

Tsipras Defeat in Attica Battle Bolsters Bank of Greece Governor

Marcus Bensasson, Bloomberg, September 21, 2016

- Stournaras secured appointment of nominee as Attica Bank CEO
- Greek media reports Attica lent millions to new TV licensee Advantage Yannis Stournaras.

In the battle of wits between Greece's central bank governor and Prime Minister Alexis Tsipras, the former seems to have won the latest round, giving him a leg up should he harbor any ambitions of a return to politics.



Stournaras, a former finance minister, threatened to put Attica Bank under administration if it didn't appoint his nominee as chief executive officer. The move ruffled feathers in the government, which sees Attica -- majority owned by state-backed pension funds -- as a vehicle of influence over the financial sector as the only lender falling outside the European Central Bank's direct regulatory purview. Faced with Stournaras's threat, Attica shareholders backed his nominee on Tuesday, bolstering the Bank of Greece governor who has questioned Tsipras on everything from his tax-heavy fiscal policies to his dealings with creditors.

"There's a cold war going on between the two that occasionally flares into skirmishes," said Aristides Hatzis, a professor of law and economics at the University of Athens. "In Syriza and the government there are a lot of voices that want to see Stournaras's head roll, but the leadership understands it can't do that because he has the ECB's backing."

Playing Hardball

After his hardball stance on Attica, Stournaras held clear-the-air talks on Saturday with Tsipras. Following that meeting, the central bank governor said there was no plan to oust him from the Bank of Greece. Attica Bank's loans are being examined by a group of auditors from the Bank of Greece and Single Supervisory Mechanism, and their findings would be referred to judicial authorities, he said.

Shares of Attica Bank were little changed at 1.31 p.m. in Athens on Wednesday after a 1.7 percent drop on Tuesday. Shareholders confirmed Stournaras's choice of Theodoros Pantalakias as CEO on Tuesday and the Bank of Greece said in a statement it would work with the lender's new management to improve corporate governance and that it would lift a freeze on new loans, in place since last week.

The Attica Bank affair became entangled with a separate controversy on Tuesday after Greek financial newspaper Imerisia reported that auditors found 126 million euros (\$141 million) of loans to construction magnate Christos Kalogritsas since 2011, including 55

million euros in 2015 when the country's financial system came to the brink of collapse. The Kalogritsas family won one of four TV licenses after bidding 53 million euros at an auction this month, a move heavily criticized by Greece's opposition.

Mud Slinging

Infrastructure Minister Christos Spirtzis, seen as personally close to Kalogritsas, in a radio interview on Tuesday accused Stournaras of wading into the "mud slinging" that's surrounded the TV licensing auction, and of wanting to put Attica Bank into the hands of hedge funds. Kalogritsas could not be reached for comment.

For all the government's accusations that Stournaras is using his immunity as the head of the central bank to play politics, Syriza will need to tread lightly when dealing with him, Hatzis said.

"This affair has been a defeat for the government and a victory for Stournaras," he said. "From here the government will need to be very careful."

Stournaras and an ECB spokesman both declined to comment for this story.

Good Name

Stournaras was a finance minister in the government of former premier Antonis Samaras. He's often cited in Greek media as someone who center-left-leaning opponents of Syriza might unite behind following the political collapse of the once-dominant Pasok party.

The precedent of Lucas Papademos, another former central banker who became prime minister at the head of a unity coalition after a political crisis in 2011, may encourage Stournaras to believe that the top political office is within his grasp, according to Dimitri Papadimitriou, president of the Levy Economics Institute of Bard College in New York.

A speech this year by Stournaras in which he said the government's negotiations with creditors cost the country 86 billion euros strayed beyond the bounds of political neutrality, he said.

"He has a good name in the European elite and people believe that as a minister of finance he didn't do badly," Papadimitriou said. "To be labeled as a technocrat is a good thing nowadays in Greece because it gives the impression that you are impartial. But it is very difficult to assume that Mr. Stournaras is a technocrat because he has been in and out of government positions."