



EUROPEAN COMMISSION
EUROSTAT

Unit D-2: Excessive Deficit Procedure I

Luxembourg,
ESTAT/D-2/EBC/LA/LFO/LPU/LW (2015)

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Greece

Subject: ANFA revenue of Q2_2015

Reference: Your letter Γ1-1227 of 20/10/2015

Dear Ms. Stavropoulou,

Thank you for the letter on the above-mentioned issue. After examining your request, please find below Eurostat's view on how the above-mentioned operation should be treated in the quarterly accounts of general government.

1. THE ACCOUNTING ISSUE FOR WHICH A CLARIFICATION IS REQUESTED

The issue under discussion is whether government revenue for Greece in relation to ANFA payments (for an amount of 595.5 mn euro¹) can be recorded in the accounts in 2015Q2 given the following facts:

- Following the latest Eurogroup developments in June and July 2015, at present (October 2015) there is no obligation for MS to transfer to the Greek government the amounts related to ANFA profits in 2015, contrarily to previous years, where there was an obligation to transfer amounts by 30 June of each year;
- By end of August 2015 there have been no cash payments by any Member State.

ELSTAT is of the opinion that, despite the facts above, the amount of 595.5 mn euro has to be paid and that an obligation to pay existed at the end of the second quarter and, thus, amounts, even if not actually received, should be recorded as revenue in 2015Q2 and has asked Eurostat to provide a written opinion on this issue.

¹ According to the schedule foreseen by a letter from the Eurogroup Working Group chairman, 27 June 2012, reference Ares(2012)910250.

2. METHODOLOGICAL ANALYSIS

Background

The Eurogroup statement on Greece on 21 February 2012 established that those euro area Member States holding Greek government bonds would transfer to the Greek government certain revenue stemming from the holding of Greek debt by their National Central Banks. Such revenue was the so-called ANFA and SMP payments and was linked to the second economic adjustment programme for Greece.

Accounting provisions

ANFA and SMP payments received by Greece from other euro area Member States are recorded in national accounts as D.74, current international cooperation².

The time of recording of current international cooperation (D.74) is defined in ESA 2010 4.123 as "*the time the regulations in force stipulate the transfers are to be made in the case of obligatory transfers, or the time the transfers are made in the case of voluntary transfers*".

The time of recording of ANFA and SMP payments has been discussed with ELSTAT in the EDP missions of September 2013 and March 2014. In addition, a letter on the time of recording of SMP payments was sent to ELSTAT on 9 January 2014.

Following ESA 2010 4.123, if ANFA and SMP are obligatory payments, the accrual time of recording should be the moment when the Eurogroup stipulates the transfers are to be made.

ANFA payments relate to amounts to be transferred by Member States to Greece on an annual basis between the years 2012 and 2020, in relation to any future income accruing to national central banks holdings of Greek government bonds until 2020. The amounts to be transferred each year by each country, as well as the deadline for payment, are established and agreed in the context of the Eurogroup. Every year, Member States are invited to transfer by the 30th of June a certain determined amount to the Greek government. Given the fact that ANFA payments were, in principle, not conditional on the implementation of measures in the MoU and the fact that the transfers were to be made by 30th of June each year, it was agreed that the accrual time of recording should be in Q2 of each year³ regardless of the actual cash settlements (which could sometimes take place later on).

On the other hand, revenue emanating from the SMP profits disbursed by national central banks is conditional on the implementation of the measures in the MoU and the subsequent approval of the Eurogroup. Therefore, the accrual time of recording was established at the time the amounts were to be transferred, following a decision of the Eurogroup⁴.

² It is recalled that ANFA and SMP transfers were made to the Greek government not only by other Member States, but also by the Central Bank of Greece and that the latter are not recorded as D.74. Besides, it is to be underlined that payments received by governments from their central banks must be subject to the super-dividend test.

³ See final findings of EDP missions to Greece of September 2013 and March 2014.

⁴ See Eurostat letter of 9 January 2014 (ESTAT/D-3/D-1/JV/LA/SP/LW/mg (2014) 21778).

The treatment above has been applied for the years 2012, 2013 and 2014.

Developments in 2015

In 2015 there is, however, a difference for ANFA and SMP payments as compared to previous years. In the first half of 2015, intensive negotiations took place between the European institutions and the Greek authorities to discuss the forthcoming expiration of the EFSF financial arrangement with Greece (second economic adjustment programme). However, an agreement could not be found, negotiations with the Greek authorities were discontinued and the second programme expired on 30 June 2015 as well as all agreements related to it, including the transfer by euro area Member States of SMP and ANFA equivalent profits. This information can be retrieved from the Eurogroup Statements of 27 June 2015.

It is the understanding of Eurostat that the expiration of the agreement for ANFA transfers entails that no payments need to be made to Greece in 2015 until further notice/ decision by the Eurogroup. This argument is confirmed by the existence of a letter to the members of the Eurogroup Working Group, dated 6 July 2015, in which it is stated that ANFA payments can be suspended until further notice. Following the Eurogroup statements of 27 June 2015 and the letter dated 6 July 2016, Eurostat is aware that no Member State had made ANFA payments to Greece by end of August 2015.

Following the above, Eurostat considers that the recording of revenue in 2015Q2 in relation to ANFA payments would be incorrect for the following reasons:

- Following the Eurogroup statement of 27 June 2014 and the corresponding letter from the Eurogroup Working Group, the obligation for the Eurogroup members holding ANFA portfolios, to transfer income-equivalent amounts related to this portfolio, at fixed dates, is no longer in force. Thus, the main reason for accruing amounts in the second quarters no longer exists, at least for the year 2015.
- There have not been any actual transfers to the dedicated account in the Bank of Greece by 2015Q3. If such payments would have taken place despite members having been given the possibility not to transfer, the amounts transferred should have been considered as voluntary payments, for which the provisions in ESA 2010 4.123 would hold.
- The rationale for accruing unpaid amounts is that a claim indeed exists. In the present circumstances, for 2015, due to the decision of the Eurogroup, no claim exists. Similarly, no obligation for Member States for paying such amounts exists.

3. CONCLUSION

In 2015, Eurogroup Member States have been given the possibility to suspend ANFA payments until further notice and, therefore, the obligation that the ANFA transfers are to be made by 30 June 2015 is no longer in place. Besides, there have been no cash payments whatsoever from Member States to Greece by the end of August 2015.

Following ESA 2010 4.123 on the time of recording of D.74, Eurostat firmly considers that the amount of 595.5 mn euro related to ANFA transfers should not be considered as revenue for Greece in 2015Q2.

ANFA future transfers should be recorded as government revenue (at some stage from 2015Q4 onwards) only in case there would be a new Eurogroup decision inviting Member States to transfer the amounts. The time of recording would be the time the Eurogroup stipulates that the transfers are to be made. In the absence of a new Eurogroup decision, in case a Member State decides to transfer the ANFA payments to Greece voluntarily, government revenue can be recorded at the time the transfer is made in line with the provisions of ESA 2010 4.123 on voluntary transfers.

4. PROCEDURE

This preliminary view of Eurostat is based on the information provided by the Greek authorities. If this information turns out to be incomplete, or the implementation of the operation differs in some way from the information currently available and the assumptions made above, Eurostat reserves the right to reconsider its view.

In this context, we would like to remind you that Eurostat is committed to adopt a fully transparent framework for its decisions on debt and deficit matters in line with Council Regulation 479/2009 and the note on ex-ante advice. Eurostat therefore publishes all official methodological advice (ex-ante and ex-post) given to Member States on its website. In case you have objections to the publication of this specific case, we would appreciate if you would let Eurostat know before 30 October 2015.

Yours sincerely,

(e-signed)
Eduardo Barredo Capelot