

Resolution of Credit Institutions: The Greek experience

Presentation to the Joint NBR & IMF Financial Stability Seminar

Maria Mavridou

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OUTLINE

- I. Greek Sovereign Crisis & Implication on Banks
- 2. Resolution Actions 2011-2015
- 3. BRRD: Merits & Challenges



I. Greek Sovereign Crisis & Implication on Banks

Greek Sovereign Crisis



At the end of 2008 the major financial & regulatory ratios of Greek banks were sound

Totals of Commercial Greek Banks - solo basis

System	Assets (mn €)	Total Assets/GDP	CAR%	NPL Ratio %	LTD	Eurosystem Funding (mn €)
2008	412.000	164,9%	10,7%	5,0%	108,3%	30.132

Source: Bank of Greece

However, the picture of the state public finances was different

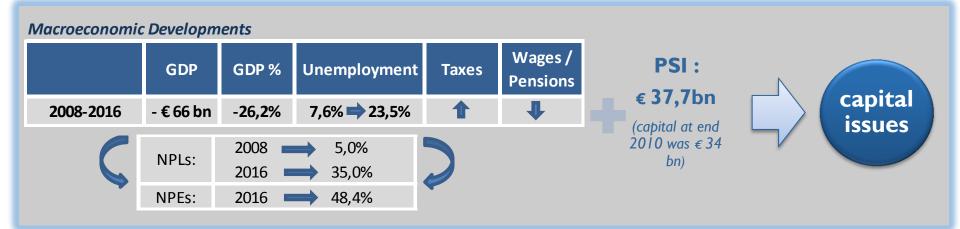
	Public debt as % of GDP	Fiscal Deficit as % of GDP
2008	109,40%	10,20%
2009	126,75%	15,20%

Source: Bank of Greece



Impact of sovereign crisis on Banks



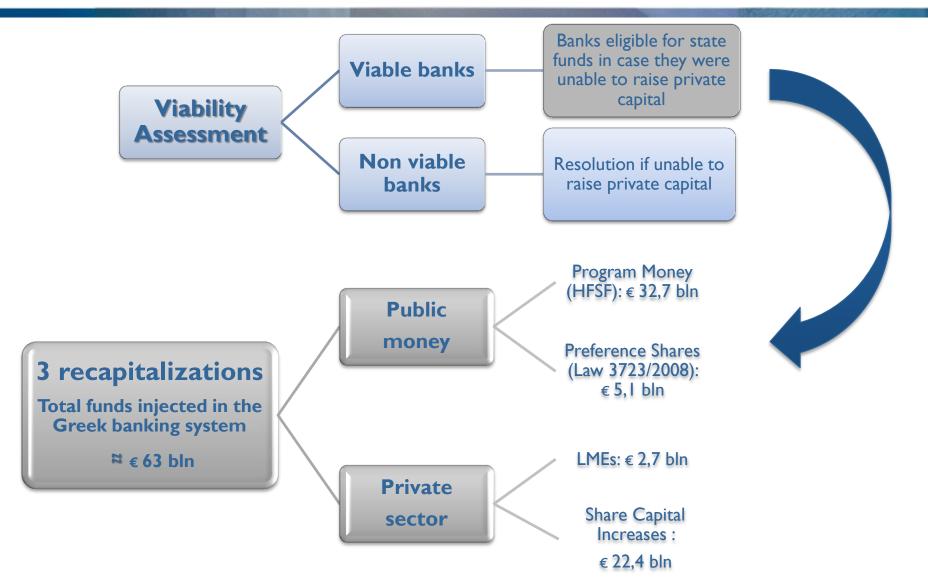


Banks' exclusion from money & capital markets after credit rating downgrades



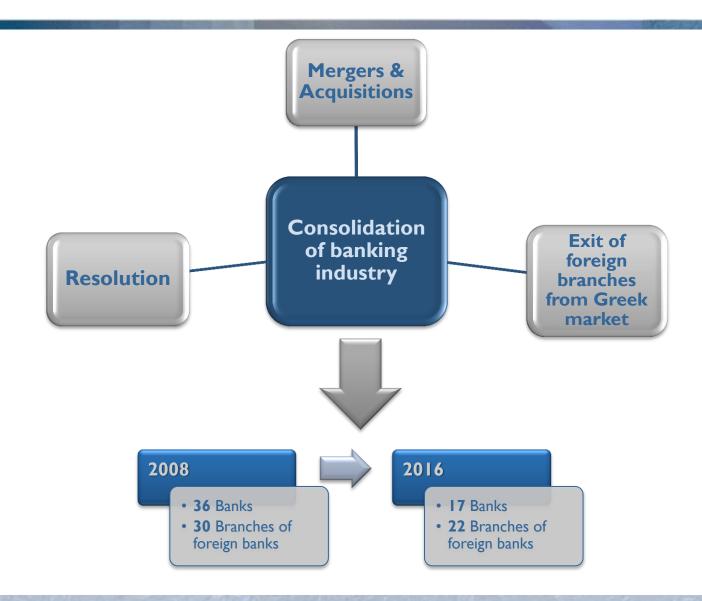
Actions Taken





Consolidation







2. Resolution Actions 2011-2015

Resolution Actions 2011-2015



Resolution Objective:

Protect financial stability through total protection of uncovered deposits

14 banks were resolved:

- 7 commercial banks
- 7 cooperative banks

The total **assets** of the resolved banks ranged from \in 100 mil to \in 17 bln

- Sale of Business Tool: in 12 cases
- Bridge Bank Tool: in 2 cases

Total **resolution cost** (funding gap): €15.2bln

- €1.7 bln financed by the national resolution fund
- €13.5 bln financed from program money (through HFSF)

Challenges



Operational

New framework never implemented before

New organizational Unit

Preparation of Resolution Scheme

Data collection

Cooperation with banks

- Carve out
- Valuation

Resolution phases



Phase 1: Preparation

- Collection and assessment of data
- Selection of resolution tool: (for example Sale of business)
- Finalize the carve out perimeter
- Draft valuation and preliminary estimation of resolution cost

Start of Supervision Actions

Phase 2:
Initiation of resolution actions

- Contact with potential acquirers
- Interaction with DG Comp
- Cooperation with supervision SSM
- Assessment of binding offers from potential acquirers
- Selection of preferred offer
- Finalization of legal documents

Phase 3:
Date of resolution

 Publication of Resolution Decisions & Implementation of Resolution Actions

Lessons learned



Preparation

- Data collection
- Human resources
- Time needed

Implementation

- Cooperation with other stakeholders
- Confidentiality
- Communication strategy

Resolution Tool

• Bridge Bank Tool: to be used only in exceptional circumstances



3. BRRD: Merits & Challenges

BRRD: Merits



Establishment of Resolution Authorities & common European resolution framework

- Preparation of Resolution Plans
- Data collection
- Cooperation with Banks & other Authorities

Resolvability assessment

Power to Resolution Authorities to take actions to remove impediments of resolvability

BRRD: Challenges



Complex framework:

- Time to complete Resolution Plans
- Time to address resolvability impediments

Bail in:

- A very sensitive tool, especially if it is used in senior retail holders & depositors
- Operationalization of bail in

MREL:

 Adequate phase-in period is needed for Banks to reach MREL targets.

Open issues & Limitations



Open issues:

- Common backstop
- EDIS

Limitations:

- Liquidity issues
- Systemic risk



THANKYOU FOR YOUR ATTENTION!