



**EUROPEAN CENTRAL BANK**  
**BANKING SUPERVISION**

**Andrea ENRIA**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

Mr Emmanouil Fragkos  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 19 December 2019

**Re: Your letter (QZ050)**

Honourable Member of the European Parliament, dear Mr Fragkos,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 12 November 2019.

In your letter you raised questions relating to the implications of the asset protection scheme proposed by the Greek state (the so-called “Hercules” scheme) for borrowers of securitised loans, and their protection, as well as for the selection of loans to be securitised.

Non-performing loans (NPLs) pose a major risk to banks’ solvency, profitability and resources, thereby undermining the trust of markets and investors. Additionally, high levels of NPLs hamper credit institutions’ ability to provide new credit to the economy, which has a negative impact on economic growth. High levels of NPLs, including mortgage loans, can be observed across all loan portfolios in the Greek banking sector. It is therefore of vital importance that Greek banks reduce their NPL levels in a timely manner so that they can revive their lending activities and regain investors’ trust. The “Hercules” scheme, if properly designed and implemented, can contribute to the acceleration of NPL disposals and support the efforts to achieve more sustainable non-performing exposure levels in the medium term.

In relation to the protection of borrowers under the “Hercules” scheme, it is important that appropriate consumer protection standards and social protection schemes are in place, also in the context of NPL reduction measures. However, consumer protection standards fall under the competence of national consumer protection authorities and are thus outside ECB Banking Supervision’s prudential mandate.

In response to your other questions, please note that the structuring of securitisation transactions, including the selection of assets to be securitised, falls within the responsibility of credit institutions. This process is conducted independently of the “Hercules” scheme. ECB Banking Supervision closely assesses

securitisation transactions in order to assess compliance with significant risk transfer criteria, as is further explained in the ECB's public guidance on the recognition of significant credit risk transfer<sup>1</sup>.

Yours sincerely,

[signed]

Andrea Enria

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<sup>1</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/guidance\\_significant\\_risk\\_transfer.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/guidance_significant_risk_transfer.en.pdf)