EXECUTIVE COMMITTEE ACT 178/1/2.10.2020

Subject: Terms and conditions for the authorisation of microfinance institutions– Qualifying holdings

THE EXECUTIVE COMMITTEE OF THE BANK OF GREECE, having regard to:

1. Articles 2 and 55A of the Statute of the Bank of Greece (Government Gazette A΄ 298/1927);
2. the provisions of Law 4701/2020 “Framework for microcredit provision, financial sector regulation and other provisions" (Government Gazette A΄ 128) and, in particular, Article 4 thereof;
3. the provisions of Law 4261/2014 "Access to the activity of credit institutions and prudential supervision of credit institutions and investment firms (transposition of Directive 2013/36/EU), repeal of Law 3601/2007, and other provisions" (Government Gazette A΄ 107);
4. the provisions of Law 4449/2017 “Statutory audits of annual accounts and consolidated accounts, public oversight for statutory auditors and audit firms, and other provisions” (Government Gazette A΄ 7);
5. the provisions of Law 4557/2018 “Prevention and repression of money laundering and terrorist financing (transposition of Directive 2015/849), and other provisions" (Government Gazette A΄ 139);
6. Decision of the Banking and Credit Committee of the Bank of Greece no. 281/5/17.3.2009 “Prevention of the use of credit institutions and financial institutions supervised by the Bank of Greece for purposes of money laundering and terrorist financing” (Government Gazette B΄ 650), as currently in force;
7. Bank of Greece Governor’s Act 2577/9.3.2006 “Framework of operational principles and criteria for the evaluation of the organisation and Internal Control Systems of credit and financial institutions and relevant powers of their management bodies” (Government Gazette A΄ 59), as currently in force;
8. Bank of Greece Executive Committee Act 142/11.6.2018 "Procedures for (a) the authorisation of credit institutions in Greece; (b) the acquisition of, or increase in, a holding in credit institutions; and (c) the taking up of a post as a member of the board of directors and as a key function holder of credit institutions" (Government Gazette B΄ 2674), as currently in force;
9. the fact that no expenditure shall be incurred by the Government Budget as a result of the provisions of this Act;

HEREBY DECIDES as follows:

**CHAPTER Α. TERMS AND CONDITIONS FOR AUTHORISATION**

1. This Chapter lays down the terms and conditions for the authorisation of microfinance institutions in Greece, as defined in Article 2(b) of Law 4701/2020 “Framework for microcredit provision, financial sector regulation and other provisions” (Government Gazette A΄ 128).
2. For the authorisation of microfinance institutions in Greece (hereinafter referred to as “institutions”) by the Bank of Greece, the following shall be required:

(a) Submission of an application as per Annex I to this Act, accompanied by the evidence and supporting documentation specified therein, which are necessary for the assessment of the application and which shall be true, complete, accurate and up-to-date.

(b) Submission of proof of deposit of the full amount of the required minimum initial capital by the applicant institution, as well as any additional funds that may be required in order to ensure that the own funds of the new institution meet any potential capital requirements that may arise in its first year of operation, as well as the minimum initial capital on an ongoing basis. In calculating any such additional funds, account shall be taken of the projections in the submitted business plan and, in particular, expected losses and the risks to be undertaken by the institution. The amount of the minimum initial capital shall be at least two hundred and fifty thousand (250,000) euros. The aforementioned initial capital, payable in cash, shall remain deposited, until the date of granting of authorisation by the Bank of Greece, in an account with a credit institution authorised in Greece or operating in Greece through a branch which is not a related party, as defined in Annex A of Law 4308/2014 (Government Gazette A΄ 251), to the applicant. In any event, any incorporation process that is still pending at the time of submission of the application must have been duly completed before authorisation is granted by the Bank of Greece. If the applicant is a legal entity that has already been incorporated, apart from the aforementioned initial capital, a certificate by a statutory auditor, as defined in Law 4449/2017 (Government Gazette A΄ 7), shall also be submitted, verifying that the net worth of the legal entity does not fall short of the required minimum initial capital, based on updated balance sheet.

(c) Submission of the draft articles of association of the applicant or, if the latter already operates in another line of business and intends to change its scope, the original articles of association and all subsequent amendments.

(d) Submission of the programme of operations, with a complete and detailed description of the operations envisaged. The programme shall also include:

(i) a description of the organisational and administrative structure of the applicant institution and its branches, as well as the respective organisational charts, including the name of the head of the Internal Audit function. The organisational charts shall be accompanied by descriptions of the duties and responsibilities of each department or similar structural framework in accordance with the general governance principles set forth in para. 4 of Chapter II of Bank of Greece Governor’s Act 2577/9.3.2006;

(ii) a forecast of the total number of staff of the institution and its branches and a description of their qualifications;

(iii) a description of the applicant's governance framework and internal control mechanisms, including on- and off-site inspections envisaged by the applicant, as well as of relevant systems, resources and procedures, including the administrative and accounting structure and the risk management, demonstrating that such organisational framework and mechanisms are proportionate, appropriate, sound and adequate with respect to the institution’s size and business plan;

(iv) a description of the outsourcing policy and procedures, including a statutory declaration that the institution is fully responsible for any operations or activities of its branches or outsourcing service providers;

(v) a description of the system employed for obtaining information on potential microcredit beneficiaries, along with evidence of the institution's cooperation with certified credit data providers responsible for the collection and processing of information regarding the financial behavior and creditworthiness of borrowers;

(vi) a description of the credit policy for the mitigation of credit risk in all types of microcredit under Article 14 of Law 4701/2020 and a description of the portfolio quality review policy;

(vii) a description of internal procedures for the documentation and handling of borrower complaints;

(viii) a declaration of compliance with the requirements of the regulatory framework for combatting money laundering (ML) and terrorist financing (TF), accompanied by a description of the policies, procedures and internal control mechanisms for effectively addressing said ML/TF risks and ensuring compliance with the requirements of Law 4557/2018 (Government Gazette A΄ 139) and Banking and Credit Committee Decision no. 281/5/17.3.2009 (Government Gazette Β΄ 650);

(ix) a description of the IT infrastructure (including management information systems), the security of which shall be assessed through the submission of a separate IT security policy document covering the operational needs and the specific IT infrastructure.

(e) Submission of a business plan that shall include a complete and detailed programme of operations of the applicant institution for the first three (3) years, along with a timeline for achieving its objectives. This programme of operations shall be based on a research of the Greek financial market or other target markets the institution intends to operate in, and shall describe the methods and the manner of this operation. The business plan shall also identify the sources of funding and the anticipated development of key balance sheet accounts, profit and loss account and cash flows. Also, data shall be provided on the anticipated development of the capital adequacy that may be required, for the first three (3) years of its operation, indicating the method of risk assessment and measurement.

(f) Where the applicant institution is an already operating company, submission of audited financial statements, accompanied by the certificate of the statutory auditor or audit firm, as defined in Law 4449/2017, for the previous three (3) financial years, if available. If such financial statements are not available, a summary of the financial position shall be submitted instead.

(g) Submission of detailed information regarding the shareholding or ownership composition of the institution, demonstrating that no entity classified in the public sector, as defined in para. 1(a) of Article 14 of Law 4270/2014 (Government Gazette A΄ 143), holds a share of more than sixty percent (60%) to the share capital or the assets of the institution.

(h) Submission of the completed and signed questionnaires of Annex II of Executive Committee Act 142/11.6.2018, in accordance with point (i) of para. 2 of this Chapter, accompanied by the relevant required documentation.

(i) Completion and submission of the questionnaires of Annex II of the Executive Committee Act 142/11.6.2018 by the following persons:

(aa) The questionnaire “Assessment of proposed acquisition of a holding by natural persons” shall be submitted by the natural persons who:

(i) shall have in the applicant institution, directly or indirectly, on the basis of the criteria set forth in para. 10 of Chapter B of Executive Committee Act 142/11.6.2018, alone or acting in concert within the meaning of para. 5 of Article 23 of Law 4261/2014, a qualifying holding, as defined in para. 1(33) of Article 3 of Law 4261/2014 (hereinafter qualifying holding);

(ii) although not included in the above case, shall, through written or other arrangements or acting in concert within the meaning of para. 5 of Article 23 of Law 4261/2014, exercise control over the applicant institution, within the meaning of para. 1(34) of Article 3 of Law 4261/2014.

(bb) The questionnaire "Assessment of proposed acquisition of a holding by legal persons", shall be submitted by legal persons meeting the conditions of point (i) or (ii)(aa) of indent (i) of para. 2 of this Chapter.

The Bank of Greece may allow the parent company or the beneficial owner, as defined in Article 3(17) of Law 4557/2018, to submit questionnaires in the name and on behalf of legal persons acquiring an indirect holding, in accordance with the provisions hereof.

(cc) The questionnaire “Fit and proper assessment of members of the board of directors and key function holders” shall be submitted by the following persons:

(i) all the members of the board of directors of the applicant institution, at least two of whom, one non-executive member and one executive member, shall have proven knowledge and experience in credit risk management;

(ii) the officer of the applicant institution who shall be responsible for compliance with the anti-money laundering and counter terrorist financing legislation under Article 38 of Law 4557/2018 (hereinafter referred to as the “executive officer of Article 38 of Law 4557/2018”);

iii) the head of the internal audit function.

Any persons who have already submitted the above questionnaires and are being assessed by virtue of their capacity or position in a credit or financial institution, which is supervised by the Bank of Greece and is the parent institution of the applicant, shall be exempt from the requirement to submit the above questionnaires.

1. When submitting the application and the required data and information to the Bank of Greece, the applicant shall not merely refer to internal procedures or other documents, but shall submit the relevant excerpts, indicating the source thereof.
2. In the event of any change affecting the accuracy of the information and documentation required under this Chapter, the institution shall, without undue delay, inform the Bank of Greece thereof.

**CHAPTER Β. ACQUISITION, DISPOSAL OR INCREASE OF A HOLDING IN A MICROFINANCE INSTITUTION ESTABLISHED IN GREECE**

1. If a natural or legal person intends, alone or acting in concert within the meaning of para. 5 of Article 23 of Law 4261/2014, to acquire, directly or indirectly (based on the criteria set forth in para. 10 of Chapter B of Executive Committee Act no. 142/11.6.2018), a qualifying holding in an institution authorised by the Bank of Greece under Chapter A hereof (hereinafter referred to as the “proposed acquirer”) or to further increase, directly or indirectly, their qualifying holding in a microfinance institution so that the proportion of the share capital or of the voting rights held reaches or exceeds the thresholds of 20%, one-third or 50%, or so that the institution becomes its subsidiary, they shall notify the Bank of Greece thereof in writing, submitting the completed questionnaire “Information requirements associated with the amount of acquisition of a holding by a proposed acquirer” of Annex III of Executive Committee Act 142/11.6.2018, and, where appropriate, the questionnaire “Assessment of proposed acquisition of a holding by natural persons” or, the questionnaire “Assessment of proposed acquisition of a holding by legal persons” (Annex II to Executive Committee Act 142/11.6.2018) along with the required documentation. The Bank of Greece may request additional information, if deemed necessary.

2. For the purposes of verifying the identity and suitability of the persons with qualifying holding that are required to submit data and information to the Bank of Greece under para. 1, the procedure and criteria laid down in Articles 23-24 of Law 4261/2014 regarding credit institutions established in Greece, subject to the deadline specified in para. 2 of Article 8A of Law 4701/2020, as well as the provisions of Chapter B of Executive Committee Act no. 142/11.6.2018, apply by analogy.

3. Similarly as for the authorisation process, the Bank of Greece may allow the parent company or the beneficial owner, as defined in Article 3(17) of Law 4557/2018, to proceed with the notification and submission of questionnaires in the name and on behalf of the legal persons that are indirect proposed acquirers as per the provisions hereof.

4. Any natural or legal person who has taken a decision to dispose, directly or indirectly, of a qualifying holding in an institution authorised under Chapter A hereof, shall notify the Bank of Greece in writing before the divestiture, indicating the percentage of the holding they intend to maintain. This person shall also notify the Bank of Greece in writing of their decision to reduce their qualifying holding, so that the proportion of the share capital or voting rights held falls below the thresholds specified in para. 1 above, indicating the percentage of the holding they intend to maintain.

**CHAPTER C. OTHER PROVISIONS**

1. The Bank of Greece may, at any time during the authorisation process and/or the operation of the institution, request any additional data, information and clarifications as may reasonably be necessary for the purposes of this Act, which shall be provided without delay.

2. In the event of any change affecting the accuracy of the information and documentation required under this Act, the institution shall, without undue delay, inform the Bank of Greece thereof.

3. Natural and legal persons, who are required to submit, where applicable, the respective questionnaires under Chapters A and B hereof, shall immediately inform the Bank of Greece in writing of any material change that could affect their suitability for the position held.

4. The Bank of Greece may request the persons subject to the requirements of Chapters A and B hereof to submit the respective questionnaires, as appropriate, whenever deemed necessary for purposes of prudential assessment.

5. The certificates submitted for the purposes hereof must have been issued by legally authorised persons and must have been authenticated and translated into Greek or English.

6. The provisions of Chapter C of Executive Committee Act 142/11.6.2018, applicable to the members of the Board of Directors and key function holders or executive officer of Article 38 of Law 4557/22018 in credit institutions authorised in Greece, shall apply by analogy to the persons referred to in points (i), (ii) and (iii)(cc) of indent (i) of para. 2 of Chapter A hereof.

**CHAPTER D. FINAL PROVISIONS**

1. The Banking Supervision Department of the Bank of Greece is hereby authorised to provide instructions and clarifications on the implementation of this Act.

2. Annex I hereto forms an integral part of this Act.

3. This Act shall be published in the Government Gazette and posted on the website of the Bank of Greece.