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European  
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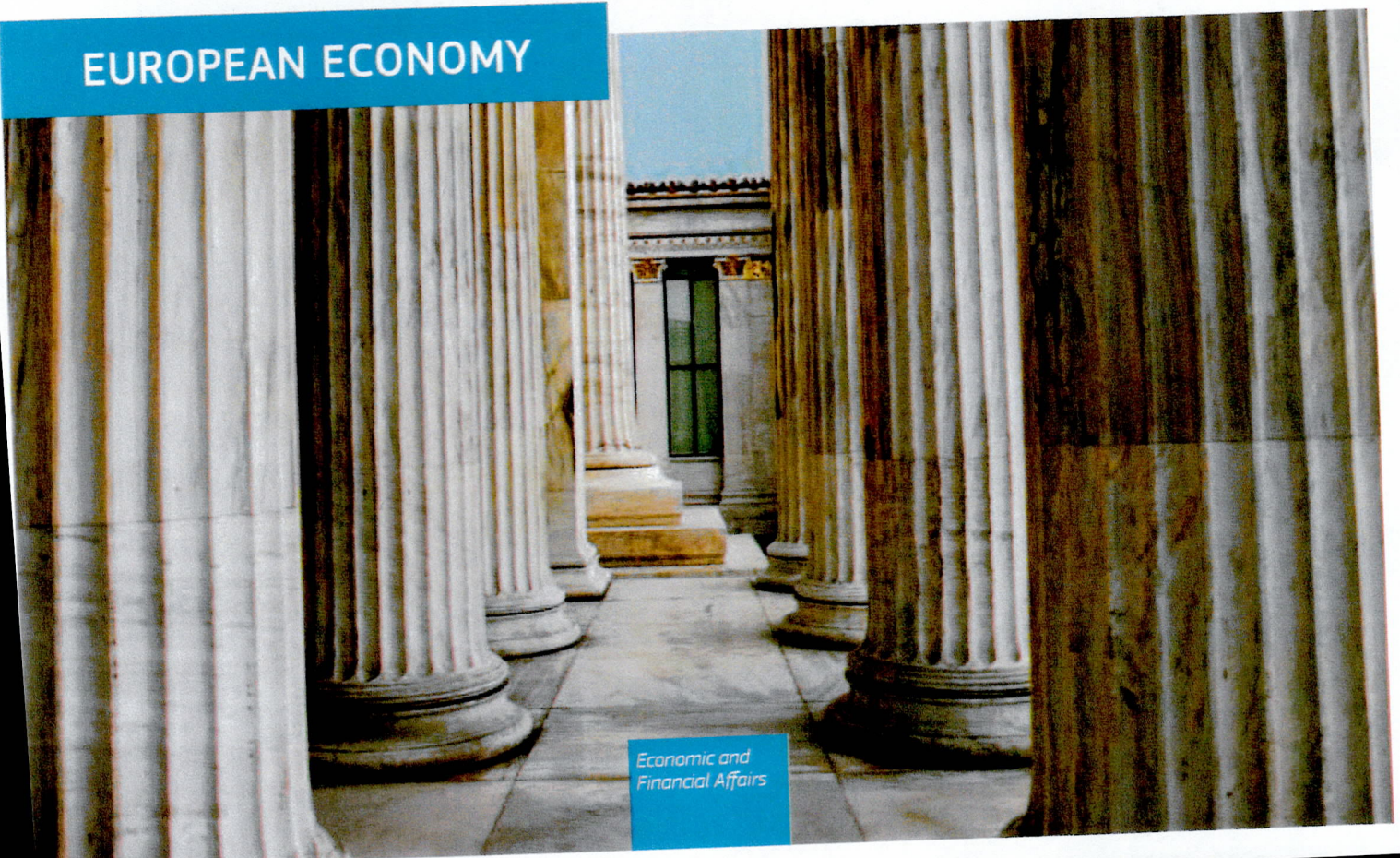
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# Enhanced Surveillance Report

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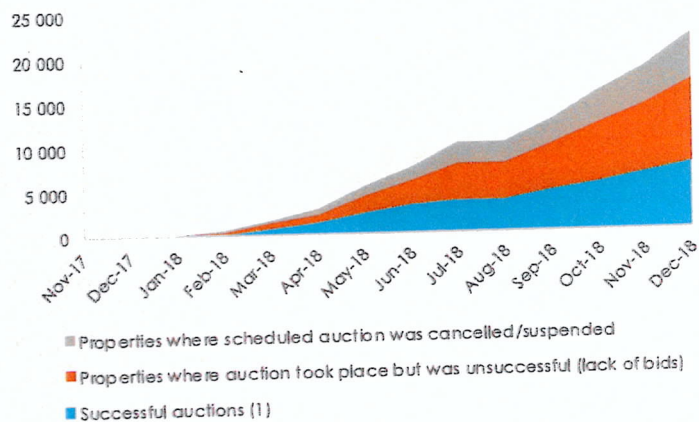


obligations under the OCW law, should lead to the adoption of measures to ensure timely compliance with such duties rather than extending the length of the proceedings. Otherwise, this measure would risk reproducing a key deficiency of the household insolvency law, by providing an unwarranted shelter to strategic defaulters. Any further changes to the OCW should be preceded by a consultation with stakeholders in order to achieve consensus as a de facto stultification of the OCW mechanism would be detrimental to the NPL reduction process, all the more so given the lack of other credible private debt restructuring mechanisms in Greece.

### E-auctions

E-auctions were conducted as foreseen in the fourth quarter of 2018 and are on the rise according to the latest set of data submitted in January 2019 by the Ministry of Justice; however, certain impediments have been identified and should be appropriately addressed. In brief:

Graph 5.5: Cumulative number of e-auctions conducted since 29 November 2017



(1) According to stakeholders' reports, 70-80% of the auctioned properties are repossessed by banks.  
Source: Ministry of Justice, Transparency and Human Rights Ministry of Justice (Greece)

- The number of auctions that took place in the fourth quarter actually exceeded the estimate stated in the previous first enhanced surveillance report (7183 actual auctions in the fourth quarter against an estimate of 5600 for the period covering the fourth quarter of 2018 and January 2019). Overall, a total of 17 223 properties have been sold through e-auctions conducted from the introduction of the system in November 2017 to end-2018. As for the recent trend, 2741 successful auctions were conducted in December 2018, the highest monthly average during 2018, while a further 4681 auctions were scheduled to take place in January 2019.
- Coverage of the territory is almost complete, with only the Corfu Notaries Association continuing to abstain.
- As for the number of properties actually transferred, it should be noted that unsuccessful auctions accounted for about half of the auctions conducted in the fourth quarter of 2018. The reasons for the high failure rate are not straightforward to assess, though they arguably include lack of third-party interest, and too high offer prices. Moreover, more than seven out of ten successful auctions lead to the purchase of the asset by the bank that launched the auction. This situation is unsatisfactory from the point of view of NPL clearance and measures should be taken to increase third-party interest, e.g. by making the e-auctions platform more user-friendly (e.g. through the inclusion of pictures of the property as well as less legal jargon in descriptions and the provision of information on the actual state of the property).



The Hellenic Bank Association has flagged two issues of a legal nature that are disturbing the unimpeded impediments to the flow of e-auctions that have become apparent in recent months, namely (a) the "last-moment" filing of a Katseli law application shortly before the auction, which triggers an automatic stay of enforcement measures irrespective of the borrower's eligibility and may result in postponements of e-auctions for periods up to or even exceeding two years; and (b) the filing of application for a reassessment of the reserve price that frequently lead to upwards revisions based on non-expert testimonies, which lead to auctions without bid (due to too high prices) and thus significant delays in the auctioning process as the auction is suspended on average for another 12 months until the court issues the final say on the matter. It would be warranted for the authorities to further swiftly investigate these impediments and implement mitigating action, including through legal amendments, with a view to effectively ensure the determination of reserve prices so as to reduce the number of unsuccessful auctions and to deter opportunistic behaviour by debtors which could lead to a high number of cancellations of auctions. More generally, the authorities should deepen their analysis on the possible reasons for the high failure rate of e-auctions and take appropriate remedial action. They need to engage in such investigation becomes even stronger given that voluntary sales of real estate property also do not constitute a viable alternative to auctions for a number of reasons, mainly relating to tax certification requirements for the on-sale, costs incurred by the holding bank in order to rectify building permit irregularities before on-selling, and the tax treatment regarding the levy of sale- and possession taxes until the on-sale.

#### Sales and securitisations of NPLs

**Improved legal clarity regarding the basis for the sale and securitisation of NPLs could facilitate wider take-up of these tools.** The main two options available to sell or securitise NPLs are the securitisation law 3156/2003 and the NPL sales law 4354/2015. Part of the legal and banking market seems uncertain as to whether certain requirements imposed on the NPLs seller under law 4354 (including the obligation to offer an "appropriate restructuring" to the debtor as a condition precedent to the sale, and the obligation to notify each debtor individually of the sale instead of registering the sale with a public record) are also applicable to NPL securitisations done under law 3156. Legal (including litigation and compliance) risks arising out of this uncertainty may be detrimental to the validity of the sales and are reflected on the low sale prices; in addition, the above mentioned obligations seem to have very little value added in practice as the response by debtors to such offers so far has been minimal but on the other hand seem to have possible contamination risks and moral hazard implications. Given the importance of NPL sales and securitisations in the efforts of banks to accelerate NPL reduction, it would be warranted for the authorities to further investigate the issue and, more generally, to deepen their analysis on the possible ways to remove legal uncertainty or ambiguities related to NPL sales and securitisations.

#### Evaluation of the implementation record of the reformed Code of Civil Procedure

**The authorities are monitoring the results of the reform of the Greek Code of Civil Procedure adopted under the ESM programme.** An evaluation report is expected by end-March 2019 based on information and the feedback to questionnaires submitted by Justice stakeholders (judges, members of the legal professions etc.) on the implementation of the reformed Code since the beginning of 2016 and on the quantification of its impact. In preparation, the authorities dispatched questionnaires to all courts and stakeholders in December 2018. A committee was formed in February 2019 to study the feedback and to formulate a proposal for potentially needed legislative amendments.

### 5.3. HELLENIC FINANCIAL STABILITY FUND

**In line with Greece's Eurogroup commitments, the status of the Hellenic Financial Stability Fund (HFSF) will remain unchanged and it will continue its efforts to achieve its ultimate goal of reprivatizing its stakes in the systemic banks in the coming years.** The restructuring plans implemented by the four systemic banks may necessitate certain changes in the operational framework of the HFSF and the systemic banks, including through amendments in both the HFSF Law and the