Greece

Country Guides: Securities and Banking

Last updated May 15, 2012

The Bank of Greece is Greece's central bank and is responsible for the overview and supervision of the banking system. The Bank of Greece was founded in 1927 and started operating in May 1928. It is a member of the European Central Bank (ECB) and the European System of Central Banks (ESCB). The operation of the Bank of Greece is governed by its statute ("Katastatiko"), which was ratified by Law no. 3424/7.12.1927 (published in the government gazette issue A 298) and codified by Presidential Decree 21/22.08.1931 (Government Gazette issue A 287).

Since then it has been amended by various resolutions of the general assembly, the most important being those dated December 22, 1997, April 25, 2000 and April 15, 2009 that were ratified by Laws no. 2609/11.5.1998, no. 2832/13.6.2000 and no. 3763/27.5.2009, respectively. The most recent amendment was resolved during the general assembly that took place on April 18, 2011. It should be mentioned that under the aforementioned amendment (as well as law 3867/2010) the Bank of Greece extends its supervisory authority over private insurance companies, acting as the regulator for two of the three pillars of the Greek financial system (the capital markets being currently supervised by the Hellenic Capital Market Commission, see below under the relevant heading).

Following these decisions, the operation of the central bank of Greece is in accordance with European Union legislation. The operations and responsibilities of the Bank of Greece are determined in article two of its statute and include, among others, holding and managing the country's official foreign reserves, which consist of the foreign exchange and gold reserves; supervising credit institutions, private insurance companies, as well as other entities of the financial sector; promoting and overseeing the smooth operation of payment systems, as well as of trading, settlement or clearing systems for over-the-counter transactions in securities and other financial instruments; and acting as treasurer and fiscal agent for the government.

As from the adoption of the euro as the currency of Greece, the central bank no longer autonomously performs those operations that belong to the ESCB, being an integral part of it, and acts in accordance with the guidelines of the European Central Bank, as stipulated in articles 105 and 111 of the European Union Treaty and articles three, 12, 14 sections three, 30 and 31 of the ESCB statute. The Bank of Greece may participate in international monetary and economic organisations, subject to the European Central Bank's approval, according to article six of the ESCB statute. The statute determines the bank's basic competences as above, and secures its independency and its relations with parliament and the government.

Banking regulation

The basic rules of banking regulation are found in Law 3601/2007, which implemented Directives 2006/48/EC and 2006/49/EC. The law regulates the activities of credit institutions and contains the rules that govern the supervision of the capital adequacy of legal entities which are involved in the provision of credit/banking services in Greece.

The Bank of Greece employs a system of supervision as described in the above directives concerning the administration of risks (credit risk, market risk, legal and operating risk), and the accounting and database systems. It is also responsible for licensing business conduct rules. In the case of violations, the Bank of Greece may impose penalties on violators, i.e., a monetary fine or a suspension of an operating licence. In recent months, via various new laws, the regime for the liquidation and reorganization of banks has been extensively amended, mainly through the introduction of the supervisor's power to impose a good bank-bad bank division of assets where necessary.

Deposit insurance

Prior to the financial crisis of 2008, Greek law provided for a guarantee of bank deposits up to an amount of 20,000 euros per depositor via the Deposit Guarantee Fund (DGF). According to Law 3746/2009 and due to the aforementioned credit crisis, there was an increase of the relative limit to 100,000 euros. This Law has also implemented Directives 2005/14/EC and 2005/68/EC, and changed the DGF to a "Deposit and Investment Guarantee Fund". All credit institutions that are licensed and operate in Greece, including those registered in the EU or abroad, whose depositors do not enjoy the same level of protection in their home country, are obliged by law to participate in the Deposit and Investment Guarantee Fund. Remuneration includes the whole deposit of each depositor with the same credit institution, which is independent of the number of accounts that are held up to the limit mentioned.

Payment takes place within three months from the time that the deposits become unavailable. As its name suggests, the Deposit and Investment Guarantee Fund has expanded its protection also to investors. Law 3746/2009 provides for a guarantee of investments up to an amount of 30,000 euros per investor via the DIGF.

Bank secrecy and money laundering

Greece has strict banking secrecy rules that affect the operation of the Greek banking system. The rules are derived from Decree 1059/1971 as amended, regulating banking secrecy relating to bank deposits and commonly referred to as "special banking secrecy" and various general clauses of Greek Civil Code governing "general banking secrecy", covering all transactions with banks. Banking secrecy is also protected by constitutional and penal law provisions. Greece has also implemented all EU directives on money laundering. Law 3691/2008, as amended, incorporates all relevant obligations of credit and financial institutions following the implementation of Directives 2005/56/EC and 2006/70/EC.

Credit and budgetary crisis

Since the global financial crisis of 2008 the Greek government has taken measures to strengthen credit institutions with the Law 3723/2008, as amended by art. 39 of Law 3844/2010, art. 4 of Law 3845/2010 and art. 7 of Law 3872/2010 These measures include the following:

- State guarantees of wholesale debt obligations, i.e., the provision of a Greek state guarantee to all credit institutions for an amount up to 55 billion euros. This guarantee relates to the issuance of new medium-to-long-term loans to be agreed, and bonds to be issued or refinanced until 30/6/2011, with a three-month to three-year term. The guarantee is provided for a fee which depends on various factors, mainly the duration of the loan and/or the bond, the credit rating of the credit institution etc., A further increase of the amount of 55 billion euros is currently under way, making available an additional amount of 30 billion euros to the said guarantees, totalling thus, when approved, 85 billion euros.

- Issuance of special Greek state bonds up to a value of 8 billion euros for financing credit institutions. These will have maturities of two, three or five years and with an escalating commission of 50 to 100 basis points, depending on the term.

- The purchase of preference shares with features necessary to qualify as tier one capital. Shares have a put option after five or more years and the state will receive a dividend 10 percent. Most Greek banks have made use of this facility.

In all cases where the state provides guarantees or capital base enhancement through the purchase of preference shares, the state has obtained representation on the board of the credit institution (in the latter case also with veto rights over the remuneration policy for the credit institution's officers).

Greece entered the global recession that began in 2008 with deep-rooted vulnerabilities. As the pressure of the money and capital markets on Greek government bonds grew stronger during the first and second quarter of 2010, with tensions peaking in early May 2010, spreads over the reference German Bund exploded and Greece lost any possibility to access the bond market for its funding needs. At that time, the Greek government agreed to an IMF Euro zone Stabilization and Recovery Program, jointly supported by the IMF and the EU, which was designed to provide significant financial support of 110 billion euros until 2012 when it was originally expected for Greece to regain access to the market.

The funding was available in tranches and made conditional upon Greece implementing a fiscal austerity package to meet mainly certain deficit reduction targets and reporting to EC and the IMF on a quarterly basis. The program failed as the recession that ensued made the targets next to impossible to achieve and created additional financing needs. This has been addressed by a voluntary debt restructuring program for private sector held debt, which was very recently implemented (PSI) and a second financing program in the area of 130 billion euros.

The IMF Euro zone Stabilization and Recovery Program contains a financial sector pillar to protect the stability of Greek banking system by providing capital support. The use of this has been made necessary in light of the effects of the PSI on the balance sheet of all Greek banks. A Financial Stabilization Fund (the FSF), funded by the government out of the resources available from the IMF and EU under the program, which was established under Greek law 3864/2010 and endowed originally with 10 billion euros and more recently with an additional 30 billion aiming to ensure and safeguard adequate capitalization of the Greek banking system, is expected to be used for this purpose within the next few months.

Securities regulation

The Hellenic Capital Market Commission

The Hellenic Capital Market Commission is the primary supervisory authority for investment services activities and aims to promote capital market security and integrity and investor protection. It was originally established in 1967 and was reorganised in 1991. It is, inter alia, responsible for:

- Approving the issuance of prospectuses and provision of information to investors.
- Licensing and supervising all investment services and fund management firms, as well as supervising the operation of capital markets and companies that are listed on the Athens Stock Exchange.
- Imposing administrative penalties (fines, suspension and revocation of operating licences).
- Signing agreements and protocols with supervising authorities for the exchange of confidential information and overall cooperation.

Securities

The most important laws that implement EU directives on securities regulation in Greece are as follows.

- Law 3283/2004, as amended by Laws 3756/2009,3556/2007,3371/2005 3522/2006 and 3697/2008, implements Directives 85/611/EC, 2001/107/EC, 2001/108/EC, and 2000/64/EC concerning collective investment undertakings.
- Law 3301/2004 implements Directive 2002/47/EC on financial collateral arrangements.
- Law 3401/2005, as amended by Law 3756/2009 implements Directive 2003/71/EC concerning the prospectus that must be published for the public offer of securities.

- Law 3556/2007 implements Directive 2004/109/EC on transparency prerequisites concerning the information of issuers with listed securities.

- Law 3340/2005, as amended by Laws 3756/2009 and 3556/2007 implements Directive 2003/6/EC on market abuse.

- Law 3461/2006, as amended by Laws 3556/2007, 3756/2009 and 3943/2011 implements Directive 2004/25/EC relating to public tender offers.

- Law 3606/2007, as amended by Laws 3756/2009 and 3763/2009 implements the Markets in Financial Instruments Directive.

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