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The Hellenic Competition Commission publishes the Final Report of its Sector Inquiry into Bank Deposits

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The Hellenic Competition Commission ("HCC") has published its Final Report on the sector inquiry into the Greek bank deposits market[1]. The inquiry focuses on the competitive conditions prevailing in the market between 2019 and early 2025, against the background of persistently low deposit rates and the widening spread between lending and deposit rates.

I. KEY FINDINGS

The HCC identifies the oligopolistic structure of the Greek banking sector (four systemic banks) as a key feature of the market, while the number of credit institutions operating in Greece has declined substantially over the past fifteen years. The high concentration in the banking sector and excess liquidity have led to a limited pass-through of the ECB's interest rate increases to deposit rates, both in savings accounts, which have restrictions on transactions, but mainly in time deposits, where the amounts of money deposited are at the disposal of banking institutions throughout the term of the relevant contract.

The HCC places emphasis on the asymmetric transmission of interest-rate increases. Between January 2021 and August 2023, the average spread between new lending and deposit rates increased from 3.72 to 5.89 percentage points, while increases in ECB policy rates were transmitted only partially and with delay to Greek depositors.

Against this market structure, the HCC's analysis suggests that competitive pressure to offer more attractive deposit rates remains limited by a combination of structural and demand-side factors. In particular:

- Greek banks benefit from a large and relatively stable deposit base, reducing their need to compete aggressively for additional deposits;
- customers commonly maintain long-standing banking relationships, which reduces the need for banks to continuously attract new depositors;
- depositor mobility remains limited, while switching costs, information asymmetries and customer inertia further weaken the competitive pressure generated by the threat of customers moving their funds to competing providers.

The HCC sector inquiry into Bank Deposits identifies structural features that may weaken the competitive process and examines measures aimed at strengthening competitive pressure. The competition-policy concern is that banks may face insufficient incentives to compete through higher deposit rates even as their interest margins increase.

[1] The sector inquiry is based on art. 40 L. 3959/2011.

II. PROPOSED MEASURES TO STRENGTHEN COMPETITION

To address these concerns, the HCC focuses on four main areas:

1. Facilitating new entry and expansion: The HCC considers that greater competitive pressure could result from the entry of new providers and the expansion of existing smaller competitors, thereby challenging the position of established banks.

The limited pass-through of the ECB's interest rate increases to deposit rates, according to the HCC, may be curtailed by the emergence of a sufficient number of competitors in the market, which, in order to raise a satisfactory amount of capital from the deposit base, will offer better interest rates, thereby prompting systemic banks to take similar actions.

2. **State-backed savings accounts**: The HCC explores the potential introduction of savings products inspired by models such as the French *Livret A* and *Livret d'Épargne Populaire*, which could offer attractive returns and, in turn, exert competitive pressure on commercial banks' deposit rates.

3. **Genuine savings products**: The Report considers the development of deposit products with genuine savings characteristics, which would provide stronger incentives for consumers to maintain savings and could stimulate competition on returns rather than relying predominantly on ordinary sight or payment accounts.

One alternative could take the form of a "regulated" savings account, with a fidelity premium. Alternatively, to create and promote purely savings-oriented products, offering a preferential interest rate to reward depositors who maintain a predetermined minimum deposit amount, standardised as much as possible.

4. **Increasing depositor mobility**: The HCC proposes a series of measures aimed at reducing search and switching costs, including requiring banks to provide, through their websites, direct access to Bank of Greece interest-rate information and online interest-rate comparison tools, with consumer organizations also playing a role in raising depositor awareness. Moreoever, simplifying/promoting "provider switching," and exploring account number portability at the European level. In this context, the creation of an umbrella account number at the European level, under which the depositor could change their deposit account number whenever they wish or need to, while retaining their transaction history, could, according to the HCC, bridge any gaps in transactions by individuals and businesses at the national and cross-border levels.

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