



BANK OF GREECE
EUROSYSTEM

THE GOVERNOR

Ms Sharon Bowles
ECON Chairwoman
Committee on Economic and Monetary Affairs
European Parliament
B-1047 Brussels

18 December 2013

No. 3356

Dear Ms Bowles,

Thank you for the opportunity to share with the European Parliament our experience as a program country's central bank with the "troika" institutions. Please find attached our replies to the relevant part of the questionnaire.

With kind regards,

George A. Provopoulos

Attachment: 1

Replies to questionnaire

1. Question: If applicable, why did your country decide to request a financial assistance programme?

Answer: Following the emergence of major economic imbalances since the adoption of the euro, Greece requested a financial assistance programme in 2010 because the country faced a financing gap. Sharply-rising interest rates meant that the costs of borrowing from the markets were very high. Moreover, it was becoming increasingly difficult to obtain market financing. It was also thought that a financial-assistance programme would increase the credibility of the country's adjustment efforts, so that it could regain access to the markets sooner and at lower costs than otherwise.

2. Question: What was your role and function in the negotiation and set-up of the financial assistance programme for your country?

Answer: The Bank of Greece was heavily involved in the parts of the programme dealing with the maintenance of financial stability and the restructuring of the banking system, and committed to its implementation. With regard to maintaining financial stability, the programme included, among other objectives, the provision of adequate liquidity to the banks, the establishment of a modern resolution framework, and an assessment of the domestic loan portfolios of the banks. With regard to the restructuring of the banking system, the Bank of Greece oversaw the implementation of the programme's € 50 billion financial envelope to recapitalize "core" banks and to resolve those remaining banks that were not able to raise the necessary private capital. My staff and I were deeply involved in the negotiations in the development and the implementation of both the framework for financial stability and the restructuring of the banking system.

3. Question: What was the role of the national Parliament in the negotiation of the MoU? How did the government present the text to the Parliament? How did the Parliament adopt the final MoU? Did social partners take part in the discussion on MoU?

Answer: Not applicable.

4. Question: How much leeway did you have to decide upon the design of the necessary measures (consolidation of structural reforms)? Please explain.

Answer: Key design features of the programme, including the financial envelope, were set early on by the Eurogroup. The Greek authorities, including the Bank of Greece, discussed financial sector issues with the Troika and jointly formulated the objectives for the sector. The Bank of Greece was involved in designing the technical aspects of the programme as it applied to the financial sector. The Troika set the overall goals for the financial system, but took on board many of our ideas about how to attain those goals in the MEFPs and MOUs. Once we reached agreement on the goals, and a timetable for reaching the goals, the timeline was strictly enforced, with the exception of unforeseen circumstances, in which cases delays were discussed with the troika and a course of action was agreed.

5. Question: Do you consider that all consolidation measures/structural reforms were equally spared/divided among citizens? Please explain.

Answer: The Bank of Greece was responsible for the implementation of financial sector policies. Those policies were aimed at maintaining confidence in the banking system and preserving financial stability and thus benefitted depositors, while providing the maximum possible protection to taxpayers. All depositors have been protected through such policies. Therefore we believe that the financial sector policies of the programme have been equitable. Other financial stakeholders, such as bond-holders and shareholders have sustained losses, in line with a generally acceptable pecking order.

6. Question: Please describe the quality of the cooperation between your authorities and the Troika Institutions on site.

Answer: The cooperation between the Bank of Greece and the Troika's financial sector experts was very close and intense. While the quality of the cooperation was first-rate, it could have benefited from lower turnover among the Troika personnel, who were subject to frequent rotations.

7. Question: What impact did the entry into force of Regulation (EU) No 472/2013 have on the implementation of the programmes? Did you make use of the provisions of the Regulation, particularly Article 7 (11)? If not, why?

Answer: Not applicable.

8. Question: How many cases of infringement of national law challenging the legality of the decisions arising out of the MoU are you aware of in your country?

Answer: Decisions taken by the Bank of Greece to resolve banks have been judicially challenged before the Conseil d'Etat. In addition, the Bank of Greece appears as co-defendant (the Hellenic Republic being the primary defendant) in approximately twenty (20) petitions before the same Court pursuing the annulment of the Greek PSI.

9. Question: Are you satisfied with the objectives and the effective outcomes of the programme in your country?

Answer: Especially in light of the depth of the crisis that the country has been through, both the maintenance of financial stability and the complete restructuring of the banking system have been major achievements. Crucially, all depositors have been fully protected throughout the crisis, so that not only has financial stability been preserved, but citizens' trust in financial institutions has been maintained. Therefore, I can say that I am extremely satisfied with the objectives set for the financial system and the outcomes.