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 of 20 January 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, amongst others:

1. Shareholders' 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; and
14. Information technology systems.

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 is also 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 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 protection scheme of the Katseli’s Law has been used by many debtors—sometimes abusively—to obtain standstills on enforcement of mostly banking debts and created a huge backlog in the courts. Some of the provisions of the Katseli’s Law were 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 subsidises repayment of loans with mortgages on pri-

[Section 24:12]

¹Law Number 2515/1997, article 16.

[Section 24:13]

¹Katseli’s Law, article 9.

mary residence in order to facilitate a debtor to keep its primary residence. Law Number 4605/2019 had a limited duration which expired on 31 July 2020. The Katseli's Law was replaced at the end of July 2021 by a new bankruptcy code in which new applications for the protection scheme of the Katseli's Law are no longer possible. The new bankruptcy code effectively ceased 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 the establishment of the Hellenic Financial Stability Fund (HFSF) by Law Number 3864/2010 (the "HFSF Law"). 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:

1. Provides capital support to credit institutions according to HFSF Law and in compliance with the EU state aid rules;
2. Monitors and assesses how credit institutions, to which capital support is provided by HFSF, comply with their restructuring plans;
3. 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 the HFSF Law and in the relationship framework agreements entered into with the credit institutions;
4. Disposes in whole or partial financial instruments issued

²Law Number 4738/2020 (new bankruptcy code), articles 217 *et seq.*

- by credit institutions in which HFSF is a shareholder, under the conditions set out in article 8 of the HFSF Law;
5. Provides loans to the Hellenic Deposit and Investment Guarantee Fund (HDIGF) for resolution purposes;
 6. Facilitates the management of non-performing loans of credit institutions;
 7. Enters into a relationship framework agreement or amends the existing relationship framework agreement with all credit institutions that are or have been beneficiaries of financial assistance by the European Financial Stability (EFSF) and the European Stability Mechanism (ESM), in order to ensure the implementation of HFSF's objectives and rights, as long as the HFSF holds shares or other capital instruments in such credit institutions or monitors the restructuring plan of such credit institutions;
 8. Exercises its shareholding rights deriving from the transfer to it of the common shares or cooperative shares in credit institutions, according to the last subparagraph of paragraph 6 of article 27A of Law Number 4172/2013 (the "DTC Law"), as these rights are defined in the HFSF Law and in the relationship framework agreements of the previous subparagraph (7.), in compliance with the rules of prudent management of the assets of the HFSF and in line with the EU state aid rules;
 9. Exercises the voting rights deriving from the participation of governmental entities in the share capital of credit institutions, which is assigned to it either by virtue of legislative or regulatory provisions, or by virtue of decisions of each time competent administrative bodies of the said entities, according to the HFSF Law and special agreements entered into with the above entities for this purpose;
 10. Exercises its rights deriving from the HFSF Law in an absorbing or demerged entity, which emerged pursuant to a corporate transformation of Law Number 4601/2019 of a credit institution to which the HFSF has provided capital support, in which entity it participates as a result of such corporate transformation; and
 11. Exercises the special rights of article 10 of the HFSF Law and those stemming from the relationship framework agreement in the beneficiary credit institution which emerged further to the transfer of the banking sector, via partial demerger or spin off, in the context of a corporate transformation pursuant to Law Number 4601/2019 of the

credit institution that has received capital support from the HFSF.

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. 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.¹ In this regard, HFSF participated through the exercise of its pre-emptive rights in the share capital increases of the parent companies of Piraeus Bank S.A. and Alpha Bank S.A. that have ensued following the corporate transformation of such credit institutions and took place in the ordinary course. As of April 2022, its holding in the four Greek systemic credit institutions that have previously received capital support by the HFSF is: 27.00 percent in Piraeus Financial Holdings S.A.,² 1.4 percent in Eurobank Holdings S.A.,³ 9.00 percent in Alpha Services and Holdings S.A.,⁴ 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. Furthermore, HFSF has appointed one member in the Board of Directors of Attica Bank S.A., a less significant credit institution, in which the HFSF became a shareholder following the automatic transfer to it of common shares that resulted from the conversion of warrants issued by Attica Bank S.A. and held by the Greek State pursuant to the provisions of the DTC Law.⁵

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.

On 29 April 2022, a new bill for the amendment of the HFSF Law was put on public consultation. Among other provisions, the new bill provides for the extension of HFSF's duration until 31 December 2025; it also introduces certain amendments purporting to update HFSF's operation framework and facilitate the ef-

[Section 24:14]

¹HFSF Strategy 2021-2022, January 2021, *please see*: <https://www.hfsf.gr>.

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

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

⁴Alpha Services and Holdings S.A. is the sole shareholder of Alpha Bank S.A.

⁵As of April 2022, HFSF's holding in Attica Bank S.A. is 62.93 percent.

fective implementation of its divestment strategy, through the disposal of its holdings in Greek banks.⁶

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, as of December 2021, amounted to €18.4-billion, compared to €47.2 billion during December 2020.⁷ 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 restructure their debts in a more efficient way.⁸ Law Number 4354/2015, complemented by decisions of the Bank of Greece,⁹ 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.¹⁰ 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.

Since the beginning of the Hercules scheme, the Greek State has committed an overall notional amount of guarantees amounting to €24 billion, which can be increased in the future by a decision of the Ministry of Finance. The deadline for a request of a

⁶The new bill will remain under public consultation until 13 May 2022.

⁷Bank of Greece, Evolution of loans and non-performing loans, *please see*: <https://www.bankofgreece.gr/en/statistics/evolution-of-loans-and-non-performing-loans>.

⁸Law Number 4354/2015 was adopted in compliance with the Greek state’s commitments under the Third Economic Adjustment Program.

⁹Executive Committee Act Number 118 of 19 May 2017, as amended, specifies the process and requirements for licensing NPL management companies.

¹⁰The Hercules scheme provisions apply to securitization of Greek bank claims effected in accordance with Law Number 3156/2003 (the “Securitization Law”).

guarantee by the Greek state under the Hercules scheme was initially to expire in April 2021 and the Greek government has already prolonged its duration for an 18-month period, i.e., until October 2022, whereas the European Commission has also provided its approval for the prolongation of the Hercules scheme as no-state aid guarantee scheme.¹¹

All four Greek systemic credit institutions have made use of the Hercules scheme. Three of them (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 to which all assets and liabilities of the sector of banking activity of the demerged entity were contributed, aiming at improving its financial structure through reduction of non-performing exposures.

¹¹C (2021) 2545 final, 9 April 2021.