



EMN Legislative Mapping Report GREECE

September 2020



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

The national factsheets cover the following thematic areas:

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- 2 Supervisory framework for non-bank lending
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- 5 Development of existing framework for non-bank microcredit provision
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Regulation of Lending Activity

The Law 4701, implemented by the Ministry of Finance in July 2020, provides Greece with a dedicated framework for the provision of microfinance by non-bank lenders¹.

Under the new regulation, MFIs must be established and operate under the form of a capital or civil company, specialized in microfinance (which is the sole purpose of the entity) and 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 register kept at the General Secretariat for Trade and Consumer Protection.

According to the Law 4701, MFIs can offer four types of microfinance products: business microloans, socio-economic inclusion microloans, guarantees and leasing. 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 both 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 loans procedures). In addition, only MFIs that receive Code certification will be able to access public microfinance programmes and guarantees from the Greek State.

Before the introduction of 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 and financial credit companies.

2

Supervisory Framework for Non-Bank Lending

The Bank of Greece is designated as 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 publicly available.

Regulation doesn't oblige MFIs to share data with the credit bureau, which is a private company. Similarly, there is no limitation for MFIs to access data from the credit bureau.

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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, iv) no collateral can be requested from clients.

The first three products are addressed to micro-businesses, individuals willing to start a micro-business, the self-employed and organisations belonging to the social and solidarity economy: 1) **business microloans** to cover investment needs or working capital, 2) **leasing** to purchase equipment, and 3) **guarantees** for contract signing (e.g. for tenders) or to receive upfront payments for programmes 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.

Along with 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 in micro-enterprise management techniques 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 any potential challenges in the implementation of the activity financed.

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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 Ministry of Finance and the Bank of Greece will ensure the preparation of an annual report² on the progress of the implementation of the adopted microfinance framework, in which, inter alia, the legislative framework will be evaluated and amendments proposed, if need be. The report will be published on the Ministry of Finance's website and submitted to the Greek Parliament.

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Inclusive Entrepreneurship and Microenterprise Development

Following the outbreak of the COVID-19 pandemic, 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 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, occasionally certain individuals may apply for and receive a start-up grant for their business. This takes place via OAED (Organization for the Employment of Working Personnel)³. Finally, awareness initiatives for inclusive entrepreneurship and initiatives for its support are currently lacking in the market.

². The first report will be delivered by the end of 2021.

³. [Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe](#).



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