



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

Mr Nikolaos Chountis  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 20 December 2018

**Re: Your letter (QZ-079)**

Honourable Member of the European Parliament, dear Mr Chountis,

Thank you for your letter on the Bank of Greece's plan on non-performing loans (NPLs), which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 4 December 2018.

As you are aware, the Greek banking sector has a very high level of NPLs, with negative consequences for the ability of banks to extend credit and thus for the recovery of the Greek economy as a whole. The swift reduction of NPLs is therefore one of the key challenges for Greek banks and a major focus area for the Single Supervisory Mechanism (SSM).

As regards your questions on NPL reduction strategies, the Greek significant institutions (SIs) have been implementing their specific strategies for the reduction of NPLs since 2016, as explained in my letter to you of 11 June 2018.<sup>1</sup> These strategies are based on several measures, including the restructuring of NPLs, foreclosures and insolvency proceedings, and the disposal of NPL portfolios by means of sale or securitisation.

National legal and judicial frameworks, and in particular sound collateral enforcement procedures, are important factors in effectively implementing NPL reduction strategies. Thus, from a supervisory perspective, the gradual increase in auctions in Greece should enhance the SIs' ability to reduce their NPLs, which would support the credibility of their overall NPL reduction strategies.<sup>2</sup> Appropriate institutional frameworks ensuring sound legal processes, including consumer protection standards and social protection schemes, are important elements in this respect, but are outside of the SSM's remit.

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<sup>1</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180615\\_Chountis.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180615_Chountis.en.pdf).

<sup>2</sup> See also the letter from the ECB President addressed to you dated 23 January 2018: [https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter180123\\_Chountis.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter180123_Chountis.en.pdf).

More generally, ECB Banking Supervision welcomes and closely assesses initiatives aimed at accommodating the pace and effectiveness of NPL reduction in Greece and is also analysing the NPL transfer scheme presented by the Bank of Greece<sup>3</sup> in depth. As several details are still subject to further clarification, it is too early to arrive at a firm conclusion regarding its potential effectiveness and impact on the SIs' available own funds. It is clear, however, that any systemic NPL reduction scheme needs to be in line with EU legislation, which, among other things, aims to prevent the use of taxpayers' money to support credit institutions to the extent possible, as also underlined in the European Commission's "AMC Blueprint" document.<sup>4</sup>

Yours sincerely,

[signed]

Danièle Nouy

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<sup>3</sup> Bank of Greece, 'Overview of the Greek financial system: Special feature: a systemic proposal for the management of non-performing exposures (NPEs)'. [https://www.bankofgreece.gr/BogEkdoseis/OVERVIEW%20OF%20THE%20GREEK%20FINANCIAL%20SYSTEM\\_NOV%202018.pdf](https://www.bankofgreece.gr/BogEkdoseis/OVERVIEW%20OF%20THE%20GREEK%20FINANCIAL%20SYSTEM_NOV%202018.pdf).

<sup>4</sup> European Commission, "AMC Blueprint", Commission staff working document. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018SC0072&qid=1543843837207&from=EN>.