

One year capital controls in Greece

Impact on the domestic economy & lessons from the Cypriot experience

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□ Capital controls (CCs) in Greece:

- **not** a mechanism for balance-of-payments support, exchange rate stability or protection of FX reserves,
- **but** a temporary policy aiming to curtail deposit outflows & safeguard domestic financial system stability, in a period of high uncertainty regarding:
 - i. political developments; and
 - ii. domestic macroeconomic prospects
- Capital controls were imposed on June 28 2015. Restrictions have been gradually relaxed, with the latest changes taking place on 22 July 2016. The most important of these changes include:
 - increase of the maximum cash withdrawal limit to €840 bi-weekly, per depositor, per institution;
 - increase (to 30% from 10%) of cash withdrawal limit for funds transferred from abroad;
 - 100% cash withdrawal for funds credited in cash from 22 July 2016 onwards, in accounts owned by legal entities and natural persons; and
 - early loan repayment in part or in full without exceptions
- The economy returned to recession following the imposition of CCs, disrupting 5 consecutive quarters of positive growth. However, the contraction of aggregate economic activity has proven to be milder than initially expected (2015 real GDP: -0.2% vs. earlier forecasts for a contraction between 2% and 4%, EC 8/2015).
- Domestic demand had a negative contribution, while net exports increased due to a sharp fall of imports. The key driver of last year's output decline was the major decrease in inventory investment. On the positive side, the performance of exports of goods excluding oil and ships proved to be resilient
- Private sector deposits stabilized after the implementation of CCs and the net balance is positive as of June 2016. However, a faster return of deposits requires a further significant recovery of domestic economic sentiment
- Transaction habits after the implementation of CCs undergo a major shift towards plastic money (mainly debit cards) & online payments as recent data demonstrate. However, the said adjustment is not without costs
- The new transactions model is expected to be beneficial in the medium-run, in terms of transaction efficiency & transparency as well as the fight against tax evasion
- Anecdotal evidence suggest that domestic firms operating in the external sector are adjusting in the new environment. Yet, the mere existence of CCs imposes significant costs on these firms (especially on SMEs)

❑ **Lessons from the Cypriot experience:**

- Greece needs to increase degree of programme ownership, accelerate reforms implementation and communicate more effectively to the broader population the necessity of the required adjustment
- The Cypriot experience has taught us that a concrete action plan - drafted in an early stages of the country's stabilization programme - containing the series of milestones to be fulfilled in the path leading to the full removal of capital controls, can anchor depositors expectations and allow policymakers to focus on the required actions. Such a roadmap appears to still be missing in the Greek case.

❑ **Timing of further relaxation/full-removal of CCs to be determined by:**

- successful completion of future programme reviews (restoration of confidence, initiation of debt relief talks & disbursement of scheduled loan installments);
- improvement of economic sentiment and positive growth prospects
- absence of significant external shocks

“Use of CCs is more effective when they are part of a broader policy package aiming to improve the macroeconomic and financial environment of a country” - IMF (2012, 2015)

Part 1

Capital Controls

Theoretical perspectives & empirical evidence

- ❑ *“Capital controls (CCs) are measures meant to affect the cross-border movement of capital by limiting the rights of residents or non-residents to enter into capital transactions or to effect the transfers and payments associated with these transactions” (IMF, 2011)*
- ❑ *“Under certain circumstances, cross-border capital flows should be regulated to avoid the worst effects of capital flow surges or sudden stops” (IMF, 2012)*

- ❑ **Main categories**
 - **Administrative** (direct) controls, which prohibit or impose explicit quantitative limits on capital transactions
 - **Market-based** (indirect) controls, such as unremunerated reserve requirements or taxes on flows that discourage the targeted transactions by increasing their cost

- ❑ **Potential consequences**
 - Tend to remain in place for long periods
 - Constrain the supply of capital and increase the cost of financing
 - Compress domestic demand and distort economic agents’ decision-making mechanism
 - Increase market uncertainty

- ❑ **Empirical evidence** (*based mainly on the experience from emerging markets*)
 - Tend to have a stronger impact on the composition than on the volume of capital flows
 - Discourage foreign investment
 - Tend to contain output decline during crises

- ❑ **Unlike several past incidences**, which mainly aimed to support exchange rate stability (*e.g. Iceland 2008, Brazil 2009 & India 2013*), CCs in Greece were imposed to safeguard domestic banking system stability

Part 2

Capital Controls in Greece

Latest changes and what applies today

Greece: Latest changes (introduced on 22 July 2016)

Cash withdrawals

- Cumulative cash withdrawal limit set at €840 bi-weekly, per person, per institution (from €420 weekly, per person, per institution)
- 30% (from 10%) cash withdrawal limit for funds that, as of July 22, 2016, are transferred from abroad by means of a credit transfer to existing accounts held with a credit institution in Greece, through a procedure determined by the Banking Transactions Approval Committee
- 100% cash withdrawal for funds that, as of July 22, 2016 are credited in cash, in accounts owned by legal entities and natural persons. This provision is new

Early loan repayments

- Removal of all restrictions for early loan repayment in part or in full without exceptions. Previously, early loan repayment was allowed under certain conditions

Pensions & welfare benefits

- Payments of pensions and any type of welfare benefits from abroad are permitted now also for beneficiaries that had applied for their pension on welfare benefit prior to the Legislative Act dated 28 June 2015 or if they are granted a pension for the first time after 22 July 2016 provided that the beneficiary can prove that she/he is resident abroad at least for the past two years

Opening of bank accounts

- Opening of a current or deposit account for students who will participate in ERASMUS exchange programmes in the current academic year provided that the existence of an account is a condition for the payment of the relevant tuition fees and that they do not already own an account. This provision had previously applied only to students of the 2015-2016 academic year
- Opening of a bank account in Greece for the purpose of crediting a pension provided that the beneficiary of the pension is resident abroad. This provision is new

Transaction	What applies
Cash withdrawal	<p>Cumulative bi-weekly cash withdrawal up to €840 per person, per institution</p> <p>30% cash withdrawal limit for funds which, as of July 22, 2016, are transferred from abroad by means of a credit transfer to existing accounts held with a credit institution in Greece, through a procedure determined by the Banking Transactions Approval Committee</p> <p>100% cash withdrawal for funds which, as of July 22, 2016 are credited in cash, in accounts owned by legal entities and natural persons</p> <p>100% cash withdrawal for funds credited from abroad or deriving from the sale of foreign titles (e.g., bonds, equities)</p>
Opening of bank accounts	<p>Opening new current or deposit accounts is allowed as long as the said depositor already has a Customer ID. Certain exceptions apply subject to the submission of the necessary documents by the applicant. The activation of dormant accounts is prohibited.</p> <p>Opening of a current or deposit account for students who will participate in ERASMUS exchange programmes in the current academic year is allowed provided that the existence of an account is a condition for the payment of the relevant tuition fees and that they do not already own an account.</p> <p>Opening of a bank account in Greece for pensioners who are residents abroad for the purpose of crediting their pension is allowed.</p>
Adding a co-beneficiary to an account	Adding co-beneficiaries to existing accounts is allowed as long as they refer to existing Customer IDs.
Loan payment	Early loan repayment in part in full is allowed.
Pensions/Welfare Benefits	Payments of pensions and any type of welfare benefits from abroad by means of a credit transfer to existing accounts are permitted under certain conditions.
Early redemptions of time deposits	Early redemption in part or in full of time deposits is allowed.
Cash withdrawals in foreign currency	Cash withdrawal in foreign currency is allowed up to the equivalent of 60 euro per day based on that day's exchange rate.
Use of debit card issued by domestic banks to withdraw cash abroad	This transaction is allowed up to the maximum daily or/and weekly withdrawal limit that applies for transactions in Greece.
Use of credit or pre-paid card issued by domestic banks to withdraw cash abroad	Prohibited.

Transaction	What applies
Cheque deposits	Cheques may be deposited only by crediting a bank account. Cheque payments by cash are prohibited.
Use of credit, debit or pre-paid cards for purchases abroad	The maximum transaction amount depends on the cardholder's contract with the bank and the limit that is approved for each individual bank by the Bank Transactions Approval Committee.
Use of credit, debit or pre-paid cards for Internet purchases	This transaction is allowed for all types of purchases upon the condition that the e-shop settles its card transactions in an account kept at a bank that operates in Greece. The maximum transaction amount depends on the cardholder's contract with the bank.
Cash transfers abroad	The transfer of funds or cash abroad in any manner whatsoever is prohibited, including orders to transfer funds to accounts held with credit institutions established and operating abroad, as well as the transfer of funds via credit, prepaid or debit cards for cross-border payments. The transfer of an amount of up to €2k (two thousand euro), or the equivalent in foreign currency, shall be specifically allowed per natural person per travel abroad.
Capital transfers abroad	Such transactions are prohibited unless included in the exceptions processed on a daily basis by the banks' Special Sub-committees and the Bank Transactions Approval Committee. Certain exceptions apply.
Payments abroad for hospital fees and medical expenses	The payment of hospital fees and medical expenses is carried out without requiring permission by the Bank Transactions Approval Committee subject to the submission of the necessary documents and the transfer of the funds directly to the medical institution's bank account.
Payments abroad for tuition fees	The payment of tuition fees is carried out without requiring permission by the Bank Transactions Approval Committee subject to the submission of the necessary documents and the transfer of the funds directly to the educational institution's bank account.

Transaction	What applies
Payments abroad of legal persons or independent professionals/sole proprietorships up to €10k	Transactions of legal persons or independent professionals/sole proprietorships involving a transfer of funds abroad, in the context of their business activities are allowed, in an amount not in excess of €10k each, per customer, per day, and upon the submission of the relevant invoices and other evidence and documentation, compulsorily accompanied by a statutory declaration to the effect that the above documents are genuine and have not been submitted to any other credit institution. These transactions are processed directly by the branch networks of credit institutions, by crediting the counterparty's account and are subject to the ceiling determined by the Bank Transactions Approval Committee of each credit institution.
Payments abroad of legal persons or independent professionals/sole proprietorships up to €250k	Special subcommittees examine requests by legal entities, as well as partnerships and sole proprietorships, of any legal form and any field of activity, for the transfer of funds abroad in order to: a) execute payments against billing documents (such as invoices, pro forma invoices, bills of lading, payroll slips, etc.), b) open new letters of credit and new credit on hold, c) issue new letters of credit, and d) address new term liabilities from settlement of securities receivable related to imports, as part of their business, provided that the total amount of requests for each customer and each Customer ID does not exceed €250k per working day, through one or more transactions.

Note: The above Table contains the most important transactions. For a more detailed list refer to the Legislative Act "Urgent provisions for imposing restrictions on cash withdrawals and capital transfers", (G.G. issue A 84, 18.07.2015), as applicable (G.G. issue B 1561/24.7.2015), (G.G. issue A 90, 31.7.2015), (G.G. issue B 1617, 31.7.2015), (G.G. issue B 1620, 31.7.2015), (G.G. issue B 1721, 17.8.2015), (G.G. issue B 1867, 31.8.2015), (G.G. issue B 1871, 3.9.2015), (G.G. issue B 2100, 25.9.2015), (G.G. issue B 2110, 29.9.2015), (G.G. issue B 2131, 2.10.2015), (G.G. issue B 2387, 6.11.2015), (G.G. issue A 161, 30.11.2015), (G.G. issue B 2625, 7.12.2015), (G.G. issue B 4, 7.1.2016), (G.G. issue B 684, 15.3.2016) and (G.G. issue B 2282, 22.7.2016)

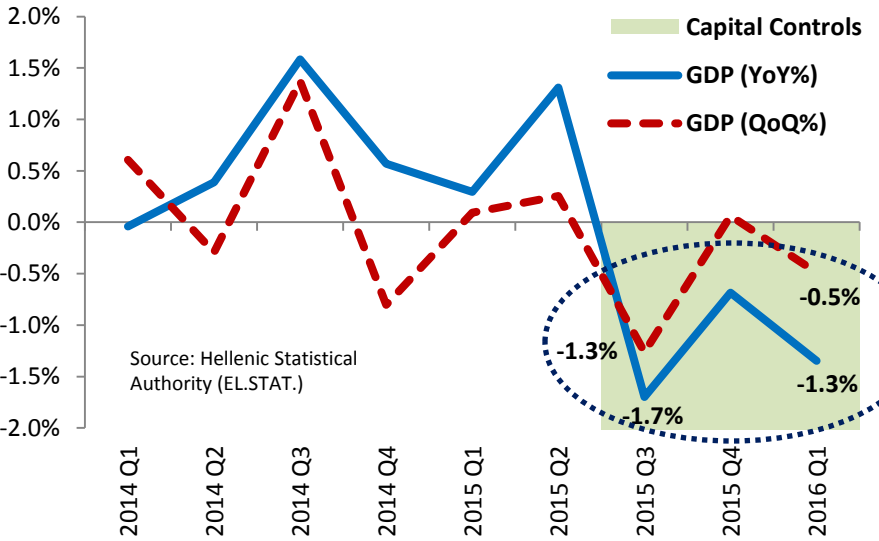
Sources: Hellenic Bank Association, Government Gazette, Bank of Greece "Overview of the financial system" July 2016

Part 3

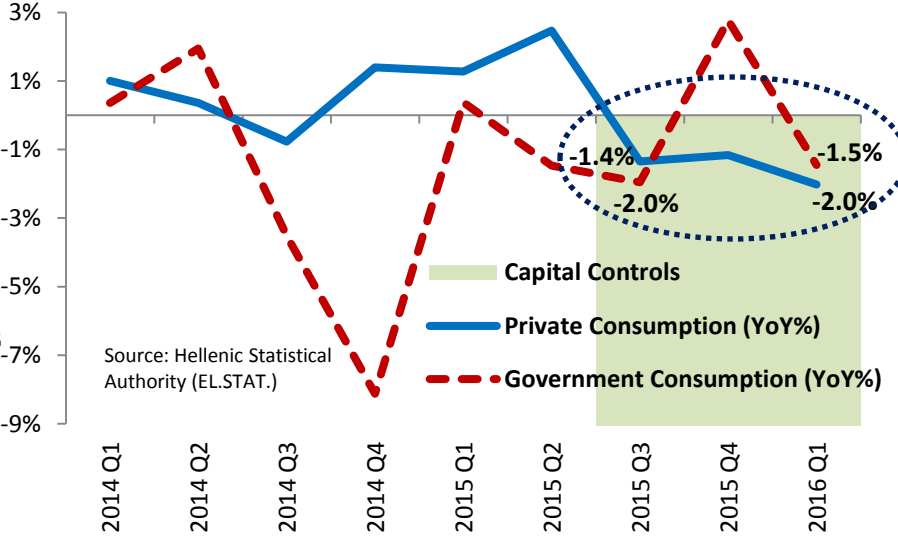
Capital Controls in Greece

Macroeconomic impact

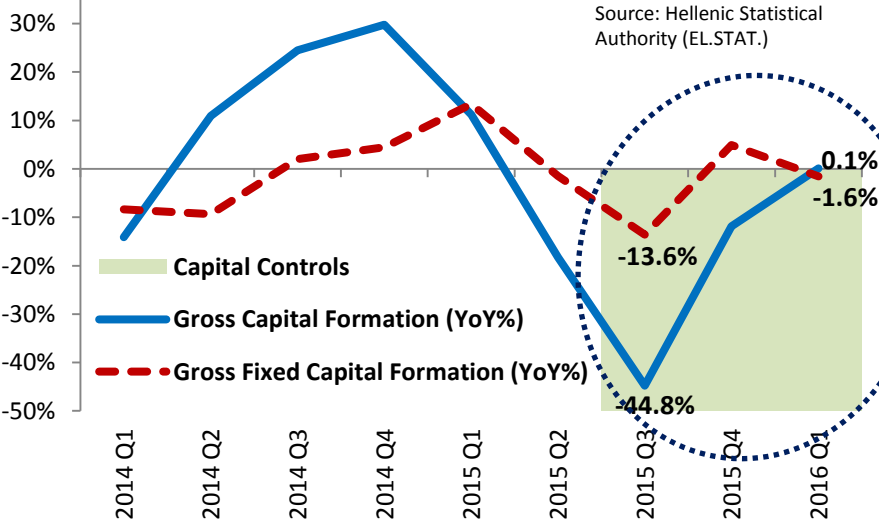
3 consecutive quarters of negative GDP growth...



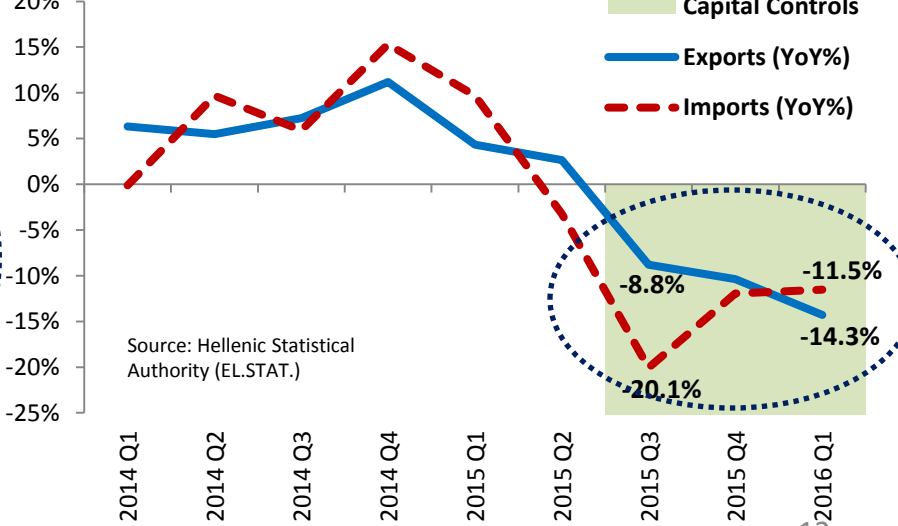
a drop in private consumption...



major decrease in inventory investment (destocking)...



a deterioration in external trade...



Real economy post the imposition of CCs

Slowdown much milder than initially expected; possible recovery from H2 2016

	GDP (YoY%)	Domestic Demand	Private Consumption	Government Consumption	Gross Capital Formation	Gross Fixed Capital Formation	Change in Inventories	Net Exports
	<i>Contribution to real GDP growth (in percentage points)</i>							
	1 (2+8)	2 (3+4+5)	3	4	5 (6+7)	6	7	8
<u>2015</u>	<u>-0.2</u>	<u>-1.4</u>	<u>0.2</u>	<u>0.0</u>	<u>-1.6</u>	<u>0.1</u>	<u>-1.7</u>	<u>1.1</u>
2015 Q1	0.3	2.5	0.9	0.1	1.5	1.5	0.1	-2.1
2015 Q2	1.3	-0.7	1.7	-0.3	-2.1	-0.2	-2.0	1.8
<u>2015 Q3</u>	<u>-1.7</u>	<u>-4.7</u>	<u>-0.9</u>	<u>-0.4</u>	<u>-3.5</u>	<u>-1.4</u>	<u>-2.1</u>	<u>2.8</u>
2015 Q4	-0.7	-2.1	-0.8	0.6	-1.9	0.7	-2.5	1.4
2016 Q1	-1.3	-1.8	-1.5	-0.3	0.0	-0.2	0.2	0.4

Why the recession was milder than initially expected?

Domestic drivers: agreement on 3rd economic adjustment programme; good tourism season; some relaxation of CCs; rebound of economic sentiment; and successful bank recapitalization

External drivers: drop in oil prices and devaluation of the euro

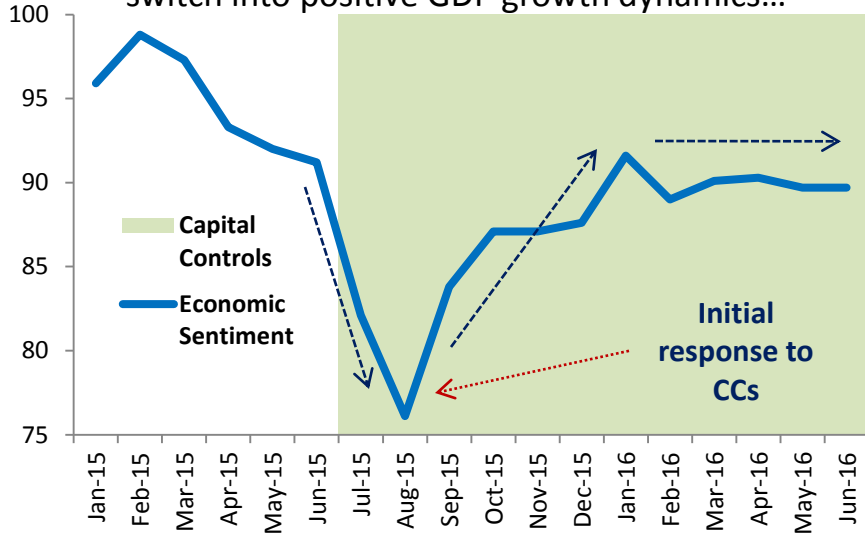
Is it possible for the economy to recover in H2 2016?

The successful completion of the 1st programme review provides a good base for a gradual improvement in domestic economic conditions from Q3:2016 onwards. That is, provided that the implementation of the current programme remains on track...

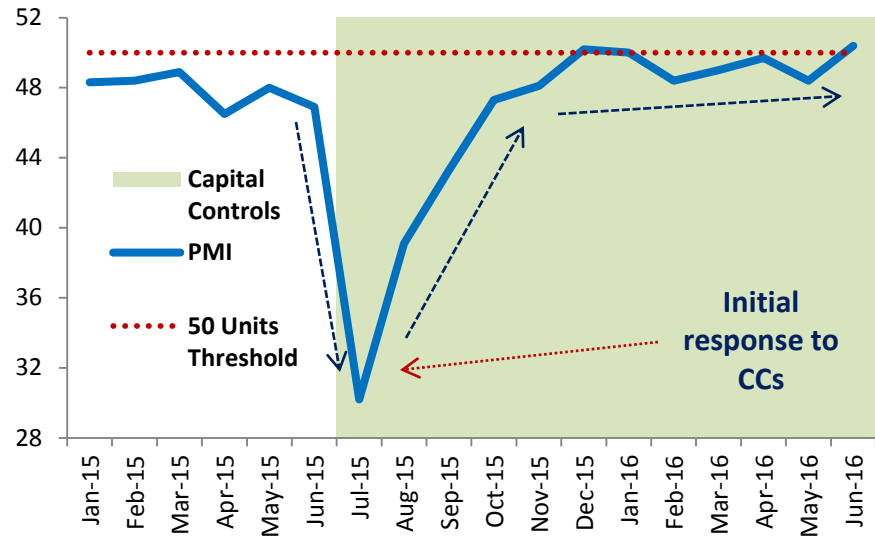
A close look at soft and hard data

A rather mixed picture so far...

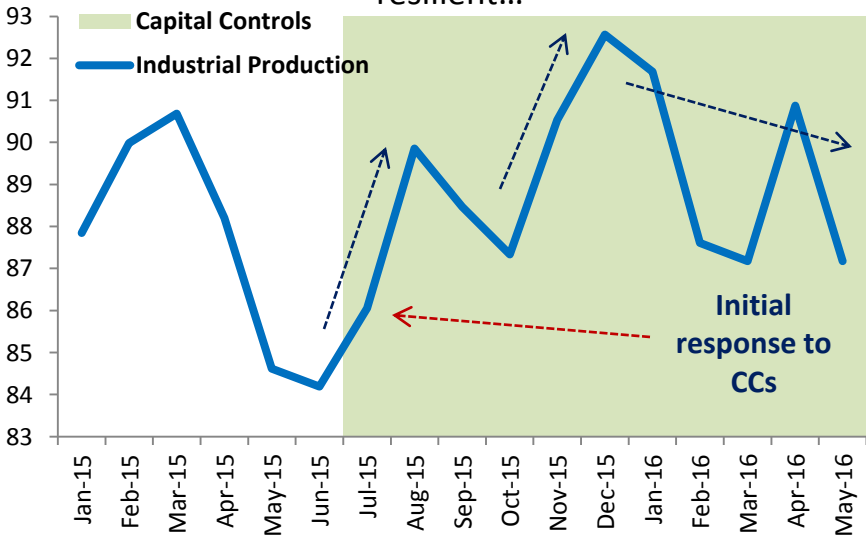
Further recovery in sentiment needed to facilitate switch into positive GDP growth dynamics...



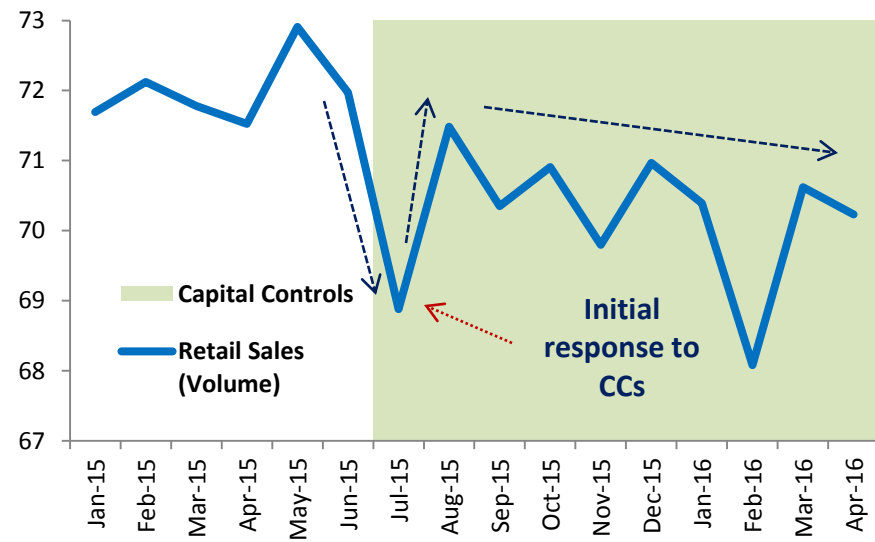
PMI struggling to surpass boom-bust threshold...



Industrial production proved to be relatively resilient...

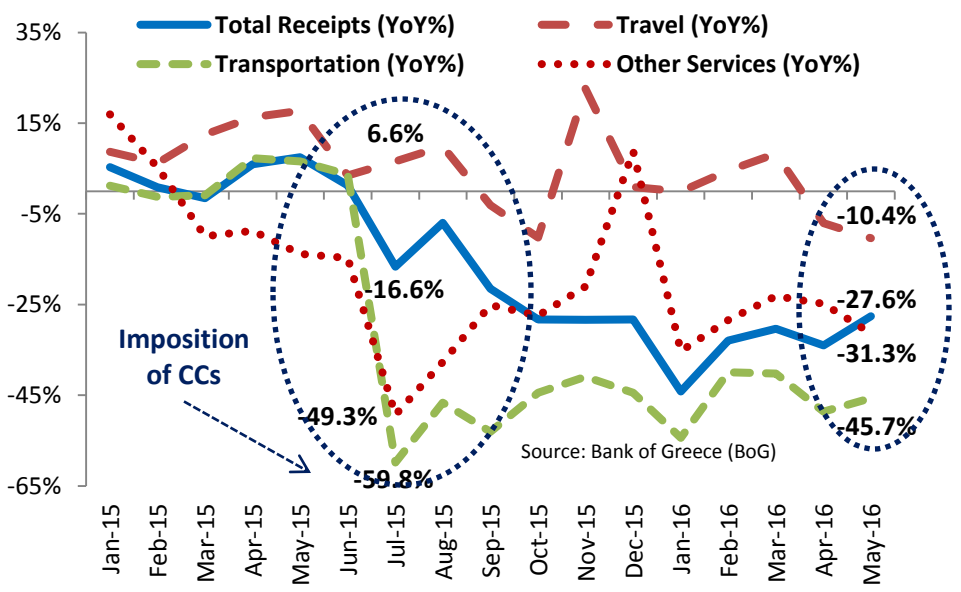
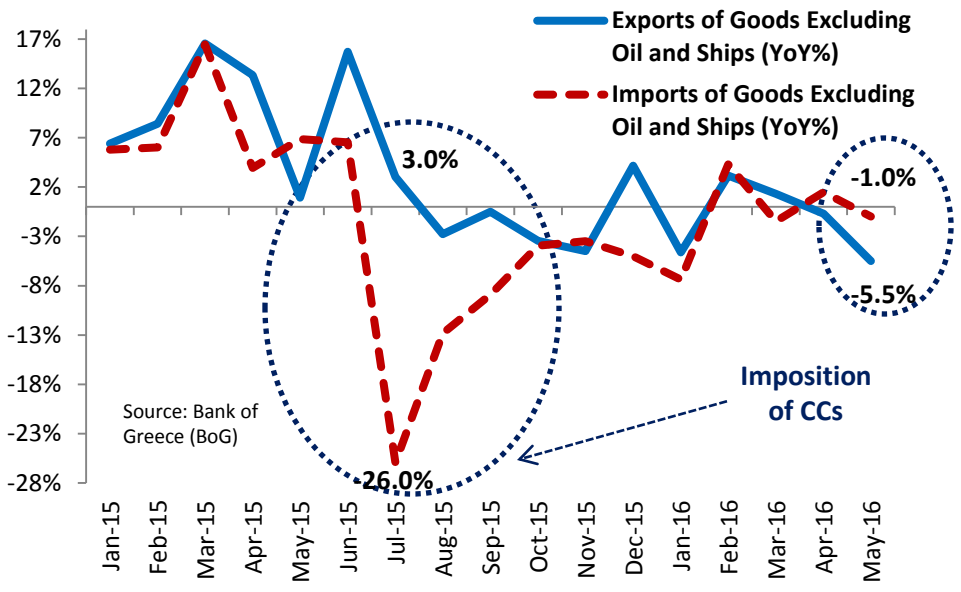


Retail sales still on a declining path...



Positive contribution from net exports following the imposition of CCs

Due to steep fall in imports and, to a lesser extent, relative resilience of goods exports excl. oil and ships



2015	Real Growth (YoY%)	Contribution to real GDP Growth in ppt	
	(1) = (2) + (3)	(2)	(3)
	GDP	Domestic Demand	Net Exports
2015 Q3	-1.7	-4.7	+2.8
2015 Q4	-0.7	-2.1	+1.4
2016 Q1	-1.3	-1.8	+0.4

Source: Hellenic Statistical Authority (EL.STAT.)

Exports

- Exports of goods (excluding oil and ships) have exhibited relative resilience post the imposition of CCs
- Major hit in the receipts from transportation services (e.g. shipping industry). Drop exacerbated by decrease of shipping freight rates

Imports

- The big drop of imports led to an increase of net exports. As a result, foreign sector had a positive contribution to GDP growth

Part 4

Capital Controls in Greece

Impact on the domestic banking system and progress in restoring financial stability

Substitution effect: CCs boost usage of “plastic money”

- ❑ Capital controls have increased the relative cost of the use of paper money

As a result...

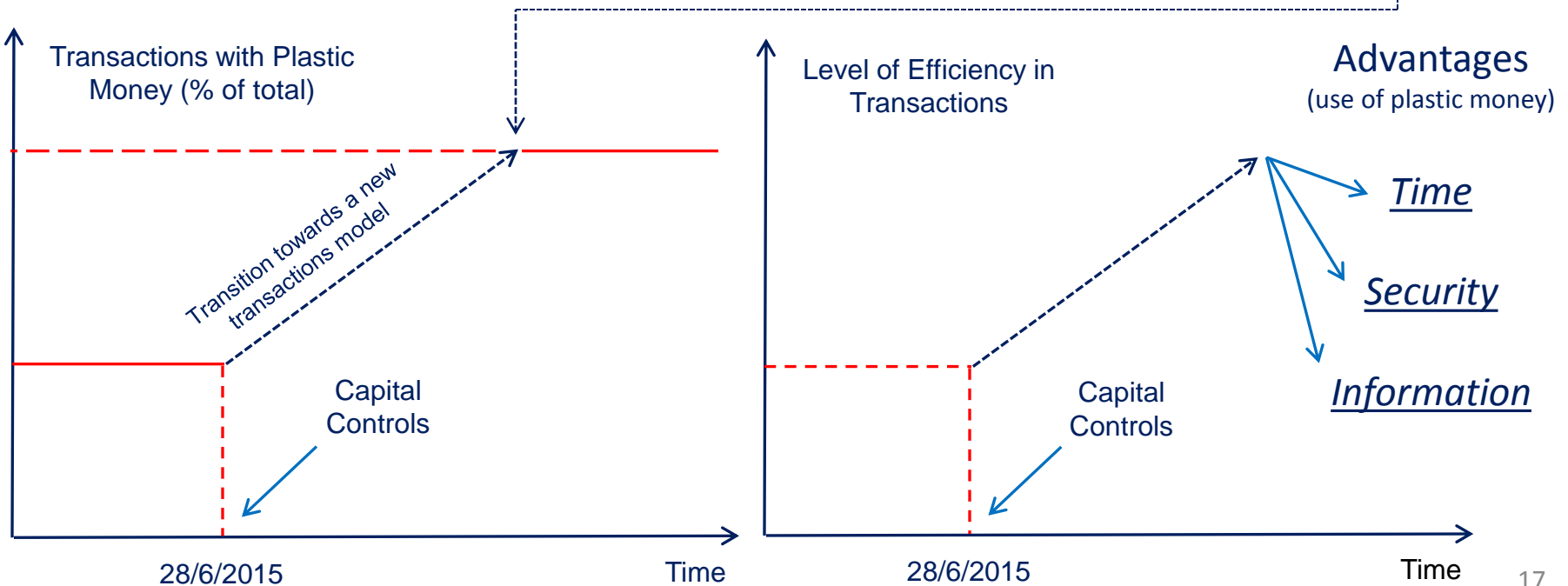
- ❑ Transactions with cards (debit and credit) increased by 59% YoY in H2 2015 (+12% in value terms)

However...

- ❑ Adjustment period is not without costs, given established transaction habits, as:
 - many pensioners didn't know how to use a debit or credit card
 - Greece ranks 26th among EU countries in the use of online banking (21st in online shopping)

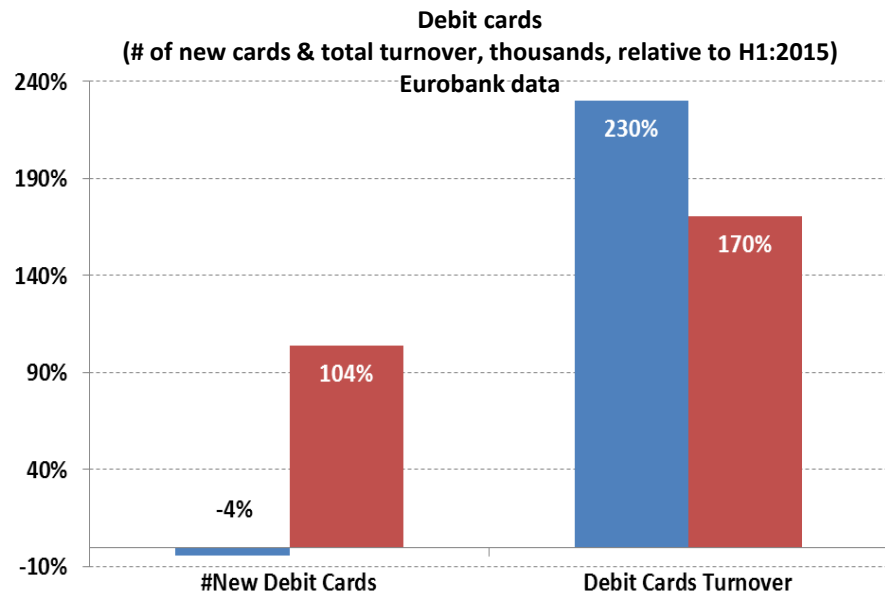
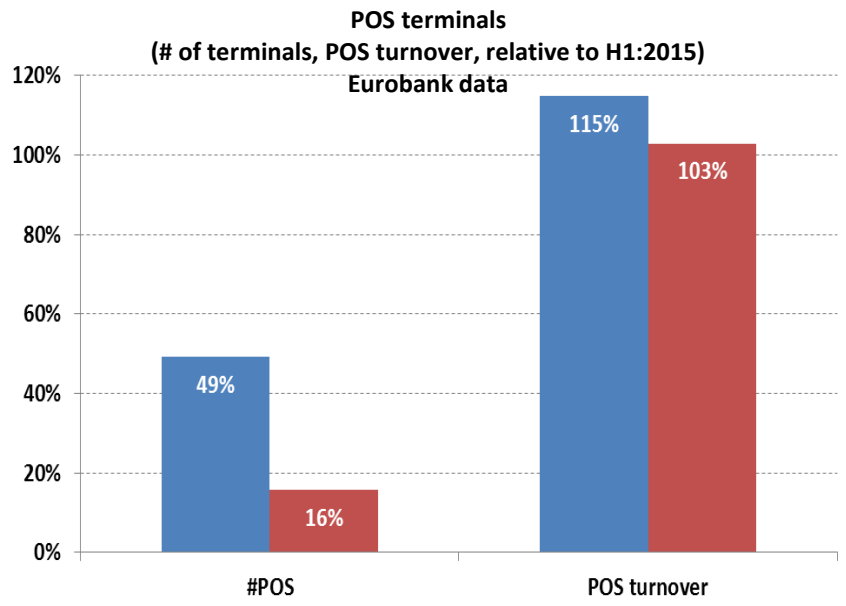
Positive long-term implications...

- ✓ Agents are now adopting a more efficient transactions model, based increasingly on the use of plastic money & online banking
- ✓ Adjustment in transaction habits expected to support fight against tax evasion
 - Greece's shadow economy in 1999-2010 c. 27pp of GDP vs. 20.2pp in OECD (Schneider & Buehn, 2012)



Substitution effect in numbers: some recent evidence

- ❑ Significant changes in the transaction behavior of the public due to the implementation of CCs
- ❑ Eurobank Data:
 1. POS terminals: +49% YoY in H1:2016 (+16% in H2:2015 relative to H1:2015);
 2. POS turnover: +115% YoY in H1:2016 (+103% in H2:2015 relative to H1:2015)
- ❑ Total number of POS terminals is expected to reach 400k in the next 2 years, from c. 150k currently
- ❑ Sharp increase of debit cards issuance and use. According to BoG data, 12.9% increase in the total number of debit cards between 2nd and 1st semester of 2015 (1.3 million new debit cards issued)
- ❑ Eurobank data:
 1. Number of new debit cards increased by 104% in H2:2015 relative to H1:2015
 2. Debit cards turnover Increased by 230% in H1:2016 (and by 170% in H2:2015) relative to H1:2015



Source: BoG, Eurobank

■ H1:2016 ■ H2:2015

■ H1:2016 ■ H2:2015

Gradual improvement in domestic financial conditions after last summer's turbulence

CCs prevented a bank-run, but need to relax further to allow a faster return of deposits

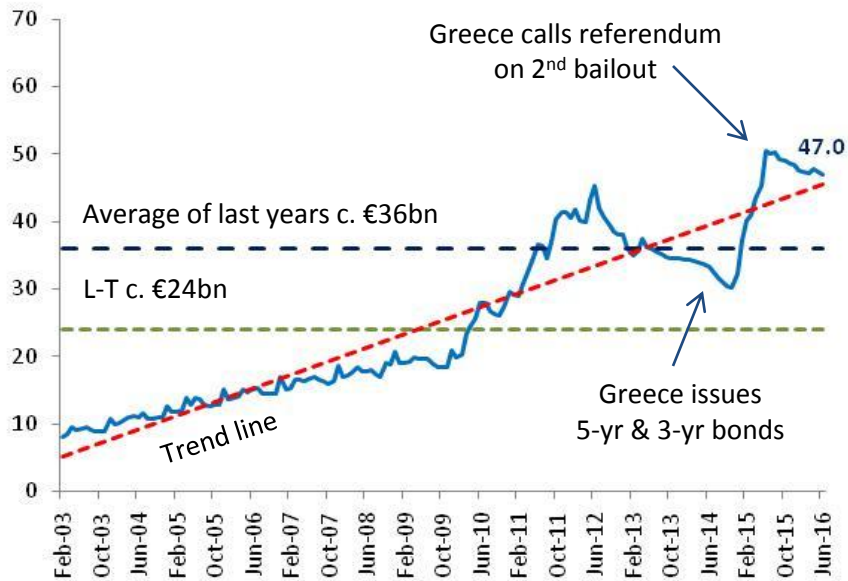
☐ Stabilization of macro environment, gradual relaxation of CCs to facilitate return of bank deposits

- Deposit outflows by private-sector residents amounted to c. €42.5bn in Sept 2014-Jun 2015 (total outflows: c. €55bn)
- Imposition of CCs in July 2015 prevented a full-blown run on the domestic banking system; the most recent BoG data show a net inflow of €1.9bn between July-15 and June-16 ; Ca €4bn in notes & bills have returned to the banking system since 20 July 2015
- Cash outside the Greek banking system now c. 27% of GDP (17.5% in September 2014) vs. 18% of GDP in the EA
- Ca €17bn of excess liquidity currently estimated to be “under the mattress”, while the remaining outflows experienced over the period Sept 2014-Jun 2015 are thought to have been equally split between foreign deposits and money market mutual funds

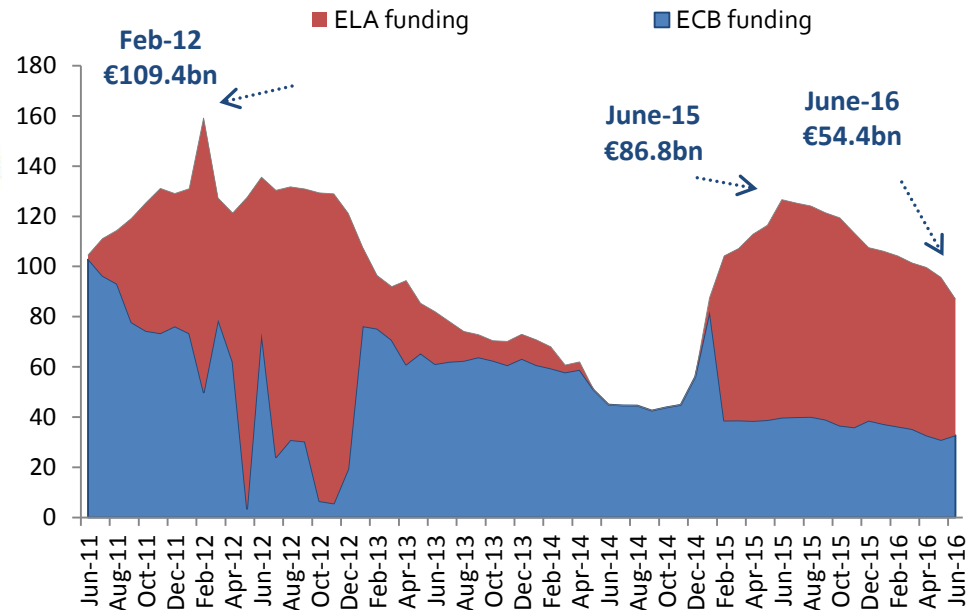
☐ Reinstatement of sovereign debt waiver & inclusion in ECB's QE programme (expected after completion of 2nd review)

1. €400-€500mn positive impact on Greek banking system's results (BoG estimate)
2. ELA funding at €54.4bn in June 2016, down from a 2 ½ year high of €86.8bn in June 2015

Currency outside the Greek banking system
(M0 monetary aggregate in EUR bn)



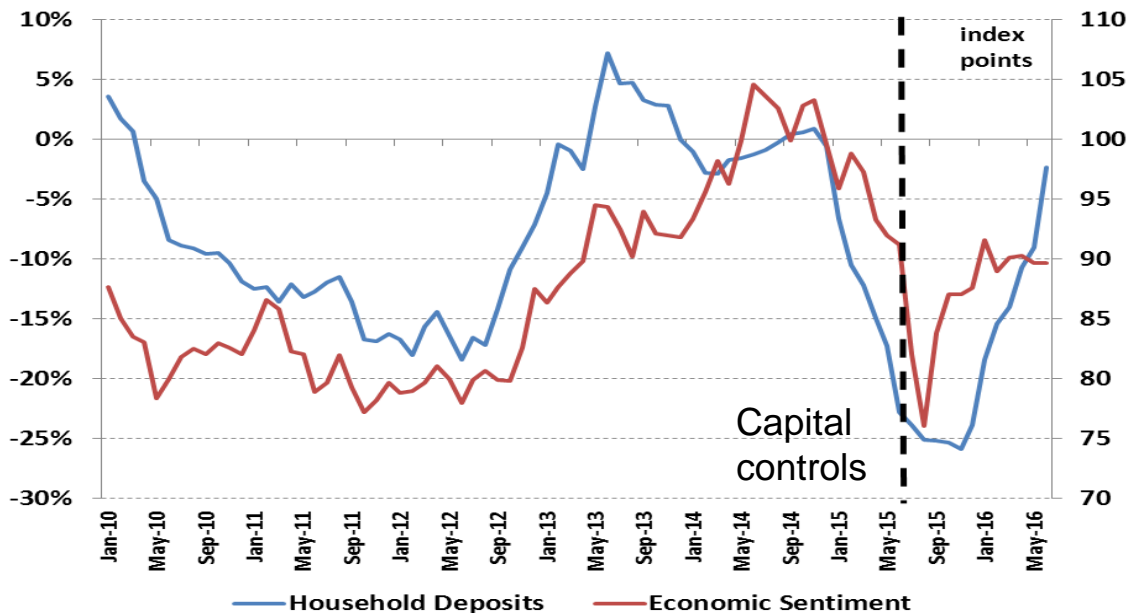
Progressive decline in ELA reliance (EUR bn)



Households still reluctant to return their excess liquidity balances to the domestic banking system; further improvement in private depositor sentiment needed

- Household deposits down to €101.8bn in June 2016, from €104.2bn in June 2015 (-2.3% YoY) and €134.9bn in June 2014 (-24.6%)
- On a monthly basis, household deposits increased by 0.4% (€0.36bn) in June 2016
- A significant part of deposit outflows materialized in Sept 2014-Jun 2015 still remains “under the mattress”
- This “hidden” liquidity appears to have facilitated some intertemporal smoothing of consumption, somewhat counterbalancing the negative macroeconomic effects of capital controls (domestic demand contraction in H2 2015 much milder than initially expected); Other mitigating factors included: lower oil prices and increased revenue in the tourism sector
- Domestic economic sentiment has recovered from a 6 ½ low hit right after the imposition of CCs. Yet, it still remains much lower than the respective EU average and its post-crisis high in mid-2014 (89.7 index points currently vs. 104.4 in May 2014)
- Key preconditions for a further recovery of domestic confidence include, inter alia, a swift implementation of structural reforms and programme conditionality, an improvement of domestic growth prospects and the absence of a major external shock

Resident household deposits to domestic MFIs (excl. BoG) & Economic Sentiment Index



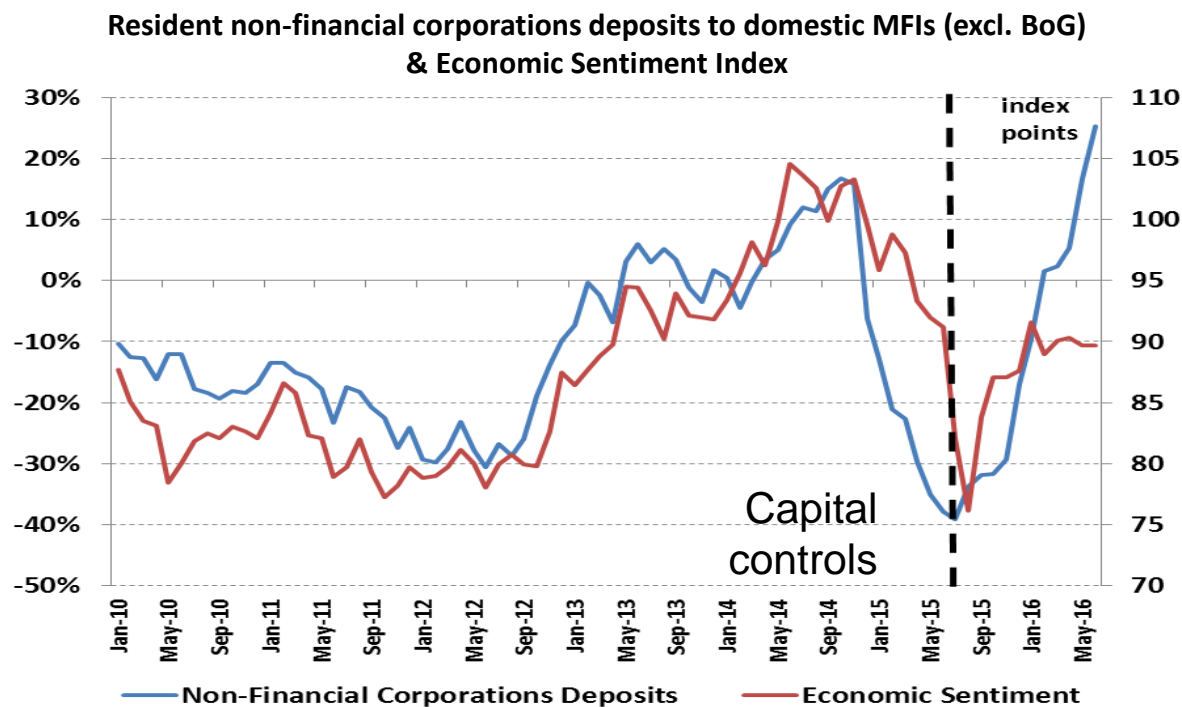
Growth of domestic corporate deposits turned positive in 2016

- ❑ **Significant withdrawals of corporate deposits in the months leading to the imposition of CCs due to heightened political uncertainty & deteriorating sentiment; positive growth witnessed in more recent months**

- Domestic corporate deposits: €12.6bn in July 2015 vs. €20.7bn in July 2014
- Corporate deposits stood at €16.1bn in June 2016 (+ 5.0% MoM)

Anecdotal evidence suggests that:

1. Large domestic firms have had contingency plans for bad scenarios (including CCs)
 2. Following imposition of CCs, some large firms (but also SMEs) active in the external sector have been retaining funds abroad in order to better service their needs and thus circumvent lingering restrictions in the domestic banking system
 3. Usual import credits were not available for Greek firms (especially SMEs) after the implementation of CCs, with the exception of some larger firms that continue to enjoy goodwill due to long-term relationships with suppliers
- ❑ CCs impose significant transaction costs to Greek firms active in the external sector (for instance, the cost of sending money abroad per transaction currently stands at €11-20 depending on the amount, while it was negligible before CCs implementation)



Part 5

Capital Controls

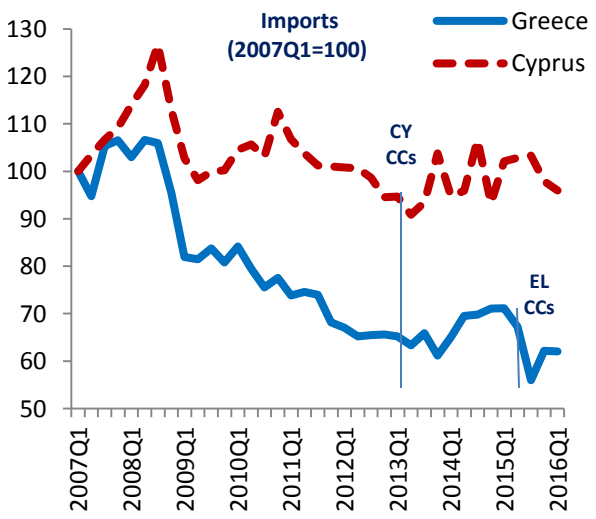
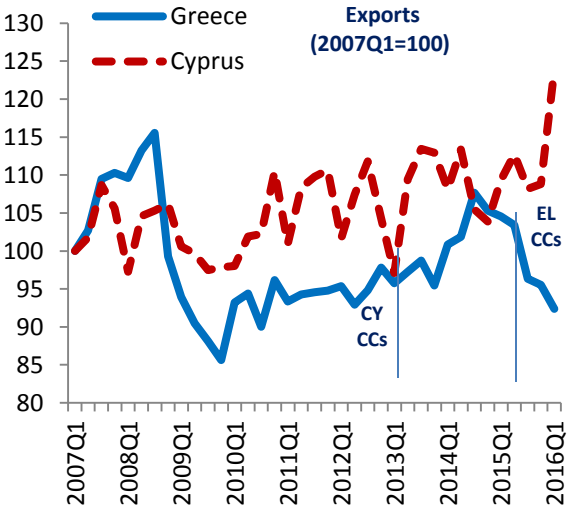
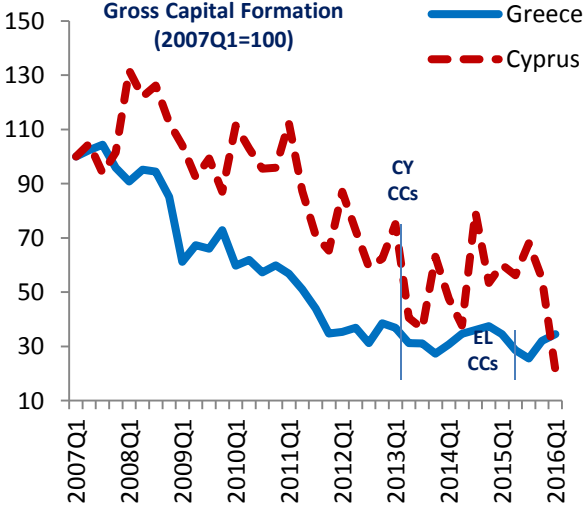
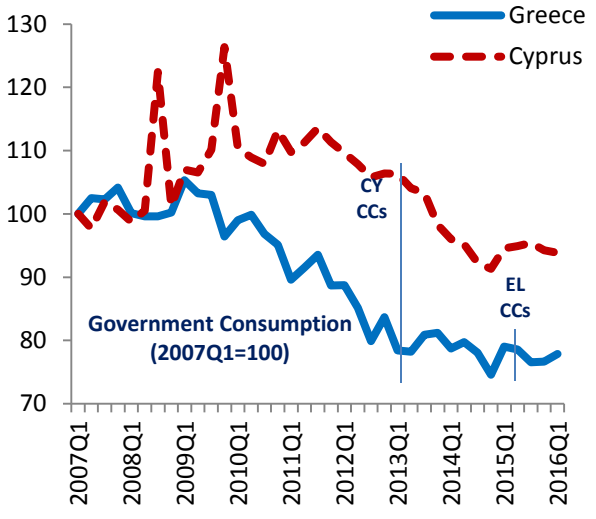
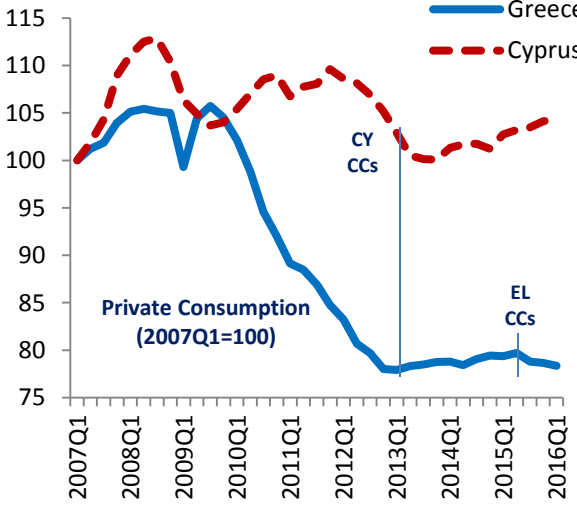
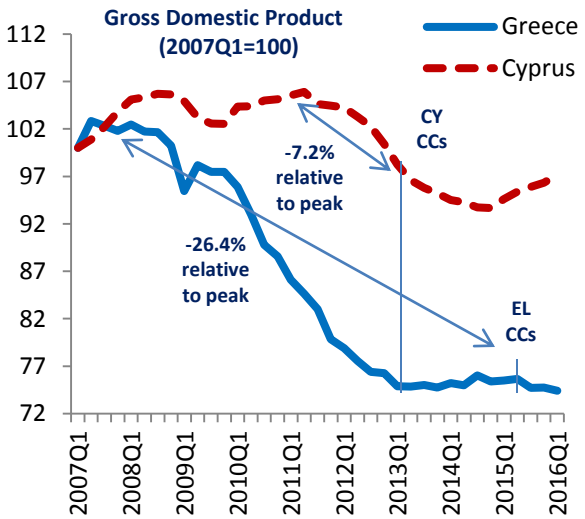
What can be learned from the Cypriot experience

- ❑ **A novelty in the EMU:** Cyprus has been the first economy to introduce restrictions in the free movement of capital in the context of a monetary union in late March 2013. The main purpose of capital controls was to prevent a bank run, while instrumenting a bail-in of unsecured creditors. The latter was deemed necessary due to the lack available programme funding for the recapitalization of the domestic banking system
- ❑ **Strong political consensus** on the applied stabilization programme filtered through the population and, unlike in the case of Greece, a dichotomization of the society into pre-MoU and anti-MoU camps was avoided. As a result, political and social tensions were kept relatively subdued despite the painful adjustment
- ❑ **Programme ownership:** Cypriot authorities showed strong commitment in fulfilling the conditionality of the stabilization programme and established a strong track record of successful and timely policy implementation
- ❑ **Macroeconomic outturns came out better than programme forecasts:** The wealth effect of the bail-in and the spillover effects to the broader economy were initially overestimated by a wide margin. The bail-in costs were primarily allocated to foreigners, hence negatively affecting domestic consumption by less than originally expected. On the supply side, economic activity in the key sectors of tourism and professional services remained relatively resilient as both of them are less credit dependent and more extroverted and internationally competitive in comparison to other sectors of the domestic economy.
- ❑ **Capital controls lifting roadmap:** The restoration of domestic macroeconomic conditions as a result of the successful and timely completion of the first programme reviews resulted in a swift stabilization of depositors' sentiment. Even more importantly, Cypriot authorities in co-operation with international lenders drafted a roadmap for gradually lifting capital controls in successive stages (of no predetermined duration) tied to the fulfillment of a set of concrete milestones. The said roadmap was drafted in an early stage of the country's stabilization programme (August 2013)
- ❑ **Overall,** Cyprus' strong performance in the context of the EU/IMF stabilization programme (May 2013-March 2016) and, thus, the full removal of CCs within a period of just over two years since their imposition can be attributed to, inter alia, the high level of programme ownership by the domestic authorities as well as the country's institutional quality and the relative strong execution capacity of its public sector

Greece vs. Cyprus: not the same initial conditions...

□ Adjustment in Greek economy in a much more advanced stage than in Cyprus when capital controls were first imposed

CCs introduction: Cyprus (March 2013); Greece (June 2015)

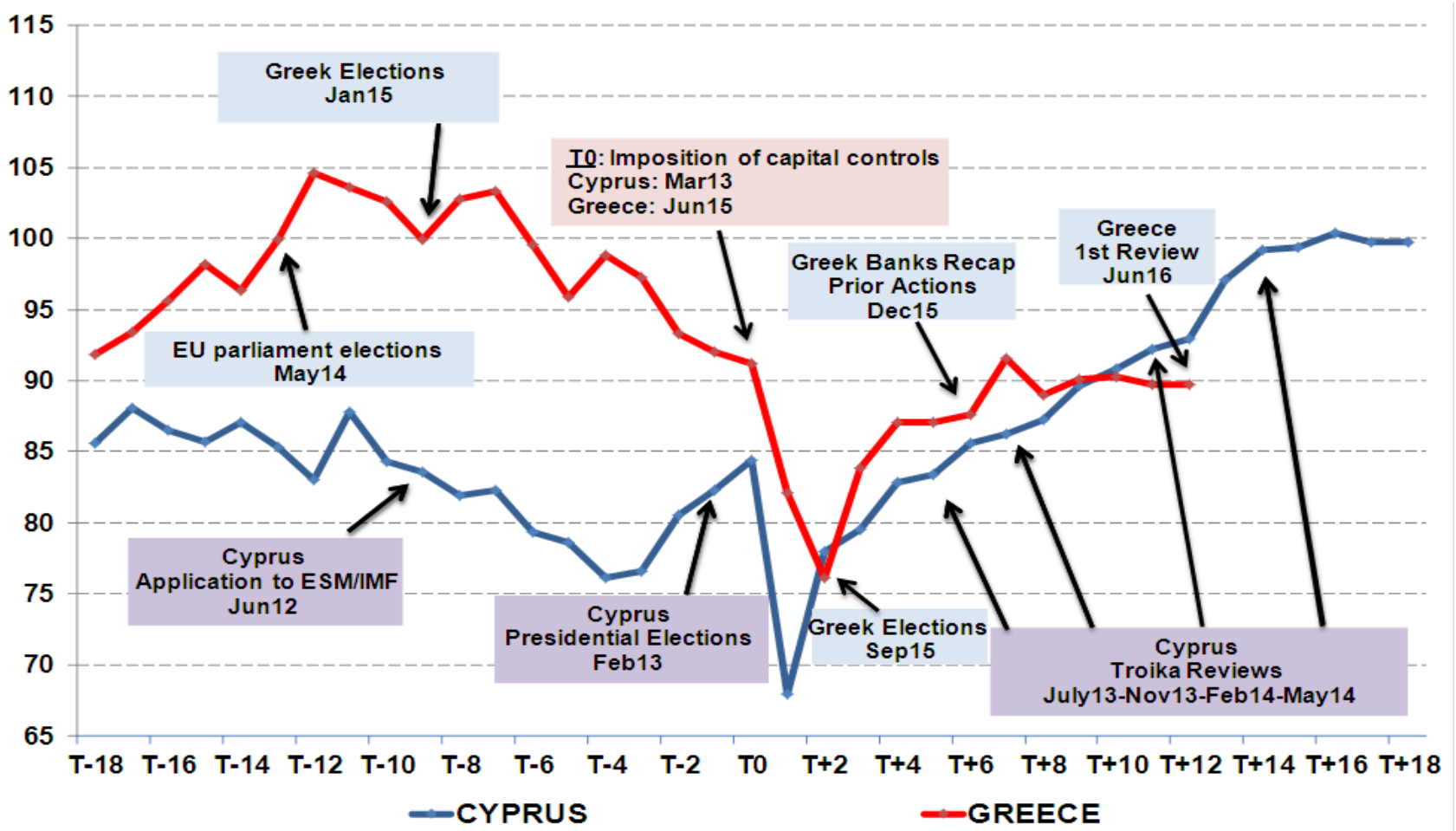


Source: European Statistical Agency (Eurostat)

- Figure below portrays magnitude of sentiment decline (recovery) ahead of (following the) introduction of CCs
- To a large extent, the shock was anticipated in Greece, but broadly unexpected in the case of Cyprus

Economic Sentiment Index (ESI)

(horizontal axis measures # of months before/after imposition of CCs)



Source: EC, Eurobank Research

Greece: potential for faster credit recovery, conditional on:

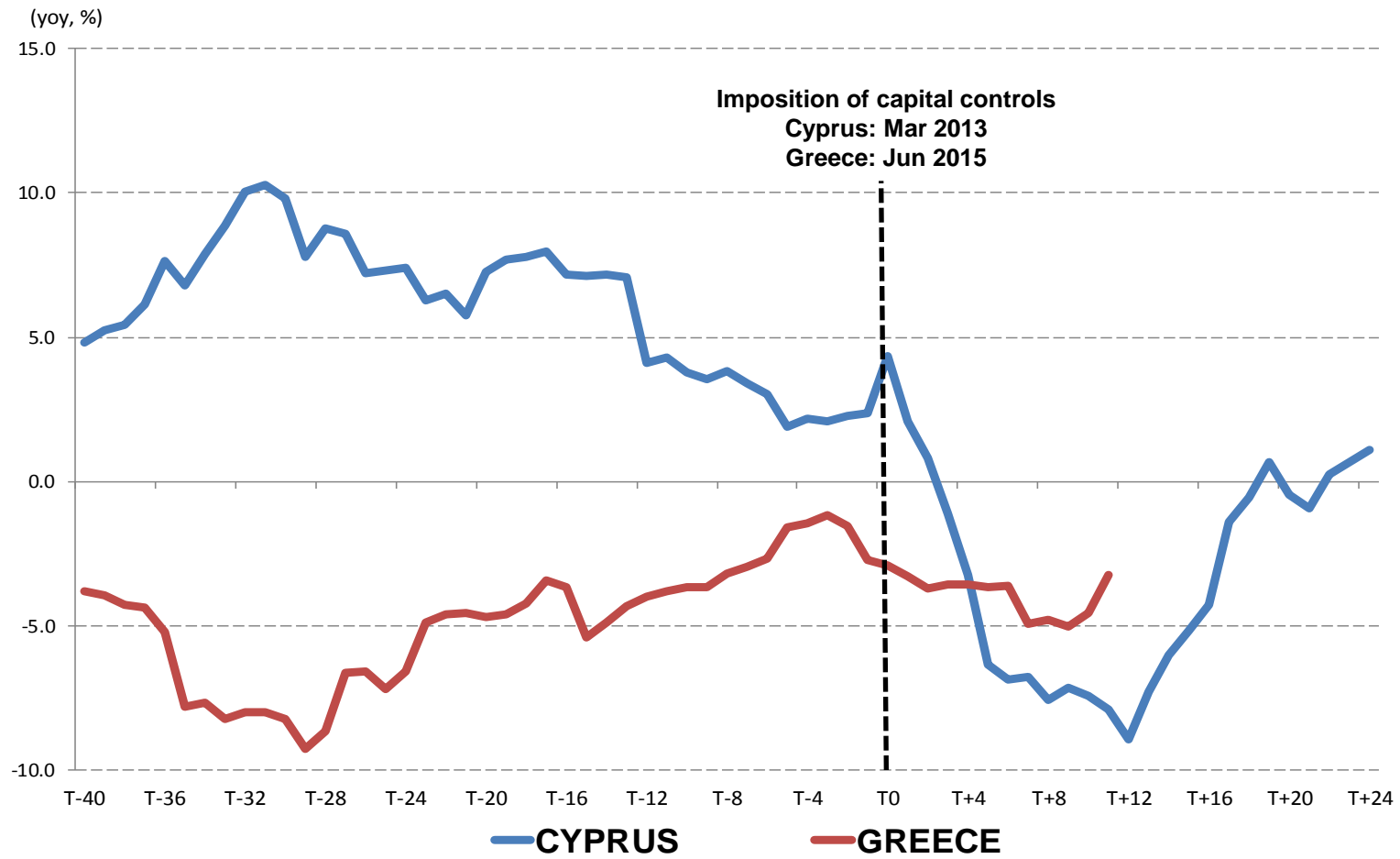
swift restoration of domestic confidence, more concrete progress in dealing with NPLs



□ Domestic private-sector deleveraging in a more advanced stage in Greece, when capital controls first imposed

Credit to domestic private sector (outstanding balances, % YoY)

(horizontal axis measures # of months from/after imposition of CCs)

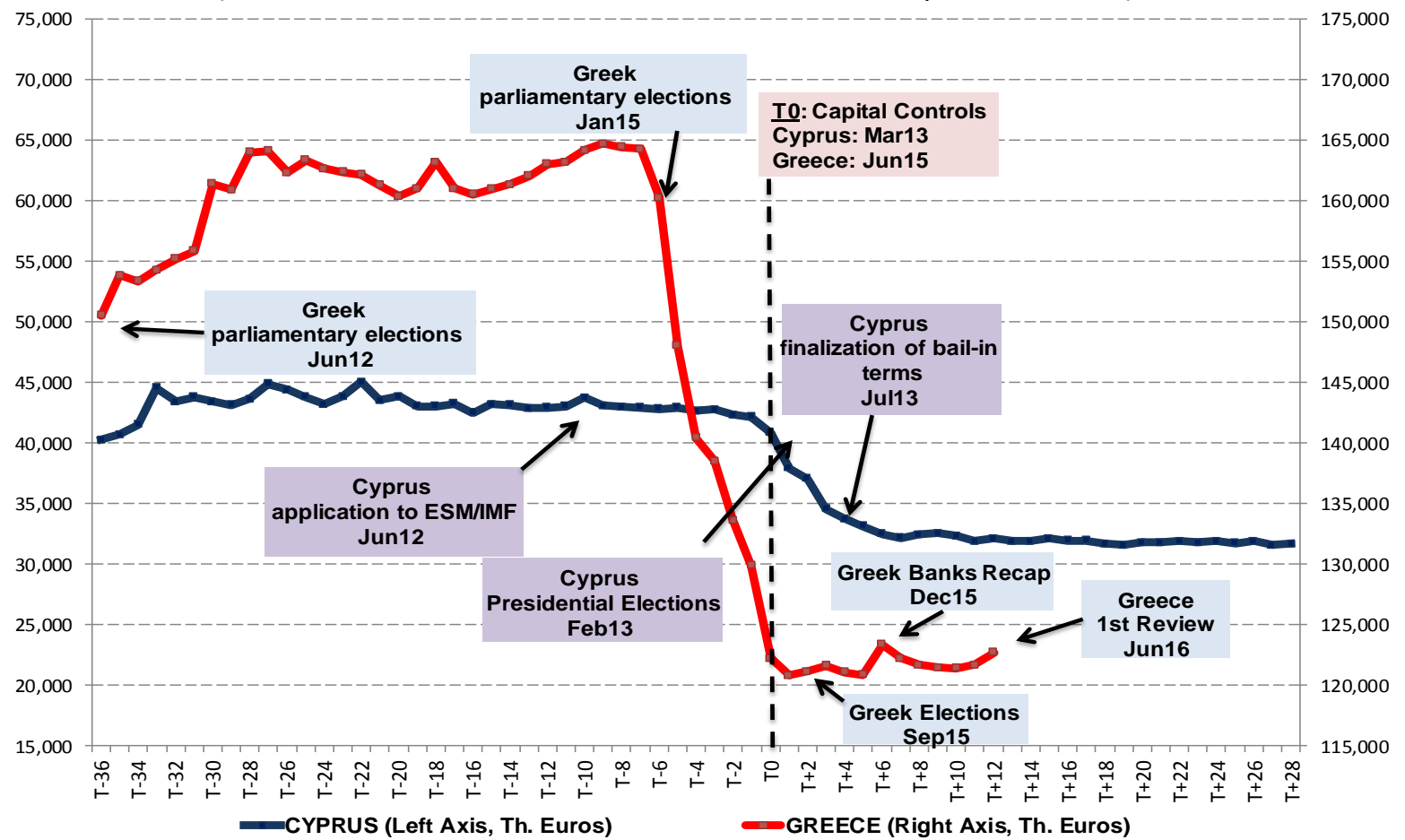


Source: BoG, BoC, ECB, Eurobank Research

Greece: potential for faster recovery of banking sector deposits

- Over the period October 2014 to June 2015, Greece experienced a bank-run in slow motion
- In Cyprus, the sharp decline of private sector deposits in Q2 & Q3 2013 was mainly due to the bail-in & the ensuing economic slowdown

Resident private sector deposits to domestic MFIs in EUR thousands
 (horizontal axis measures # of months from/after imposition of CCs)



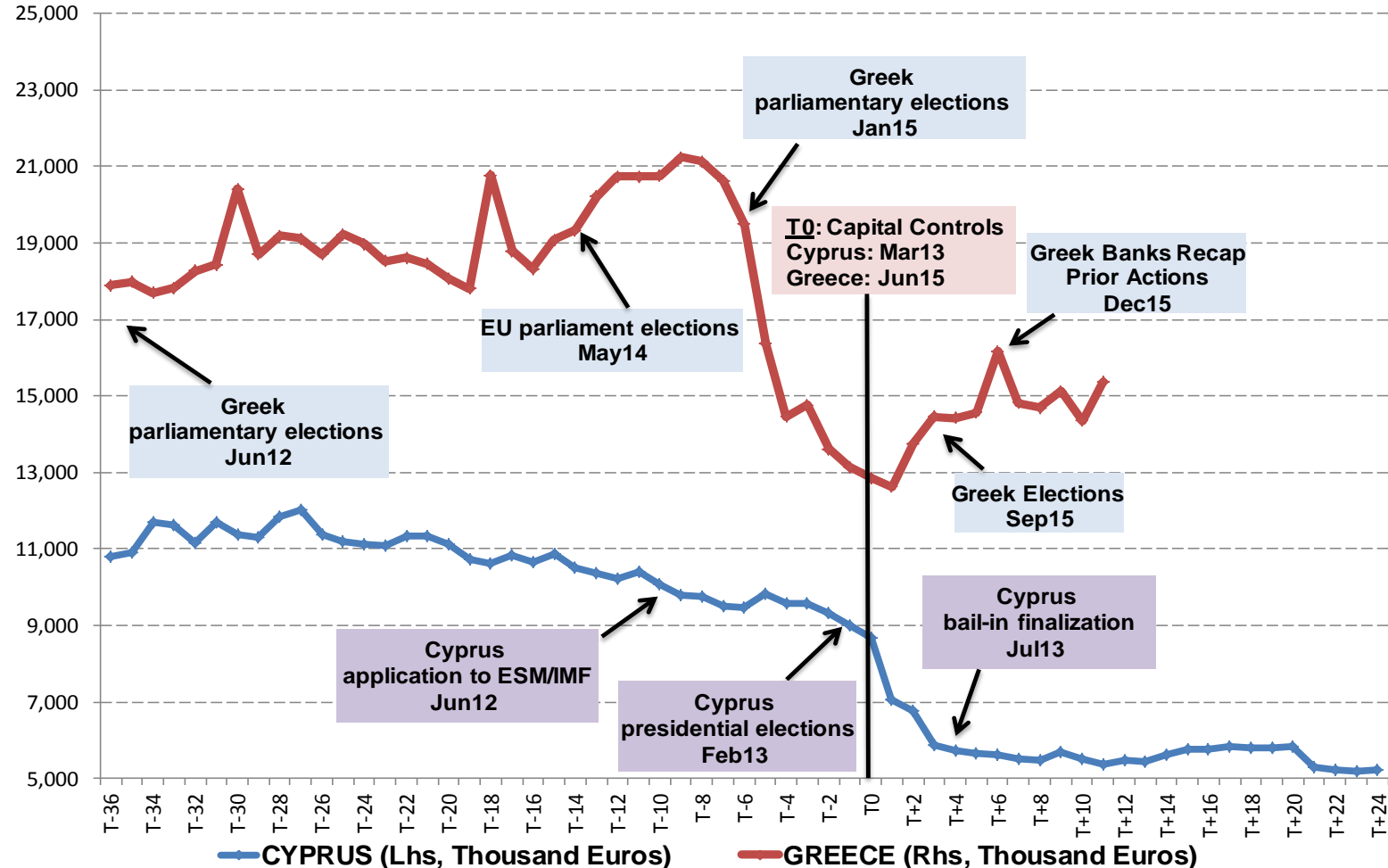
Source: BoG, BoC, ECB, Eurobank Research

Greece vs. Cyprus: evolution of corporate deposits

Before and after imposition of capital controls

- Cyprus: sharp decline of corporate deposits because of the bail-in
- Greece: hefty outflows in H1 2015 and gradual recovery thereafter

Non-financial corporate deposits to domestic MFIs in EUR thousands
(horizontal axis measures # of months from/after imposition of CCs)



Cyprus vs. Greece: Capital Flow Measures (CFMs)

Some important differences (in both cases, period right after termination of the bank holiday)



CYPRUS	GREECE
<ul style="list-style-type: none">• CFMs complemented banks' restructuring agreed under a €10bn financial assistance programme• No official-sector financing for bank recap (and thus, a need for bail-in)	<ul style="list-style-type: none">• CFMs to avert a bank run after bailout negotiations breakup and surprise referendum announcement• Committed backstop facility (up to €25bn) for potential bank recap needs
<ul style="list-style-type: none">• Measures announced on last day of 2-week bank holiday (March 27, 2013)	<ul style="list-style-type: none">• Measures announced concurrently with bank holiday (June 28, 2015)
<p>During the bank holiday</p> <ul style="list-style-type: none">• All bank branches closed• No banking transactions carried out with public• Cash withdrawal feasible from ATMs, subject to availability	<p>During the bank holiday</p> <ul style="list-style-type: none">• Some bank branches open for exempted transactions (e.g. pension payments)• E-banking/cross-bank transactions allowed domestically, subject to certain restrictions• Daily cash withdrawal allowance €60 from ATMs (per person, per institution)
<p>Upon banks' reopen</p> <ul style="list-style-type: none">• Daily cash withdrawal €300 (per person, per institution)• Cumulative daily cash withdrawal possible• Restrictions on cross-bank transactions	<p>Upon banks' reopen</p> <ul style="list-style-type: none">• Max. cash cumulative weekly withdrawal €420
<ul style="list-style-type: none">• CFMs fully lifted 2-yrs since introduction	<ul style="list-style-type: none">• CFMs remain in place, though some relaxation lately

- ❑ CFMs applied in order to safeguard **stability of domestic banking system**
- ❑ Significant **CFMs remained in place** after termination of bank holiday, including:
 - **Stock exchanges** remained closed for some time
 - Payments within the country via **debit/credit/prepaid cards permitted**
 - Restrictions on **cross-border transactions**
 - **Greece:**
 - **Payments to accounts held abroad prohibited** subject to exemptions and Banking Transactions Approval Committee's consent
 - **Cross-border transactions via debit/credit/prepaid cards prohibited**, subject to exemptions
 - **Cyprus:**
 - **Cashless payments/transfers abroad or in other credit institutions prohibited**, with the exception of, among other,
 - **€5k limit (per day per account) on cashless business transactions**, higher amounts subject to Committee's approval and credit institution's liquidity buffer
 - **€5k limit (per month per person)** in each credit institution on payments/transfers abroad via **cards**
 - **Payroll** payments, €5k living expenses per quarter and **tuition fees abroad**
 - **Cashing of cheques prohibited**, subject to exemptions
 - Opening of **new accounts** & addition of **new beneficiaries** in a current account prohibited, subject to exemptions
 - Termination of **fixed term deposits prohibited**, subject to exemptions

Appendix

Capital Controls in Greece

Historical evolution of key restrictions since the imposition of capital controls

1st Phase (June 28, 2015 — July 19, 2015)

Bank holiday	<ul style="list-style-type: none"> • Bank holiday applied to all credit institutions operating in Greece • The Athens Stock Exchange remained closed
Permitted Transactions	<ul style="list-style-type: none"> • Distance transactions (via telephone banking, mobile banking or web banking) for crediting accounts held with credit institutions operating in Greece
Cash withdrawals	<ul style="list-style-type: none"> • Daily limit of €60 on cash withdrawals per depositor, per day, per institution from any branch or ATM of credit institutions in Greece or abroad • No restrictions applied to debt and credit cards issued abroad by foreign banks
Pensions/Welfare Benefits	<ul style="list-style-type: none"> • Special arrangements were applied during the bank holiday for payments of pensions and social welfare benefits to beneficiaries who did not have a credit card
Banking Transactions Approval Committee	<ul style="list-style-type: none"> • Establishment of a special Banking Transactions Approval Committee in the General Accounting Office for the approval of transactions necessary for safeguarding public & social interest (<i>e.g.</i> , payment of medical expenses and imports of pharmaceutical products)

2nd Phase (July 20, 2015 — August 2, 2015)

Bank holiday	<ul style="list-style-type: none"> • Bank holiday ended • The Athens Stock Exchange remained closed
Cash withdrawals	<ul style="list-style-type: none"> • Cumulative cash withdrawal up to €420 per depositor, per week, per institution from any branch or ATM of credit institutions operating in Greece or abroad
Transfer of funds abroad	<ul style="list-style-type: none"> • Establishment of special subcommittees within the domestic financial institutions to examine requests by legal entities, partnerships & sole proprietorships of any legal form and any field of activity for the transfer of funds abroad as part of their operation (<i>e.g.</i>, <i>executing payments against billing documents, issuance of new letters of credit, new credit on hold</i>) • Total amount of requests by legal entities, partnerships & sole proprietorships to special subcommittees for the transfer of funds abroad could not exceed €100k per working day, though one or more transactions
Special Permitted Transactions	<ul style="list-style-type: none"> • Special transactions permitted <i>e.g.</i> , payment of medical expenses & tuition fees; early redemption of time deposits in part or in full in special cases; early loan repayments in special cases
Opening of bank accounts	<ul style="list-style-type: none"> • Opening of bank accounts exclusively for certain transactions <i>e.g.</i> , business transactions by newly (after May 1, 2015) set-up legal entities, transactions of start-ups participating in new entrepreneurship support programmes, payment of newly awarded pensions and/or welfare benefits & payroll payments

3rd Phase (August 3, 2015 — December 31, 2015)

	<ul style="list-style-type: none"> • The Athens Stock Exchange opened with permitted transactions being conducted under a specific framework
<i>Capital transfers abroad</i>	<ul style="list-style-type: none"> • Permitted capital transfers abroad up to €500 per natural person per calendar month • Transactions of legal persons or independent professionals /sole proprietorships involving a transfer of funds abroad in the context of their business activities directly by the branch networks of credit institutions could not exceed €5k each, per customer, per day, following the submission of the relevant invoices and documentation • Total amount of requests by legal entities, partnerships & sole proprietorship to special subcommittees for the transfer of funds abroad could not exceed €150k per working day, through one or more transactions
<i>Cash withdrawals</i>	<ul style="list-style-type: none"> • 100% cash withdrawal of amounts credited from abroad or deriving from the sale of foreign titles (e.g., bonds, equities) • 10% cash withdrawal limit of amounts which, after the entry into force of CCs (June 28, 2015), had been transferred from abroad by means of a credit transfer to existing accounts held with a credit institution in Greece, through a procedure determined by the Banking Transactions Approval Committee
<i>Special Permitted Transactions</i>	<ul style="list-style-type: none"> • Increased number of special permitted bank transactions, e.g., early partial redemption of a time deposit and the transfer of the relevant amount to an existing savings or current account was permitted solely for the purchase of real estate property or for the purpose of covering living expenses up to 1,800 and opening of a current or deposit bank account for first time students and soldiers

4th Phase (January 1, 2016 — July 20, 2016)

<i>Capital transfers abroad</i>	<ul style="list-style-type: none"> • Permitted capital transfers abroad up to €1k per natural person per calendar month • Transfer of funds abroad by legal persons or independent professionals/sole proprietorships in the context of their business activities directly by the branch networks of credit institutions could not exceed €10k each, per customer, per day, following the submission of the relevant invoices and documentation • Total amount of requests by legal entities, partnerships & sole proprietorship to special subcommittees for the transfer of funds abroad should not exceed €250k per working day, through one or more transactions
<i>Opening of bank account</i>	<ul style="list-style-type: none"> • Opening of a current or deposit account or addition of co-beneficiaries to an existing account is allowed provided that the said depositor already owns a current account. Opening of accounts via a new Customer ID is permitted in special cases.
<i>Early redemption of time deposits</i>	<ul style="list-style-type: none"> • Removal of restrictions for the early redemption of time deposits

5th Phase (as of July 22, 2016)

Cash withdrawals

- **Cumulative bi-weekly cash withdrawal** up to €840 per person, per institution
- **30% cash withdrawal limit from amounts which, as of July 22, 2016, are transferred from abroad** by means of a credit transfer to existing accounts held with a credit institution in Greece, through a procedure determined by the Banking Transactions Approval Committee
- **100% cash withdrawals of funds which, as of July 22, 2016 are credited in cash** in accounts owned by legal entities and natural persons

Early loan repayments

- **Removal of restrictions for early loan repayments in part or in full**

Pensions/welfare benefits

- **Payments of pensions and any type of welfare benefits from abroad are permitted** under certain conditions.

Opening of bank accounts

- **Opening of a bank account in Greece** for pensioners who are residents abroad for the purpose of crediting their pension.
 - **Opening of a current or deposit account** for students who will participate in ERASMUS exchange programmes in the current academic year provided that the existence of an account is a condition for the payment of the relevant tuition fees and that they do not already own an account.
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