

**Bank of Greece Governor's Act 2526/8 December 2003**

Re: Codification and supplementation of Bank of Greece Governor's Act 1379/24 October 1988, as applicable, concerning the terms and conditions for licensing the establishment of a credit institution in Greece.

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The Governor of the Bank of Greece, having regard to:

- (a) Article 55A of the Statute of the Bank of Greece;
- (b) Article 1 of Law 1266/1982 re "Authorities responsible for the conduct of monetary, credit and exchange rate policies, and other provisions";
- (c) Law 1665/1951 re "Banking operations and supervision", as applicable;
- (d) Law 2076/1992 re "Taking up and pursuit of the business of credit institutions and other related provisions", as applicable;
- (e) Bank of Greece Governor's Act 2471/10 April 2001 "Specifying the minimum initial capital of credit institutions";
- (f) Bank of Greece Governor's Act 1379/1988, as applicable, regarding the requirements for granting authorisation to credit institutions in Greece;
- (g) the need to codify into a single text the procedure for the authorisation of credit institutions in Greece, as specified by Law 2076/1992 and Bank of Greece Governor's Act 1379/24 October 1998, as applicable, without prejudice to Law 2076/1992 being applicable where appropriate;

has decided:

to codify and supplement as follows the Bank of Greece Governor's Act 1379/24 October 1988, as applicable.

## A. ESTABLISHMENT OF A CREDIT INSTITUTION IN GREECE

In order for the Bank of Greece to authorise the establishment and operation of a credit institution (as defined in paragraph 1 (a), Article 2 of Law 2076/1992, as applicable) in Greece, in the form of a *societe anonyme* or a pure credit cooperative, under Law 1667/1986, as applicable, the following procedure shall be followed:

1. The credit institution under establishment shall deposit in cash with the Bank of Greece the total of its initial capital required under Bank of Greece Governor's Act 2471/10 April 2001, as applicable, before the latter announces the grant of the authorisation. This amount shall remain in deposit until the legal entity of the credit institution has been officially established.

2. The credit institution shall submit an application to the Bank of Greece containing the following information plus any necessary supporting documents:

(a) Identification of the natural or legal persons which hold directly or indirectly, at least 10% of the capital or voting rights of the credit institution, or, when these shareholders are less than ten, identification of the ten (10) largest shareholders. In the case of shareholders that are legal entities, the Bank of Greece may require identification of the natural persons who directly or indirectly are in control of such legal entities; at the same time, the credit institution shall undertake the obligation to notify the Bank of Greece promptly of any subsequent changes in the said natural persons.

In assessing applications for authorisation, the Bank of Greece shall take favourably into account the dispersion of the credit institution's shares, also in that case ensuring effective supervision in respect of the credit institution's sound and prudent management.

The largest shareholders and the persons who directly or indirectly are in control of shareholder legal entities shall be determined in accordance with paragraphs 9 and 10, Article 2 of Law 2076/1992, as applicable, and articles 7 and 8 of Presidential Decree 51/1992, as applicable.

(b) In respect of the largest shareholders, the credit institution shall also submit the following additional documents:

- (i) A questionnaire available from the Credit System Supervision Department of the Bank of Greece (A for natural persons, B for legal entities), duly filled in and signed.
- (ii) Copy of criminal record type A (for shareholders that are natural persons).
- (iii) Non-bankruptcy certificate.

(c) Declaration of the shareholders holding more than 5%, stating the sources of the funds with which they will acquire their shares, as specified by article 40 of Law 1806/1988. This declaration shall be accompanied by certified copies of the last three years' income tax returns and the respective tax payment notifications. In the event of lawful exemption from the obligation to submit income tax returns or if the funds to be used for the acquisition of the shares constitute income that was lawfully not included in the income tax returns, the concerned parties shall provide other equivalent proof, as judged by the Bank of Greece, of the origin of these funds.

(d) Identification of two persons (of which one Board member) who shall be working exclusively at the credit institution and shall be responsible for defining its scope of activity;

(e) Identification of the person in charge of the Internal Audit unit, in accordance with the Banking and Credit Committee Decision 154/9/18 July 2003; and

(f) Identification of a person responsible for the credit institution's compliance with anti-money laundering legislation (article 4, paragraph 10 of Law 2331/1995, as applicable).

For the persons referred to in indents d,e,f who shall be working exclusively at the credit institution, the following documents shall be submitted to the Bank of Greece before its start of operation, as evidence of their reliability and suitability for their tasks so as to ensure the sound and prudent management of the credit institution, pursuant to Law 2076/1992, as applicable:

- (i) the supporting documents referred to in paragraph 2 (b) above;

(ii) complete curricula vitae with information on their professional background and previous experience in equivalent positions in the financial sector;

(iii) two letters of recommendation for each person; these letters must not come from shareholders, prospective board members or executives of the credit institution to be established or its affiliated undertakings, within the meaning of article 42e of Law 2190/1920, as applicable.

In exceptional circumstances, if at the time when the application has to be submitted to the Bank of Greece, it is impossible to identify the persons referred to in indents (e) and (f) of paragraph 2 hereinabove, the Bank of Greece may grant authorisation conditional upon the fulfilment of this requirement prior to the incorporation of the credit institution and subject to the approval of the Credit System Supervision Department of the Bank of Greece.

(g) Identification of the board members, distinguishing between executive and non-executive members, along with the supporting documents referred to in paragraph 2(b) indents (ii) and (iii) and paragraph 2(f) indent (ii) for each member. In assessing the application, the Bank of Greece shall evaluate the skills and professional experience of the non-executive board members on issues of internal audit and audit accounting procedures, in accordance with the Bank of Greece Governor's Act 2438/6 August 1998, as amended by Banking and Credit Committee Decision 154/9/18 July 2003.

(h) Draft Articles of Association.

(i) A feasibility study, containing full and detailed description of the business, broken down by type of activity sector and of any investment services, within the meaning of Law 2396/1996, as applicable, to be offered by the credit institution, as well as its business plan for the first three (3) years of operation. The study shall be based on a research of the Greek financial market, shall take into account the financial integration in the European Economic Area, and shall refer to the geographical area and the customer group to be targeted by the credit institution. The feasibility study shall also include:

(i) Identification of the sources of funds and forecasts on developments in key Balance Sheet and Profit & Loss Account items and cash flows.

(ii) Data on the expected path of the capital adequacy ratio during the first three (3) years of the credit institution's operation, under Bank of Greece Governor's Acts 2524/2003 and 2397/1996, as applicable, specifying the methods used for the assessment of credit, market and operational risks.

(iii) Detailed organisational and administrative structure of the credit institution, as reflected in the organisation charts, specifically indicating the composition and the position within these charts of the Committees for internal audit and risk management (Bank of Greece Governor's Act 2438/1998, as applicable); also the number and qualifications of the personnel staffing the corresponding units as well as the selection criteria for any external persons to which the credit institution will outsource the promotion of its products and services.

(iv) Description of the marketing methods that shall be applied to the credit institution's products.

(v) Description of the accounting system and auditing procedures.

(vi) Description of IT systems (hardware, software, network infrastructure) and of the method for interlinking with third parties' computer systems, with emphasis on the mechanisms ensuring safe and continuous operation; also, description of the management information system.

(vii) The Policy for the Security of IT Systems.

(viii) The internal rules of the credit institution specifying the methods for rating and classifying the credit standing of customers as well as procedures to be applied to the control of foreign branches and subsidiaries, in accordance with the provisions on internal audit systems (Bank of Greece Governor's Act 2438/1998 and Law 2331/1995, as applicable) and the related circulars of the Bank of Greece.

3. The Bank of Greece shall reserve the right to request additional information and data for granting the authorisation.

In the event that any data or information provided under this Act are inaccurate or misleading, the Bank of Greece shall reserve the right to revoke its authorisation, in accordance with article 8 of Law 2076/1992, as applicable.

4. The information referred to in paragraph 2, indents (a) to (g) above, shall also be submitted during the operation of the credit institution in the case of prospective shareholders of a qualifying holding, as defined in article 17 of Law 2076/1992, as applicable. Same in the event of a change either in the persons responsible for the credit institution's operation, its internal audit and for procedures under Law 2331/95, as applicable, or in the board members.

Credit institutions shall inform holders of securities convertible into equity that, if by exercising their relevant right, they acquire a qualifying holding in the share capital or become major shareholders of the credit institution, in the sense of paragraph 2 (a) of this section, they shall be subject to the requirement to report data to the Bank of Greece and to obtain the Bank of Greece approval, under article 17 of Law 2076/1992 and this Act.

In the context of its powers stipulated in the second and third indents of paragraph 1a, article 17 of Law 2076/1996, as applicable, the Bank of Greece may, at any time during the operation of the credit institution, require identification of the natural persons who directly or indirectly control the credit institution's largest shareholders – legal entities, within the meaning of paragraph 2(a) of this section.

## B. ESTABLISHMENT OF BRANCHES OF CREDIT INSTITUTIONS BASED OUTSIDE THE EEA

The establishment in Greece of branches by credit institutions having their head office in a non-EU country or a country that has not ratified the Agreement on the European Economic Area (EEA) shall be governed by Law 2076/1992 (article 12) and Bank of Greece Governor's Act 2461/5 April 2000, subject to the following terms and conditions:

1. The credit institution shall submit an application to the Bank of Greece.
2. For establishing up to four branches in Greece, the credit institution shall deposit an initial capital at least equal to half of the initial capital currently required for establishing a credit institution in Greece in the form of a *societe anonyme*. This capital shall be deemed own

funds. For more branches, additional capital shall be required, up to the minimum amount stipulated in Bank of Greece Governor's Act 2471/10 April 2001, as applicable, for the establishment of a credit institution in Greece in the form of a *societe anonyme*.

3. The competent authority of the credit institution's home country shall communicate to the Bank of Greece:

(a) the registered name of the credit institution and the postal address of its branch in Greece;

(b) the information referred to in paragraph 2 (f) items (i) and (ii) above and section A, in respect of:

(i) the two persons that will be in charge of the management of the branch; these must be residents of Greece and have adequate professional qualifications and experience;

(ii) the person responsible for the credit institution's compliance with Law 2331/1995 on the prevention and suppression of money laundering, as applicable;

(c) the branch's organization chart and its business plan, which shall include, *inter alia*, the nature of the business that the branch plans to engage in. This business must fall within the scope of the credit institution's authorisation in its home country;

(d) information on the deposit guarantee scheme applicable in its home country, if such scheme also covers deposits held with the Greek branch;

(e) the credit institution's own funds and its capital adequacy ratio;

(f) its consent to the credit institution's expansion to Greece.

The credit institution shall also report any additional information and data that may be required by the Bank of Greece for supervisory purposes; e.g. regarding its financial soundness, capital adequacy for credit and market risks, compliance with limits on large exposures, adequacy of internal audit systems, etc.

## C. ESTABLISHMENT OF BRANCHES OF CREDIT INSTITUTIONS BASED IN THE EEA

A credit institution established and operating in another country within the EEA may operate in Greece, provided that its home supervisory authority has previously communicated to the Bank of Greece the following information, in accordance with article 11 of Law 2076/1992, as applicable:

(a) the address where the branch can be contacted;

(b) the branch's organization chart and its business plan, which shall include inter alia the nature of the business that the branch plans to engage in;

(c) the names of the persons in charge of the management of the branch;

(d) the credit institution's own funds and its capital adequacy ratio;

(e) detailed information on the deposit guarantee scheme applicable in its home country, if such scheme also covers the deposits held with the Greek branch.

From the entry into force of this Act, Bank of Greece Governor's Act 1379/1988, as amended by Bank of Greece Governor's Act 1290/21 July 1989 and Monetary and Credit Committee Decisions 474/3/29 May 1991 and 494/2/26 February 1992, shall be repealed and any reference to them shall be construed as reference to this Act.