



Eurostat clarification

THE TIME OF RECORDING OF ANFA AND SMP TRANSFERS TO GREECE

1. Aim

1. This Eurostat clarification aims at ensuring a homogeneous recording of ANFA¹/SMP² profits transferred to Greece following the statement on the medium-term debt measures for the Hellenic Republic approved by the Eurogroup on 22 June 2018.
2. In 2019Q2, 2019Q4, 2020Q3 and 2020Q4, the ESM transferred ANFA/SMP profits back to Greece in four instalments of EUR 644.42 million, on behalf of the euro area Member States (MS). Similar transfers are expected to follow on a semi-annual basis until 2022. Amounts are transferred to Greece via the ESM Intermediate Account in the Banque Centrale du Luxembourg (BCL), which is maintained and used by the ESM for and on behalf of the MS concerned.
3. The time of recording applied at present by euro area MS for these transfers to Greece is heterogeneous and creates inconsistencies in the accounts for some years and quarters. In the accounts of Greece, these transfers are recorded as revenue at the time they are received from the ESM, following the approval of MS. Contrarily, most euro area MS are recording the corresponding government expenditure when they transfer amounts to the ESM Intermediate Account in BCL. The current recording poses a problem when there is a time lag between the cash flows from MS to the ESM Intermediate Account and those from the ESM Intermediate Account to Greece, as it is the case for years 2014, 2019 and 2020, and will probably be the case for subsequent years.

2. Background

4. Following the Eurogroup Statement of 27 November 2012, MS Treasuries transferred SMP profits to the ESM Intermediate Account in 2013 and 2014. Nevertheless, amounts were only passed on to Greece in the year 2013. The procedure for transferring back to Greece SMP profits was the following: the ECB disbursed the corresponding profits to National Central Banks (NCBs), which in turn disbursed profits to national governments. MS Treasuries would then transfer these profits to the ESM Intermediate Account held in BCL. From this account, the money would be transferred to the Hellenic Republic linked to policy commitments. SMP profits received by the Bank of Greece were directly transferred to the Greek government, without transiting the ESM Intermediate Account.

¹Agreement on Net Financial Assets. The ANFA refers to Greek bonds held directly by National Central Banks (NCB) in their investment portfolios (purchased in the period 2010-2012).

² The SMP refers to the holding of Greek bonds by the ECB that were purchased under the Securities Market Programme (in place between 2010 and 2012).



5. For ANFA profits, there was no centralized payment procedure established through the ESM Intermediate Account. NCBs would transfer the profits to national Treasuries, which would in turn transfer the corresponding amounts to Greece. Treasuries of participating MS transferred ANFA amounts directly to Greece in 2013 and 2014.
6. In 2015, the Eurogroup suspended both the SMP and the ANFA initiatives and decided to keep the already collected 2014 SMP equivalent income in the ESM Intermediate Account until further notice.
7. On 22 June 2018, the EG issued a statement on the medium-term debt measures for the Hellenic Republic. The measures agreed consisted, among other, on the use of the 2014 SMP profits outstanding in the ESM Intermediate Account and the restoration of the transfer of ANFA and SMP income equivalent amounts to Greece (as of budget year 2017), linked to policy commitments. The available SMP and ANFA income equivalent amounts would be transferred to Greece on a semi-annual basis via the ESM Intermediate Account, starting in December 2018 until June 2022 and subject to certain conditions. From 2018 onwards, both SMP and ANFA amounts would be transferred via the ESM Intermediate Account, except those of Bank of Greece, which would continue to go directly to the Greek government.
8. From 2018, all euro area MS contribute to the SMP scheme except for Slovakia, which is exempted as long as its central bank has negative equity³. The following MS participate in the ANFA scheme: France, Belgium, Portugal, The Netherlands and Luxembourg. Euro area MS concerned in the centralised payment through the ESM Intermediate Account are collectively referred to as the “Participating Member States”.
9. Following the Eurogroup statement of 2018, the transfer of ANFA/SMP profits to Greece resumed in 2019Q2. The ESM transferred amounts on behalf of the governments of the Participating MS in 2019Q2, 2019Q4, 2020Q3 and 2020Q4, in four equal instalments of EUR 644.42 million each. As the SMP amounts that accumulated in the ESM Intermediate Account in 2014 have been used for this purpose, the amounts transferred to Greece in 2019 and 2020 do not match the amounts transferred by the Treasuries of the Participating MS to the ESM Intermediate Account in the same periods.

3. Eurostat’s view

10. ANFA/SMP transfers to Greece are recorded as current international co-operation D.74 revenue of the Greek government and as D.74⁴ government expenditure of the Participating MS.

³ This has been the case so far. During the period 2013-2020, Slovakia has not participated in the SMP Initiative.

⁴ ANFA and SMP transfers to Greece by the Greek Central Bank are recorded as other miscellaneous current transfers, D.75.



11. D.74 government expenditure should be recorded only after the Eurogroup (EG)/Eurogroup Working Group (EWG) confirm compliance with the policy commitments and the ESM confirms that the remaining requirements are met. The time of recording of D.74 should be consistent for all the parties involved and should be when: (i) the President of the EWG confirms in writing to the ESM that the EG/EWG is satisfied that the Hellenic Republic is in compliance with the policy commitments it has undertaken, and (ii) the ESM confirms that the remaining requirements are met. This is normally very close to the time of the payment to Greece from the ESM Intermediate Account.
12. The amounts transferred by the national Treasuries of the Participating MS to the ESM Intermediate Account in BCL remain the property of MS. Therefore, at the time amounts are transferred to this account, they should be recorded as financial transactions (increase in other deposits, F.29) of S.13 against S.212, and not as D.74 expenditure. The ESM is only acting as an agent of the Participating MS; therefore, non-financial transactions cannot result in the ESM accounts (other than operational expenditure and reimbursements for such operational expenditure).
13. This clarification focuses on the amounts transferred by national Treasuries to the ESM Intermediate Account (F.29) and on those transferred from the latter to Greece (D.74). Concerning the amounts transferred from NCBs to national governments, they need to be recorded as government revenue (D.42) or withdrawal of equity (F.5) after being super-dividend tested. It may occur that such government revenue affects B.9 in a different period than the one when the amounts are transferred to Greece (D.74) because transfers to Greece are subject to conditions that may delay or even cancel the transfer. This recording is justified, given the fact that not all the profits transferred to the Treasuries are passed on to Greece (because of the conditionality of the transfers). It may indeed happen that the profits of some years are never transferred to the Greek government (as it was the case for profits of budget years 2015 and 2016).

4. Implementation

14. To implement the above recording, it would be necessary to have detailed information on the stake of each Participating Member State in the ESM Intermediate Account. For each MS, this would correspond to the amounts transferred by the country to the ESM account (inflows) minus the amounts transferred to the Hellenic Republic (outflows) on behalf of the country.
15. Information on inflows of each MS on the ESM account is available. The main issue is to split the outflows (the transfers to Greece in instalments of EUR 644.4 million) between the Participating MS. As this information is not available, Eurostat has made estimates to break down each EUR 644.4 million instalment by MS. (see Table 1 below).
16. In the absence of direct data, Eurostat proposes that the amounts presented in Table 1 below are used to break down each EUR 644.4 million instalment to Greece by Participating MS. For the time being, this would imply the recording of D.74 expenditure for the amounts reported in the table in the following quarters: 2019Q2, 2019Q4, 2020Q3 and 2020Q4. Eurostat would suggest using direct data and disregarding the estimates in case all Participating MS would be in a position to provide the actual stakes in each quarter (outstanding amounts of deposits of each MS in the Intermediate Account).



17. The same breakdown would apply when the next instalments are paid to Greece in the relevant quarters of 2021 and 2022 if the amount passed on to Greece would be the same (EUR 644.42 million).

TABLE 1. OUTFLOWS FROM THE ESM ACCOUNT BY PARTICIPATING MS.
EUROSTAT'S ESTIMATE

Unit: € mn	SMP	ANFA	Total
BE	23.1	3.4	26.5
DE	172.8		172.8
EE	1.8		1.8
IE	10.7		10.7
ES	81.3		81.3
FR	133.6	6.2	139.8
IT	116.6		116.6
CY	0.9		0.9
LV	1.7		1.7
LT	2.4		2.4
LU	1.8	0.1	1.9
MT	0.9		0.9
NL	37.7	1.3	39.0
AT	18.5		18.5
PT	10.3	4.4	14.7
SI	3.2		3.2
SK	0.0		0.0
FI	11.8		11.8
TOTAL	629.1	15.3	644.4

Source: Estimates by Eurostat based on documentation from ESM



5. Example with T-accounts

18. It is assumed that country X has transferred the following amounts to the ESM account in 2013, 2014, 2019Q4, 2020Q1 and 2020Q3: EUR 300, 250, 150, 50 and 100 million, respectively. It is known that the ESM has passed on EUR 2,034 million to Greece in 2013 and equal instalments of EUR 644 mn in 2019Q2, 2019Q4, 2020Q3 and 2020Q4. Out of these amounts, we assume that the part on behalf of country X is estimated in Table 1 above as EUR 90 mn for each relevant quarter. See Table 2 below.

19. Amounts passed on to Greece on behalf of the MS will be recorded as D.74 expenditure of country X at the time the transfer is approved (which is very close in time to the actual disbursement, if not coinciding). On the contrary, amounts transferred to the ESM account will be recorded as F.29 assets. The stock of AF.29 will decrease as amounts are transferred to Greece from the ESM account. See Table 3 below.

TABLE 2. CASH FLOWS FOR COUNTRY X

	2013	2014	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Amounts transferred to ESM by country X	300	250				150	50		100	
Amounts passed on to Greece by ESM	2.034	-	-	644	-	644	-	-	644	644
of which, on behalf of county X (table 3.2)	300			90		90			90	90

TABLE 3. T-ACCOUNTS FOR COUNTRY X

	2013	2014	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
D.74 expenditure	300			90		90			90	90
B.9	-300			-90		-90			-90	-90
F.22A+F.29A	-300	-250	0	0	0	-150	-50	0	-100	0
F.29A (the ESM account)		250	0	-90	0	60	50	0	10	-90
B.9f	-300	0	0	-90	0	-90	0	0	-90	-90
AF.29A (closing balance sheet) - the ESM account	0	250	250	160	160	220	270	270	280	190

150 - 90 = 60

100 - 90 = 10