



Banking & Finance

Framework of Credit Servicing Firms

The Executive Committee of the Bank of Greece has recently adopted a new Act (No. 153/08.01.2019) for the establishment and operation of credit servicing firms under Greek Law 4354/2015.

The exit of Greece from the Debt Program, in August 2018, was a milestone in its creditworthiness. However, the low growth rate of the Greek economy (*about 2,4%*) in tandem with the high rates of non-performing loans (“NPLs”) with which the Greek banks are still burdened, indicates that for them the economic crisis has not yet been overcome. Hence, the rehabilitation of their balance sheets and their return to profitability has been urgent. Overall, the recovery of the Greek economy depends to a great extent on the outcome of the Greek banks’ effort to deal successfully with the current levels of their NPEs.

In this sense, the Bank of Greece adopted some amendments to the existing framework on the credit servicing, namely Act No. 118/19.05.2017, in order to increase the effectiveness and transparency of the applicable legal framework.

The new Act, as regards the licensing and operation of the firms entitled to assume the management of loans on behalf of the beneficiary (“**Servicers**”) or acquire the same, introduces the following amendments:

Management on behalf of natural or legal persons having a special relation with the Servicers

Aiming at enhancing transparency, the new Act prohibits Servicers from managing loans on behalf of natural or legal persons who are special related to them, as this special relationship is defined in the Act of the Governor of the Bank of Greece No. 2651/2012.

Cooperation with accredited operators

Before commencing operations, Servicers shall cooperate with accredited data collection and processing operators, specifically regarding the credit bureau data processing and the creditworthiness of the debtors.

The comprehensive report setting the key principles and methods of servicing, should also describe the credit bureau data collection and assessment.

Audit of financial statements

Among the other reporting requirements, the authorized Servicers shall submit regularly to the Bank of Greece its financial statements, which, under the new legal framework, must be audited by a chartered accountant or auditor.

At this point it is worth mentioning, that, pursuant to the new Act, the templates annexed to it shall be submitted to the Bank of Greece within forty five (45) calendar days from the expiration of each calendar quarter.

Participation in the Board of Directors (BoD) of at least one non-executive independent member

Servicers shall ensure the participation in the BoD of at least one non-executive independent member, for sound corporate governance purposes.

The members of the BoD of a listed company must submit the relevant fit-and-proper questionnaires

It is worth highlighting that if the persons assessed have already been deemed suitable ("*fit-and-proper assessment*") by another supervisory authority or the Bank of Greece in connection with duties related to regulated activities of the financial sector in accordance with EU or other equivalent law, the Bank of Greece may waive assessment and simply require notification of the identity of either such persons or simply the regulated legal person.

As in the pre-existing framework, where the Servicer's shareholders are listed legal persons no such questionnaires are required to be submitted to the Bank of Greece. However, under the new provisions, the members of the BoD of such legal persons shall still undergo the fit-and-proper assessment.

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