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ECB Said to Swap Greek Bonds for New Debt to Avoid Enforced Loss
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(For more on the debt crisis, see EXT4.)

By Jeff Black

Feb. 17 (Bloomberg) -- The European Central Bank is swapping its Greek bonds for new ones to ensure it isn't forced to take losses in a debt restructuring, three euro-area officials said.

The Frankfurt-based ECB is exchanging its Greek bonds for bonds of an identical structure and nominal value, with the only difference being that they would be exempt from so-called collective action clauses, the officials said late yesterday on condition of anonymity. One said the bonds have a face value of about 50 billion euros (\$65 billion). An ECB spokesman declined to comment. Giorgios Zantias, chairman of the Council of Economic Advisors to the Greek finance ministry, didn't respond to calls to his cellphone.

The move may be completed by Monday, the officials said. That could pave the way for a private-sector bond swap that aims to slice about 100 billion euros off Greece's debt as the embattled nation struggles to stave off default. Euro-area finance ministers convene in Brussels on Feb. 20 to discuss a second bailout for Greece that includes a debt swap agreement.

An exemption from collective action clauses, or CACs, would mean the ECB would not have to participate should the Greek government impose involuntary losses on bondholders in future. That may occur if not enough private creditors agree to a voluntary swap.

CACs typically make all bondholders subject to losing part of their capital in a retrospective action that does not require the assent of all lenders. The people said the new Greek bonds the ECB will receive in exchange for its old ones are exempt from CACs.

ECB Profit

Germany's Die Welt newspaper earlier reported the swap and said it would result in a profit for the ECB, which it could then distribute via national central banks to governments.

In fact, the swap is separate from the ECB's deliberations to contribute in some way to reducing Greece's debt load, the people said.

The ECB has signaled it may distribute to national central banks any profits from its Greek bond holdings when they mature, so that they can pass that cash on to governments to help with the Greek bailout. This remains a possible course of action, the people said.

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