

GREECE MACRO MONITOR

July 30, 2015

Dr. Theodoros Stamatou
Senior Economist
tstamatiou@eurobank.gr

Stylianios G. Gogos
Economic Analyst
sgogos@eurobank.gr

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Some preliminary thoughts on the macroeconomic effects of capital controls in Greece

1. Introduction

The latest financial and political upheaval in Greece leaves the domestic economy in a state of flux. The present situation shows the seeds for another recessionary year, featuring depressed consumption, cancellation of investment projects, weak exports and high unemployment. And, although the recent Euro Summit agreement on Greece and the subsequent termination of the banking holiday constitute steps in the right direction and put an end on the various GRexit scenaria, the negative ramifications of the recent turmoil may well persist for an extended period of time.¹

In this note we focus on the potential impact of capital controls on the real economy. In order to address this issue, first we define the shock and then we describe the propagation mechanism through which it impacts the economy.

2. Capital controls: basic characteristics

Domestic authorities imposed capital controls together with a short term banking holiday on June 28, 2015. During the banking holiday, the upper limit for cash withdrawals from bank ATMs was set at €60 per cash card. Transactions with cash cards or web-banking were allowed between domestic residents but not with residents abroad (for the majority of transactions).² The bank holiday ended on July 19, 2015, but capital controls remained in place and the Athens Stock Exchange remained closed. The imposition of capital controls can be seen as a twofold shock. First, it creates a number of distortions in transactions and second, it increases uncertainty, exerting a negative influence on economic sentiment.

3. How do households and firms respond?

In theory, choices of economic agents are determined by the combination of available possibilities and preferences. How do households and firms respond to a sudden change in their transactions possibilities, given their preferences between transactions with paper money and plastic money *e.g.* cash cards or web banking? To analyze the pure effect of the aforementioned change on agents' behavior we assume that expectations about the stability and the solvency of the domestic banking sector remain unchanged. In other words we isolate the "uncertainty or risk" effect of capital controls. Due to the restrictions on cash withdrawals, the *relative* cost of paper money transactions becomes very high.³ As a result, rational behavior dictates that most agents will turn to online and cash card transactions.

However, this adjustment is not without costs. It usually takes time for many households and firms to adjust their daily transaction habits (see Figure 1). In the case

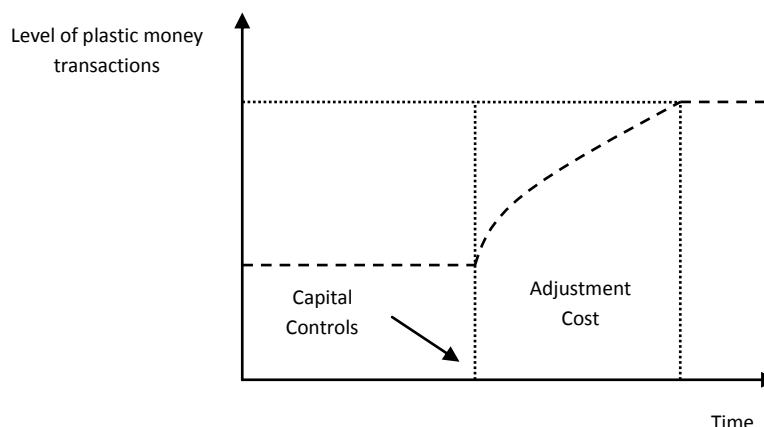
¹ The GRexit, the exit of Greece from the euro area, has no potential benefits for the Greek economy. For details please refer to Monokroussos, Stamatou and Gogos (2015).

² In the Appendix we present a table with the detailed capital controls restrictions as of July 16th 2015.

³ For example, suppose you want to buy a good which costs €61. Furthermore, let us assume that the only way to make this purchase is with cash. Before the imposition of capital controls you had to consume t minutes of your spare time to go to the bank, make the respective withdraw and then buy the product. Today, in order to satisfy the same need you must spend $t + 24$ hours.

of Greece, this argument is reinforced by the following two facts: first, according to the digital economy and society index, DESI, (European Commission, 2015), Greece ranks 26th among all EU countries in terms of the tendency of individuals to use internet services. More specifically, 21 percent of Greek internet users engage in online banking activities (ranking: 26th) and 40 percent in online shopping (ranking: 21st). The relevant figures for the EU average are 57 percent and 63 percent, respectively. Second, the vast majority of Greek pensioners do not use plastic money. In fact, a high proportion of them do not even have a cash card. Hence, as long as tight capital controls remain in place the incentive for purchases of goods and services in sectors (e.g. retail trade) where paper money has been extensively used as means of payments will likely decrease.⁴ Consequently, transactions will slow down significantly and employment and incomes will shrink. The longer the adjustment period, the higher the cost for the economy.

Figure 1: The adjustment cost of a change in transactions possibilities



4. Foreign sector, supply side effects and investment

With regard to foreign trade, the near-term outlook is rather gloomy. The fact that cross-border financial transactions are now either forbidden or requiring the approval by a special Ministry of Finance committee (or by the respective bank, for certain types of transactions) translates into increased transaction costs for Greek importing and exporting companies. This, in turn, raises the prospect of certain shortages soon appearing in the market and/or of importers facing a running out of their stock. At the same time, exporters, especially in the manufacturing industry, may face a direct negative impact on their production, since they rely on imported raw materials or intermediate goods. Anecdotal evidence already suggests that there are shortages in imported goods in the retail sector and in raw materials in the export sector. Clearly, the aforementioned restrictions increase bureaucracy and transaction costs, with the net effect being a potential reduction in imports, price increases in the internal markets as well as decreases in domestic production levels and a further spike in the unemployment rate (25.6% in April 2015).

Increased market uncertainty as regards the potential macroeconomic ramifications of capital controls is also likely to impact investment activity, as potential investors may now require an additional risk premium in committing fresh capital to the domestic economy. As a result, the imposition of capital controls may cause a new deterioration in Greece's ranking in various world competitiveness indices, dealing a further blow to the extroversion profile that the country has been trying to build from 2010 onwards with limited results so far. For instance, Greece ranked 48th among 189 economies on the *Trading Across Borders* index of the World Bank's Doing Business Indicator 2014. We may see this ranking deteriorating this year and the next, especially if capital controls remain in place for an extended period of time.⁵

⁴ It is worth pointing out that just after the imposition of capital controls, there was a steep increase in the demand for consumption goods like pasta, rice, legumes, canned food products, oil, flour and milk. This phenomenon is mainly attributed to the creation of panic in consumers' psychology and it does not contradict our argument that the adjustment towards non paper transactions will be accompanied by a reduction in purchases of goods and services. In the transactions for the aforementioned products the "panic effect" has dominated the "transactions costs effect" and this caused an increase in demand. Nevertheless, we believe that this phenomenon will only be temporary.

⁵ The sample period of the Doing Business Indicator ends at the end-of-May or early June of every year. It is encouraging here that the imposition of capital controls will not affect the Doing Business 2015 rankings. The Greek Authorities still have one year to

5. Bad timing for the tourism industry

As regards the prospects of the Greek tourism industry, the timing of the imposition of capital controls vindicated the worst case scenario due to the fact that the peak of the tourism season for Greece is between May and September. According to BoG's balance-of-payments statistics, tourism receipts grew by ca 9.5% YoY in the first quarter of 2015, but heightened uncertainty over the successful completion of the 2nd Adjustment Programme appears to have lately had a negative impact on tourism revenues. On July 9, the Association of Greek Tourism Enterprises (SETE) estimated that the *immediate* impact of the imposition of capital controls was a 30 to 40 percent drop in flight bookings on an annual basis. At the time, the impact was expected to stabilize at around -20 percent in the short-term.⁶ However, the negative effect on tourism activity is expected to abate in the period ahead, not least because there is currently no limit on cash withdrawals from foreign accounts. Furthermore, the July 13th Euro Summit agreement on Greece and the prospective inceptions of negotiations with official creditors on a new bailout programme (after the Greek Parliament endorsed the required set of prior actions) are likely to facilitate the gradual return of domestic banking activity towards normality, albeit under capital controls for a *yet-unidentified* period of time. Notwithstanding this expected improvement, capital controls may have a series of indirect effects on the tourism industry due to, among others, existing restrictions on domestic payments to residents or companies abroad. For instance, payments relating to imports of goods necessary for the efficient operation of the tourism sector or other related services (airlines, travel agencies, etc.). According to SETE (June, 2015), last year the Greek tourism industry had a *direct* contribution to GDP of 9.5 percent, with its total contribution is estimated at between 20 and 25 percent. Consequently, a drop in tourism revenues this year is likely to have a not negligible (negative) impact on GDP growth and employment.

6. Uncertainty over the prospects of the Greek economy

Another factor that may negatively affect domestic consumption and investment is increased uncertainty over the prospects of the Greek economy. In that respect, the July 12 Euro Summit agreement should be considered as a good starting point for a gradual decrease in perceived Grexit risks, though there is still a difficult way towards reaching a final agreement on a new bailout programme.⁷ In our view, the timely finalization of such an agreement (by August 20 or a bit later than that) is of crucial importance for reducing heightened uncertainty still surrounding Greece's economic outlook. On the other hand, any major delays could reignite investor worries, not least because of the problematic liquidity position of the Greek State and the fluidity characterizing the domestic political scene. Looking further ahead, a sustained decline in uncertainty would be a function of, inter alia:

- the pace of implementing the structural requirements of the new programme;
- the achievement of the agreed fiscal targets;
- the return of the real economy into positive growth rates;
- the improvement of investor and depositors confidence about the stability of the domestic banking system; and
- the return of the Greek Sovereign to the international capital markets.

According to IMF (2015, 2012), capital controls is more effective when they are part of a broader policy package aiming to improve the macroeconomic and financial environment of a country. In Greece's case, the progress of removing investor uncertainty over the country's euro area membership prospects will determine, to a great extent, the speed by which authorities will relax existing restrictions in the free movement of capital.

Taking as an example the 2nd Adjustment Programme for Greece (February 2012) and using the 10-year GGB/Bund yield spread as proxy for investor perceptions about implementation success, it can be inferred that it took at least two years for a significant decrease in related uncertainty to materialize. Note that the said spread reached its lowest point in mid-June 2014 (Figure 2), after five successful EC/ECB/IMF Reviews. In fact, as a result of the progress made in the programme implementation, Greece managed to successfully tap financial markets twice in Q2 2014. In that respect, it is probably not by coincidence that it took two full years for Cyprus to entirely lift its capital controls (April 2015),

regain the space lost by the imposition of capital controls by implementing structural reforms on other areas of the Greek economy.

⁶ For more information (in Greek only) refer to: <http://sete.gr/el/kentro-typou/deltia-typou-anakoinoseis/press-repository/2015/diethneis-touristikis-afixeis-ianouarios-ioynios-2015/>

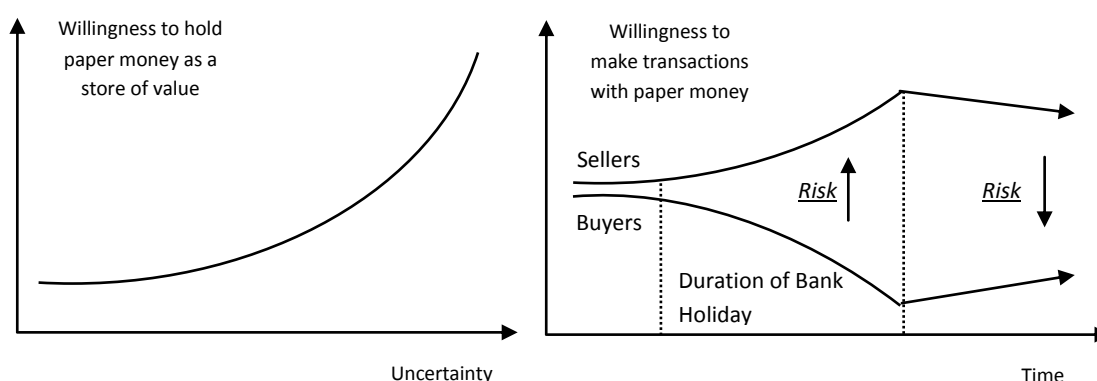
⁷ Eurogroup President J. Dijsselbloem said on July 13 that at least five weeks are needed for the various working groups to form the final text of the new programme for Greece.

Figure 2: 10-year GGBs Spreads over Bunds

Source: Bloomberg.

following the successful conclusion of as many as four programme reviews and after successfully tapping the market once in June 2015.⁸

In Greece's case, another crucial question is how financial transactions will co-evolve with confidence towards the stability of the domestic banking system. According to BoG's financial statement, the total amount of banknotes in circulation stood at €50.5bn (or 28% of GDP) in June 2015, recording a €5bn increase relative to the prior month. Furthermore, during the Bank Holiday the precautionary demand for paper money (Keynesian money demand function) skyrocketed. This type of behavior characterized both buyers and sellers. Indeed, there is plenty of anecdotal evidence suggesting that during that period small and medium size entrepreneurs were more willing to sell their products in exchange for cash than other means of payments (e.g. credit or debit cards). Hence, on the one hand buyers were less willing to pay with cash and on the other hand sellers were less willing to offer their goods in exchange for plastic money (see Figure 3). Consequently, this development may have caused a contraction in transactions and a reduction in aggregate economic activity. As the confidence for the Greek banking sector is steadily restored and the associated risk is reduced, the aforementioned divergence between the willingness of buyers and sellers to make financial transactions with paper money will be reversed.

Figure 3: Paper money as a store of value

7. Greece's growth prospects for 2015

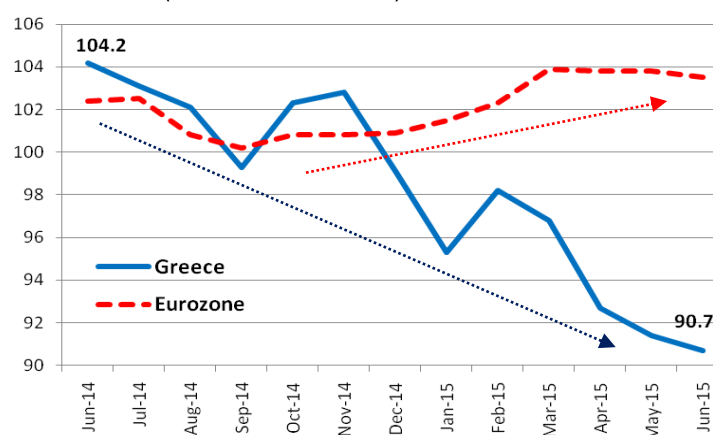
Table 1 presents realizations and official-sector forecasts for Greece's real GDP growth and components. Furthermore, in the table's last horizontal panel we present alternative scenarios for the evolution of the respective variables in 2015. Last year, real output grew by 0.77%, the first positive growth reading after six-consecutive years of steep declines. This positive performance was driven by increases in private consumption, investment and exports.

⁸ For more information on the developments in Cyprus please refer to the following:

<http://www.eurobank.gr/Uploads/Reports/Cyprus%20Trip%20JUNE2015.pdf>

Furthermore, the growth carryover for 2015 was positive (to the tune of c. 0.13ppts), while the European Commission's latest winter

Figure 4: Economic Sentiment (Greece vs. Eurozone)



Source: (a) European Commission, (b) Eurobank Research.

forecasts (February 2015) predicted Greek real GDP growth for this year to come in at 2.5% i.e., just 0.5ppts lower compared to the country's long-run average growth performance in 1960-2014: 3.04%.

However, this improvement in momentum proved to be transitory. As Figure 4 demonstrates, Greece's economic sentiment index followed a broadly declining path over the last 12 months, after peaking at a six-year high in June 2014. The snap elections of January 25, 2015 along with the prolonged negotiations between Greece and its official lenders boosted domestic uncertainty, with a destabilizing impact on 2015 growth prospects.⁹ Table 1 provides striking facts on these developments. European Commission's spring forecasts revised downwards Greece's 2015 real GDP growth forecast by 1.5ppts. Furthermore, investment growth, i.e., the GDP component with the highest volatility, was downwardly revised by 11.5ppts (from 8.4% to -3.1%). According to the European Commission's preliminary and revised projections (10/7/2015), GDP growth rate is expected to lie within a range of -4% to -2% and -0.5% and -1.75% for 2015 and 2016 respectively.¹⁰ Today, taking into account the latest political and economic developments as well as the imposition of capital controls, there is a broad agreement between economists and policymakers that the Greek economy has already entered a new recessionary phase.

Table 1: Greece's Economic Prospects

<u>Year</u>		<u>Variables (yearly percentage change, %)</u>				
		<i>GDP</i>	<i>Private Consumption</i>	<i>Public Consumption</i>	<i>Investment</i>	<i>Exports Imports</i>
2014		0.77%	1.35%	-0.89%	2.66%	8.96% 7.41%
<u>European Commission (Forecasts)</u>						
2015	February	2.5%	1.7%	-0.9%	8.4%	5.6% 4.0%
	May	0.5%	0.6%	-0.6%	-3.1%	4.1% 2.0%
	July	-2% to -4%				

Source: (a) Eurobank Research.

Note: (a) all variables are measured in real terms.

⁹ For the first three quarters of 2014, the qoq%, sa., growth rate of GDP was 0.75%, 0.26% and 0.67% respectively. In the next two quarters this growth path changed. More specifically, for the 4th quarter of 2014 and the 1st quarter of 2015, the qoq%, sa., growth rate was -0.41% and -0.16% respectively.

¹⁰ According to the European Commission's preliminary and revised projections (10/7/2015), GDP growth rate is expected to lie within a range of -4% to -2% and -0.5% and -1.75% for 2015 and 2016 respectively. For more details see:

http://ec.europa.eu/economy_finance/assistance_eu_ms/documents/2015-07-10_greece_art_13_eligibility_assessment_esm_en.pdf

8. Concluding remarks

This report attempts a preliminary analysis of the potential implications of capital controls for domestic economic activity. Their immediate effect was an increase in the transactions distortions (some types of transactions are now forbidden by law, while others are inhibited by high transaction costs) as well as a deterioration of the domestic economic climate due to increased consumer and investor uncertainty. In our view, the duration and intensity of capital controls in Greece will be a function of domestic political developments down the road, the evolution of negotiations on a new bailout arrangement as well as the speed and success in implementing the agreed package of fiscal and, primarily, structural reforms. Near term, we expect capital controls to negatively affect both the demand and the supply side of the Greek economy. On the one hand, increased transaction costs and the deteriorating economic sentiment are expected to have a negative impact on the demand for domestically-produced goods and services. On the other hand, the dependence of many Greek firms (in manufacturing as well as in other sectors) on imports is likely to have a negative supply-side effect. Overall, the current state of affairs in the domestic economy sows the seeds for another recessionary year in 2015.

References:

European Commission (2015), Digital Agenda Targets Progress report, Digital Agenda Scoreboard. Available at: <http://ec.europa.eu/digital-agenda/en/download-scoreboard-reports>

Independent Evaluation Office of the International Monetary Fund (IEO), (2015), The IMF's Approach to Capital Account Liberalization. Available at:

<http://www.ieo-imf.org/ieo/files/updates/The%20IMFs%20Approach%20to%20Capital%20Account%20Liberalization%20Revisiting%20the%202005%20IEO%20Evaluation3.pdf>

International Monetary Fund. (2012). The Liberalization and Management of Capital Flows: An Institutional View. Available at: <http://www.imf.org/external/np/pp/eng/2012/111412.pdf>

Monokroussos, P. and Stamatiou, T. and Gogos, S., (2015), GRexit and Why It Will Not Happen: Catastrophic for Greece and Destabilizing for the Euro. Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2616278

SETE, (2015), The Contribution of the Tourism Sector in the Greek Economy for 2014, (In Greek), June 2015, Athens. Available at: http://insete.gr/images/statistics/Simasia_Tourismou_Update.pdf

World Bank. (2014). Doing Business 2015: Going Beyond Efficiency. Washington, DC: World Bank Available at: <http://www.doingbusiness.org/reports/global-reports/~media/giawb/doing%20business/documents/profiles/country/GRC.pdf>

Appendix:

	Provisions of the legislative act on the short-term bank holiday in Greece as of July 16 th 2015	Comments
	Duration of restrictions	
	Bank holiday to be effective from 28/6 to 16/7/ 2015	By decision of MoF, the duration of the bank holiday may be extended
	Institutions to be affected	
	Bank holiday applies to all credit institutions operating in Greece in any form	<p>Institutions to be affected by the bank holiday include, inter alia:</p> <ul style="list-style-type: none"> • the branches of foreign credit institutions • the Deposit and Loans Fund (ΤΠΔ) • the payment institutions of Law 3862/2010 • the electronic money institutions • the branches & repo of payment institutions • electronic money institutions established in other Member State of the Union operating in Greece
	Permitted Transactions	
Cash withdrawals	Daily limit of €60 per card on cash withdrawals from ATMs	<ul style="list-style-type: none"> • The daily cash withdrawals' limit may change by a MoF's decision • Cash withdrawals may also be made via credits cards (<i>interest and commission charges as in the relevant contract agreed with the bank</i>) • Overdraft from a current account or from a consumer loan account is permitted up to the daily limit of €60 (<i>provided that the overdraft is allowed by the relevant contract agreed with the bank</i>) • If: <ul style="list-style-type: none"> ✓ a cash card is linked to more than one bank account, the daily withdrawal limit is at €60 ✓ an account has more than one beneficiary and more than one card linked, the daily withdrawal limit is at €60 per cash card ✓ an account has one beneficiary but more than one linked card, then the total daily withdrawal limit of €60 applies to that beneficiary (irrespective of the number of cards he/she holds)

	Provisions of the legislative act on the short-term bank holiday in Greece as of July 16 th 2015	Comments
	Daily limit of €60 per disabled person (pensioners are excluded)	Provided that the disabled person does not hold a debit card
	Cash withdrawals at ATMs using bank cards that have been issued by foreign banks are permitted	<ul style="list-style-type: none"> No restrictions apply to debit and credit cards issued abroad by foreign banks Credit and debit cards issued in Greece by foreign banks are subject to the restrictions applied to credit and debit cards issued by Greek banks
Payments	Payments at any currency can be made to deposit accounts in Greece: <ul style="list-style-type: none"> via ATMs via instructions to the bank's centralized units to specific branches operating during the bank holiday 	
	Cross border payment orders pertaining solely to crediting an account held in a bank operating in Greece are permitted	
	The branches may accept the deposit of cash & the debit of deposit accounts for the payment of: <ul style="list-style-type: none"> due & current instalments of credit cards & any kind of loan debts to the Greek State, Public Utilities Companies, Social Security Funds and Insurance companies 	<ul style="list-style-type: none"> OTE is not included in the Public Utilities Companies (ΔΕΚΟ) It is permitted via branches: <ul style="list-style-type: none"> ✓ in the case of open/revolving/overdraft loans, the payment of the due or minimum current payments ✓ the payment of the due or minimum current payment of credit cards Payments via web banking, phone banking, mobile banking and ATMs of: <ul style="list-style-type: none"> ✓ bills ✓ insurance obligations ✓ loans ✓ obligations to the tax authorities ✓ instalment scheme payments to the Greek State or banks <p>⇒ <i>If such payments are not made on time (due to the bank holiday), there is no cancellation of the respective instalment scheme</i></p>
	Distance transactions (via telephone banking, mobile banking or web banking) for payments within the country i.e., payments credited to accounts held in Greece	<ul style="list-style-type: none"> Standing orders for the payment of loans, rent, utility bills etc. can be executed as usual, provided that the payments are made to accounts in Greece No interest on late payments will be charged on overdue payments accrued during the bank holiday

	Provisions of the legislative act on the short-term bank holiday in Greece as of July 16 th 2015	Comments
Payrolls	<ul style="list-style-type: none"> Payroll payments can be made as usual, provided that the employer makes these payments: <ul style="list-style-type: none"> ✓ via electronic means or ✓ instructions to the bank's centralized units or ✓ to specific branches operating during the bank holiday ✓ and the payroll account is kept in a Greek bank 	<p>It is permitted the:</p> <ul style="list-style-type: none"> opening of payroll accounts payment of payroll via the deposit of cash
Credit, debit & prepaid cards	Unrestricted transactions (other than those in force before the adoption of the relevant legislative act) via credit and debit cards for payments within the country <i>i.e.</i> , payments credited to accounts held in Greece	<ul style="list-style-type: none"> A credit or a debit card may be used for purchases via internet (sellers should have an account in a Greek bank) Pre - approved daily limit per bank for purchases abroad with credit, debit and pre-paid cards Issuance of new debit and credit cards is permitted Issuance of new codes for the customers which are unable to perform distance transactions (web-banking or phone-banking)
	Prepaid cards may be used for payments only up to the amount appearing as balance before the start of the bank holiday	<ul style="list-style-type: none"> New prepaid cards cannot be issued The prepaid card cannot be recharged
Deposits	<p>Deposits may be made:</p> <ul style="list-style-type: none"> via ATMs to the branches 	<ul style="list-style-type: none"> It is permitted the deposit of: <ul style="list-style-type: none"> ✓ EUR to EUR accounts ✓ foreign currency to foreign currency accounts
	It is prohibited to terminate fixed term deposits prior to their maturity	<ul style="list-style-type: none"> If the customer has requested automatic renewal, fixed term deposits are renewed automatically upon maturity. If not, the capital and interest are transferred to the corresponding bank account
Bank accounts	New bank accounts may be opened conditional on accompanying deposit	It is prohibited to add new beneficiaries in accounts
	Activation of dormant bank accounts is permitted	
Cheques	Cashing of cheques is generally prohibited except from cheques issued by other banks in the benefit of tax authorities or Customs upon the submission of the necessary documentation.	During the bank holiday, all deadlines regarding the expiration, cross checking and payment of securities are postponed
Transfer of funds	The branches may execute the transfer of funds from savings accounts or sight accounts to corresponding accounts kept in the same bank	Payments of providers are made against relevant proof documentation

	Provisions of the legislative act on the short-term bank holiday in Greece as of July 16 th 2015	Comments
Pensions	<p>Payments of pensions are subject to specific restrictions (for pension accounts), i.e.:</p> <ul style="list-style-type: none"> • Lump sum of €120 per pensioner for the total amounts due to him (main and supplementary pensions) and lump sum of €60 for social welfare benefits throughout the bank holiday (withdrawals via specific banks' branches) • Daily limit of €60 per pensioner per debit card • Conversion of foreign currency up to an amount equal to €120 for pensions paid by foreign Social Security Funds so as to be withdrawn by the pensioners 	Additional lump sum of €120 per pensioner (if not paid to them during the period 9/7 to 15/7)
Students abroad	<ul style="list-style-type: none"> • Remittances to students abroad may be permitted, subject to the Banking Transactions Approval Committee's consent. • Payments of tuition fees to universities abroad are permitted subject to banks' approval upon submission of the supportive documentation 	
Medical expenses	Payments for medical expenses within Greece or abroad are permitted upon the bank's review of the supporting documentation	
Transactions	Settlement of transactions which have been recorded in the central payment systems (Target2-GR, EURO01 and DIAS) and in the settlement systems (Athens Central Securities Depository (CSD) and Target2 securities (T2S)) prior to the entry into force of the bank holiday legislative act (June 29, 2015) are excluded from the restrictions	
	<p>Transactions to be carried out with other Financial Institutions/ Clearance Houses abroad under own portfolio management of the bank and which are related to:</p> <ul style="list-style-type: none"> • Settlement of transactions concluded prior to the bank holiday • Commitment or release of collateral in relation to derivative products (based on ISDA, CSA, GMRA etc.) • Rollover, renewal and management of financial positions that have expired and their renewal is deemed necessary (e.g. derivatives, positions in foreign currency, interbank transactions etc.) • Debit/credit Nostro-Vostro Accounts of subsidiaries & third credit institutions (via orders – swifts irrespective of the currency) • Conclusion of new interbank transactions or termination or amendment of existing ones provided that they don't affect the liquidity of the bank substantially <p>are pre-authorized per day during the bank holiday</p>	The pre-approval does not include transactions with the banks' clients
	Incoming and outgoing instructions by foreign banks where the banks in Greece operate as corresponding banks (in/out & out/in transactions) are pre-authorized provided that:	

	Provisions of the legislative act on the short-term bank holiday in Greece as of July 16 th 2015	Comments
	<ul style="list-style-type: none"> they don't affect the bank's liquidity and all the instructions sent abroad are imported again in the banks' liquidity 	
	Transactions that are considered necessary by the Banking Transactions Approval Committee may be permitted upon relevant application	<p>Allowed transactions include, <i>inter alia</i>:</p> <ul style="list-style-type: none"> Those which are deemed necessary for safeguarding public or social interest, including, e.g. payment for medical expenses or the import of pharmaceuticals
Dividend and coupon payments	<ul style="list-style-type: none"> Payments on government bond coupons are allowed Corporate coupons and dividends' payments are allowed 	<ul style="list-style-type: none"> If the issuer's account is held in a bank: <ul style="list-style-type: none"> ✓ located abroad, the payment of the coupon is made as usual ✓ in Greece, the allocation of the coupon funds: <ul style="list-style-type: none"> to beneficiaries' accounts in Greece is permitted (<i>subject to the restrictions on the free movement of capital flows in Greece</i>). to beneficiaries' accounts held abroad is subject to the approval of the Committee
Importers	Remittances of funds abroad for the payment of providers and the making of imports are permitted upon the approval of the Committee	
Other permitted transactions /actions	No restrictions apply to any banks' clients and credit institutions' transactions related to the auction of Greek sovereign notes	
	Applications for the installation of POS are permitted	
	Transactions of the Hellenic Republic are permitted	
	Transactions of BoG with the Greek State, the Legal Entities of Public Law and the Social Security Funds are permitted	
	<p>The branches may receive the:</p> <ul style="list-style-type: none"> relevant documentation for the renewal of the legalization (νομιμοποίηση) clients' bills of lading (φορτωτική) re exports 	
Prohibited Transactions		
	During the bank holiday, all transactions (besides those specified above) will be prohibited.	By a decision of MoF, other categories of transactions may also be exempt from the restrictions imposed by the bank holiday legislative act
	The transfer of portfolio from a custodian in Greece to a custodian abroad is prohibited	

	Provisions of the legislative act on the short-term bank holiday in Greece as of July 16 th 2015	Comments
	Other restrictions	
•	<ul style="list-style-type: none"> During the bank holiday: No interest for late payment is charged on payments coming due during the bank holiday All deadlines regarding the expiration, cross checking and payment of securities are postponed All judicial deadlines are postponed The execution of any compulsory enforcement action (<i>διαδικασία αναγκαστικής εκτέλεσης</i>) is postponed and especially, the execution of auctions, seizures, evictions (<i>εξώσεις</i>) and detentions (<i>προσωπική κράτηση</i>) 	
	Penalties	
	<ul style="list-style-type: none"> Any bank transaction violating the provisions of the bank holiday framework will be subject to a fine equivalent to 1/10th of the amount involved in the respective transaction. Banks are obliged to terminate the employment or the work contract of any person responsible for the violation of the provisions of the bank holiday legislative act 	
	Banking Transactions Approval Committee (Committee)	
	<ul style="list-style-type: none"> The Committee is established in the Ministry of Finance It consists of 6 members, incl. senior officers from the MoF, the Ministry of Economy, the General Accounting Office, the BoG, the Hellenic Bank Association and HCMC A support team is established in MoF for the support of the Committee's task The Committee may establish a special sub-committee per bank responsible for the approval, in total or in part, of the transactions that the Committee has the responsibility to approve The Committee shall determine the responsibilities of the special sub-committees 	

Source: Legislative Act of June 28 2015 as amended and supplemented by subsequent Legal Acts and Ministerial Decisions

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, + 30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 37 18 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, + 30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, + 30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, + 30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, + 30 210 33 71 228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, + 30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, + 30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, + 30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, + 30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, + 30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

