



EMN Legislative Mapping Report GREECE



September 2022

This national factsheet series provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-banking financial intermediaries.

The national factsheets cover the following thematic areas:

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Regulation of Lending Activity

Law 4701, voted into law by the Greek Parliament in July 2020, provides Greece with a dedicated framework for the provision of microfinance by non-bank lenders.¹ Non-banking lenders that want to obtain the license need to comply with other national regulations such as the law on competition, the law on complaints management, GDPR and AML/KYC.

Under the new regulation, MFIs must operate under the form of a capital or civil company, specialized in microfinance (i.e., the sole purpose of the entity), and be licensed by the Bank of Greece. To obtain a license, a minimum initial capital of EUR 250,000 is required. Upon being licensed, the company is listed in a special registry kept at the General Secretariat for Trade and Consumer Protection.

According to Law 4701, MFIs can offer four types of microfinance products: business microloans, socio-economic inclusion microloans, guarantees and leases. They are also obliged to provide business training and consultancy services to their beneficiaries.

Interestingly, the [European Code of Good Conduct on Microcredit Provision](#) (the Code) is explicitly mentioned in the new regulation as a reference point for future adjustments (e.g. range of products and respective thresholds) and as a guide for standards to be enforced by MFIs (e.g. non-performing loan procedures). In addition, only MFIs that receive Code certification will be able to access public microfinance programs and guarantees from the Greek State (which are not yet available).

Non-bank MFIs in Greece are not authorized to collect savings. The provision of additional financial services (insurance, remittances) is not envisaged in the Law, and it is not yet clear if it will be possible for non-bank lenders to offer other financial services, even in partnership with a third party provider.

Before this dedicated legislation, non-credit institutions required a minimum capital of EUR 18 million to carry out financial or credit activities, which substantially prevented the development of the sector in Greece. A partnership with a licensed bank was therefore required by all legal entities such as NGOs (including associations, foundations, etc.) interested in serving the microcredit market.

1. Law 4701 does not apply to credit institutions, financial leasing companies, factoring companies or financial credit companies.

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Supervisory Framework for Non-Bank Lending

The Bank of Greece is the authority responsible for the supervision of MFIs.

MFIs must track the following indicators on a monthly basis: number of active borrowers, number and value of loans granted, evolution and risk of the portfolio, as well as the total value of assets and liabilities. In addition, MFIs are required to maintain a level of equity that is at least equal to the initial capital set by the Law (EUR 250,000).

MFIs' annual and consolidated financial accounts must be audited and made publicly available. Authorized MFIs are audited by Bank of Greece and there is a strict reporting flow to the Bank of Greece throughout the year. MFIs need to report their microloans to the Credit Bureau and can access the Credit Bureau data.

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Products

The new regulation allows MFIs to offer four financial products with the following conditions: i) maximum amount of EUR 25,000, ii) minimum repayment term of 12 months and a maximum of 10 years, iii) no interest rate cap, and iv) no physical collateral can be requested from clients.

The first three products serve micro-businesses, individuals willing to start a micro-business, the self-employed and organizations belonging to the social and solidarity economy and include: 1) business microloans to cover investment needs or working capital, 2) leasing to purchase equipment, and 3) guarantees for contract signings (e.g. for tenders) or to receive upfront payments for programs under EU structural funds. The Law prevents the usage of guarantees to request new loans.

The Law also enables MFIs to offer a fourth product: 4) credit for the socio-economic integration of vulnerable groups. These loans shall be addressed to individuals belonging to vulnerable groups with at least ten years of tax residence in Greece and natural persons for the purposes of covering expenses related, directly or indirectly, to their education or post-education. This product is designed to support individuals that fall into unemployment or that experience an unexpected suspension/reduction of their working time.

Alongside the financial products, MFIs are obliged to provide business training and consultancy services to their clients. The Law lists the following services:

- a) business training for accounting, financial and staff management;
- b) coaching support to settle any legal, tax and administrative issues and to update clients on the relevant services available on the market;
- c) guidance on labor market inclusion; and,
- d) support to identify and diagnose challenges in the implementation of the financed activity.

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Incentives and Support

In Greece, there are no national/regional level funds dedicated to support microcredit provision. In addition, the current context has no incentive in the form of tax deductions for natural persons that provide financial support for microcredit providers in the country.

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Development of the Existing Framework for Non-Bank Microcredit Provision

The first three non-bank providers are in the process/final stages of the licensing process as of September 2022.

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Inclusive Entrepreneurship and Microenterprise Development

Following the outbreak of COVID-19, the Ministry of Digital Governance has launched a free-to-use online academy that features a section dedicated to digital entrepreneurship. The objective of this initiative is to gather educational content that improves the digital skills of citizens.

In Greece, there are no simplified administrative procedures in place for entrepreneurs. In terms of public support, there is no long-term welfare bridge to support unemployed people in the transition towards self-employment, and unemployed persons are not entitled to receipt of unemployment benefits after he/she has started a new business. Moreover, business development services are not publicly subsidized. However, the provision of such services has been created on an ad-hoc basis, particularly through the implementation of EU programs. Through existing European programs, certain individuals may occasionally apply for and receive a start-up grant for their business. This takes place via O.A.E.D. (Organization for the Employment of Working Personnel).² Finally, awareness initiatives for inclusive entrepreneurship are currently lacking in the market.

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Digital Transformation

Regarding online sales, marketing and subsequent data management (security and storage), Greek MFIs are required, like other companies in Europe, to implement the GDPR³ regulation on data protection. In addition, for digital sales and marketing, the Code clauses on client protection and transparency fully apply.

Compliance with the Greek legislation transposing the AML directive⁴ is relevant to MFIs that want to shift towards the clients' distant identification and further automate the client assessment process (e.g. gathering data from multiple external sources).

In terms of credit risk management, the Bank of Greece has to be notified in case of changes to risk assessment (e.g., remote interviews with clients) or scoring processes.

In terms of challenges, non-bank MFIs have requested significant investments to ensure that client data is securely transmitted to the Bank of Greece and credit bureau for AML purposes.

In addition, the automatic integration of data from multiple sources to comply with AML requirements is perceived as too complex, costly and disproportionate to the maximum size of the loans (max EUR 25,000).

2. Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe

3. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data

4. Directive (Eu) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing



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