European Commission

# STRUCTURAL REFORMS IN GREECE

## PILLAR II: SAFEGUARDING FINANCIAL SUSTAINABILITY

- **Bank governance:** strengthening and aligning with international best practice
- **Non-performing loans** (NPLs) reduction and legal framework on insolvency

Between 2010 and 2012, and again in 2014-2015, the Greek banking sector faced dramatic liquidity crises: due to serious political and economic uncertainty, the Greek people withdrew large amounts from their bank deposits, the banking sector lost access to capital, and money markets and capital controls were imposed in July 2015. All of these events threatened the financial stability of the country and the economic prospects of the Greek people.

In response to such developments, the Greek authorities have committed to reform the country's financial sector and make it more resilient to shocks. Here are some of the most important measures and reforms adopted.

## BANK GOVERNANCE

- **The governance of the Hellenic Financial Sustainability Fund has been enhanced to ensure independence from political interference.** New selection processes and annual performance evaluations have been introduced.
- **The governance of the four Greek systemic banks (90% of total market share) has been strengthened and brought in line with international best practice.** The boards now include independent experts to avoid conflicts of interest and bring long-term experience in banking and NPLs management.

**These changes have enhanced the credibility and the functioning of the Greek banking sector.**

## NPLs REDUCTION AND LEGAL FRAMEWORK ON INSOLVENCY

- **The structure of household and corporate insolvency legislation has been reviewed**, to set the right legal incentives and develop a stronger payment culture.
- **An out-of-court workout framework and a mechanism for the servicing and/or transfer of non-performing loans have been established** to help address NPLs and mitigate their development in the future.
- **A mechanism for the electronic conduct of auctions in liquidation proceedings has been set up,** allowing the liquidation of NPLs-related collateral to resume.

**NPLs are slowly decreasing and official data shows that banks have managed to reach their NPLs reduction targets. However, the stock of NPLs in Greek banks is still significant,** at 43.1% in Q4 2017, whilst the euro area average is approximately 5%. This large stock of NPLs is partly a result of the crisis and its reduction should enhance the viability of the banking sector.

**Greek banks are now concentrated on the Greek market and have as their key mission to reduce NPLs,** which will benefit the Greek credit market and increase liquidity, allowing banks to lend more and support investment and the real economy. Implementation of these measures should help achieve these objectives.

**As a result of these reform efforts, Greek banks have been successfully recapitalised, bringing capital buffers to adequate levels and stabilising deposits,** and €5.4 billion have been disbursed for bank recapitalisation.

**In addition, the improved liquidity situation of banks in Greece allowed the authorities to make further steps towards the liberalisation of capital controls** in line with the roadmap published by the authorities on 15 May 2017. The monthly limit of cash withdrawals was increased to €5,000 (from the previous €2,300) as of 1 June 2018 and travellers can now transfer €3,000 of cash abroad (from €2,300) per travel in domestic or foreign currency. Equally, the daily limit for companies that make fund transfers abroad in the context of their business operations increases to €40,000 per customer (from €20,000). As of 1 July 2018 banking customers will be allowed to transfer €4,000 (from €2,000) every two months to accounts abroad.