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:: Banking & Finance

Streamlining the NPLs Legal Framework

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The Greek Parliament has recently passed legislation (Law 4472/2017) relating to a series of measures contained in the list of prior actions necessary for the successful completion of the second review of Greece's current financial assistance program. At the forefront of the measures requested by Greece's creditors in order to unlock the disbursement of the next loan tranche were a number of amendments to the legal framework for the management of NPLs.

The Greek banks are burdened with a heavy portfolio of NPLs, which pose a major threat to their balance sheets and consequently their return to profitability. Hence, it has been unequivocally determined by all sides that the robustness of the Greek banking system and in turn the recovery of the Greek economy, depend to a great extent on the outcome of the Greek banks' effort to deal successfully with their exposure to NPLs. Against this backdrop, the Greek systemic banks have devised specific plans and have set ambitious targets as regards the gradual reduction of the NPLs level, which shall be implemented under the close supervision of the Single Supervisory Mechanism.

A determining factor in the success of the above plans is the effectiveness and efficiency of the applicable legal framework.

To this end, and following intense deliberations among all stakeholders involved, the Greek Parliament adopted the following amendments to the existing NPLs legislation, namely Law 4354/2015, as regards the licensing and operation of the companies entitled to assume the management of NPLs on behalf of the beneficiary ("**Servicers**") or acquire the same:

Management of real estate properties

Servicers are now able to manage real estate assets relating to NPLs they service. As prerequisites thereto, the said assets need to: (i) have been granted by the obligor as security for the corresponding loans, and (ii) have been transferred to the beneficiary of the claim, i.e. the bank. Nevertheless, the acquisition by a Servicer of real estate relating to NPLs it services is not allowed.

Abolition of the 3-member committee opining on the licensing of Servicers

As the relevant legislation stood until recently, a special 3-member committee comprised by members nominated by the Ministers of (a) Finance, (b) Development and Tourism, and (c) Economy, was obliged to submit to the Bank of Greece an opinion on the licensing of a Servicer, thus posing an



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additional bureaucratic burden to the process. Hence, in order to streamline the licensing process, the said requirement has now been wisely lifted.

Continuation of the process stipulated in banks' code of conduct relating to the management of NPLs (the "Code of Conduct")

In case of an NPL transfer, the transferee shall resume the process prescribed in the Code of Conduct from the stage reached immediately before the transfer without the need to repeat any previous stages already completed by the transferor.

Non-transferability of primary residence-backed NPLs

Although this is a pre-existing provision, it is worth highlighting that the application of the relevant legislation on the transfer of NPLs secured by a mortgage or prenotation of mortgage on a primary residence of an objective value of up to €140,000 has been suspended until December 31, 2017.

At this point it is worth mentioning that the four (4) Servicers that have been licensed so far are the following:

- *Cepal*, a joint venture of Aktua and Alpha Bank
- *FPS Eurobank*, a Eurobank subsidiary
- *Thea Artemis*, an Attica Bank subsidiary, of which an 80% stake will be acquired by Aldridge EDC in the context of the recent transaction announced by Attica Bank
- *Pillarstone*, a KKR platform.

Immunity of bank officers handling debt restructuring procedures

It is also highlighted that Law 4472/2017 introduces the immunity of bank officers handling debt restructuring procedures against potential civil and/or criminal liability arising from acts or omissions within the context of the said restructuring. More details thereon can be found in our [Extrajudicial Debt Settlement Procedure Newsletter](#).



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