



EUROPEAN CENTRAL BANK

EUROSYSTEM

Jean-Claude TRICHET
President

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
Bât. Altiero Spinelli 07F254
Wiertzstraat/rue Wiertz 60
B-1047 Brussels

Frankfurt, 1 July 2008
L/JCT/08/744

Dear Mr Papadimoulis,

Written question concerning the opinion of the European Central Bank (ECB) on the changes to the pension scheme for employees of the Bank of Greece

Thank you for the written question, which was forwarded to me by the Chair of the European Parliament's Committee on Economic and Monetary Affairs on 1 April 2008.

I should like to respond to your letter as follows.

Article 105(4) of the Treaty establishing the European Community confers on the ECB an advisory function regarding draft national legislative provisions within its fields of competence and a corresponding obligation on Member States to consult the ECB. Council Decision 98/415/EC¹ provides the limits and conditions for this obligation for national authorities to consult the ECB regarding such draft legislative provisions².

The recently adopted Law No 3655/2008 on the administrative and organisational reform of the Greek social security system and other social security provisions³ (hereinafter the 'Law') introduced changes

¹ Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

² An analysis of the consultation framework is provided in the Guide to consultation of the European Central Bank by national authorities regarding draft legislative provisions, available on the ECB's website at www.ecb.europa.eu.

³ Law on administrative and organisational reform of the Greek social security system and other social security provisions, Government Gazette Vol. A 58/3.4.2008.

affecting the Bank of Greece, in particular by integrating its employees' pension fund (the 'BoG Pension Fund') into a State-run entity (IKA-ETAM).

In its opinion, the ECB raises concerns with regard to the financial independence of the Bank of Greece and insists on the need to ensure the existence of adequate safeguards due to the Bank of Greece's role as a member of the European System of Central Banks (ESCB). The ECB also raises the issue of a possible breach of the monetary financing prohibition.

I should like to note that the ability of a central bank to autonomously avail itself of sufficient financial resources to fulfil its mandate is an inherent aspect of central bank independence, as enshrined in the Treaty and the Statute of the European System of Central Banks and of the European Central Bank; this feature of central bank independence is further elaborated by the ECB in the ECB's Convergence Reports⁴. The provisions of Article 2 of the Law relate to, *inter alia*, the resources of the State-run IKA-ETAM and contain an obligation for the Bank of Greece to make annual contributions to IKA-ETAM. Since such an obligation may negatively affect the Bank of Greece's financial independence, the ECB recommends in its opinion that the new provisions should contain sufficient safeguards ensuring that the Bank of Greece's ability to carry out its tasks, in particular its ESCB-related tasks, will not be affected.

Article 101(1) of the Treaty prohibits monetary financing, as further defined by Council Regulation (EC) No 3603/93⁵. In this regard, the ECB notes in its opinion that the IKA-ETAM constitutes a body governed by public law for the purposes of the monetary financing prohibition⁶ and, since the ECB understands that the BoG Pension Fund may no longer face any solvency deficit, the application of the provisions of Article 2 of the Law could be contrary to the prohibition against monetary financing.

Finally, the ECB underlines in its opinion that the Greek Government should cooperate closely with the Bank of Greece and consult the ECB on any future amendment to specific rules affecting the Bank of Greece, in line with Council Decision 98/415/EC, since the Bank of Greece's Statute entrusts the Bank of Greece with the task of ensuring its employees' social security coverage⁷.

⁴ ECB Convergence Report of May 2007, p. 19. See also ECB Opinion CON/2008/9 of 21 February 2008 at the request of the German Ministry of Finance on a draft law amending the Law on the Deutsche Bundesbank and ECB Opinion CON/2008/10 of 21 February 2008 at the request of the Italian Ministry of Economic Affairs and Finance on some provisions of the Law on the State annual and pluriannual budget (2008 Budget Law).

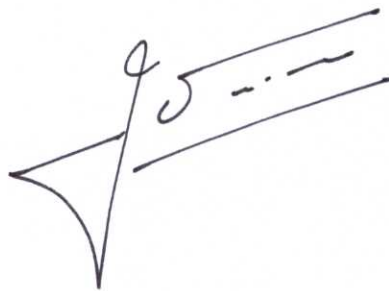
⁵ Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1). Article 1(1)(b)(ii) thereof specifies that the prohibition covers any financing of the public sector's obligations vis-à-vis third parties.

⁶ Paragraph 5.1 of ECB Opinion CON/2008/13 elaborates further, *inter alia*, on the nature of IKA-ETAM as a body governed by public law, on the designation of its governors/presidents and its financing.

⁷ See Article 38(4), in conjunction with Articles 71(1) and 74, of the Statute of the Bank of Greece.

I understand that, following delivery of the ECB's opinion, Greece's Minister for Economic Affairs and Finance met with the union of the Bank of Greece's employees and agreed on the establishment of a tripartite committee consisting of representatives of the Bank of Greece, the union of Bank of Greece's employees and the Ministry of Economy and Finance. This Committee will examine the provisions of the Law that relate to the BoG Pension Fund. The ECB will follow these developments, but has not yet received any further information in this respect.

With best regards,

A handwritten signature in black ink, consisting of a stylized initial 'G' followed by a series of horizontal strokes and a wavy line, all contained within a hand-drawn rectangular box.