FRANKFURT—The European Central Bank appears to be doing its part to help Greece reduce its crushing debt burden by transferring profits from its Greek bond holdings to euro-zone governments. There is just one problem: It remains far from clear that all this money will wind up in Athens.

By handing over its profits to national governments, the ECB is simply adhering to its long-standing rules. But it has no control over how Spain, Italy and others use their share of the billions they stand to gain from the ECB’s €50 billion ($66 billion) in Greek bond holdings.

The ECB is expected to make a substantial profit on the bonds because it purchased them at a steep discount on the open market, and now it appears these bonds will be repaid in full.

The ECB was spared from taking any losses as part of a €130 billion rescue deal for Athens despite mounting pressure in recent weeks for the central bank to take a bigger role in writing down Greece’s crushing debt load.

The arrangement between the ECB and euro-zone governments reflects the delicate balance the ECB faces between helping Athens survive in the euro and protecting its own independence and credibility.

The ECB bought Greek bonds with a face value of around €50 billion in 2010 as it fought to keep Greece’s debt crisis from sweeping across Europe.

Income from its Greek bonds will add to the annual profits of the ECB and its 17 member central banks. Those profits "will be disbursed to euro-area member states" in line with existing ECB rules, finance ministers said in a statement Tuesday, and "certain government revenues" from these holdings may in turn be directed to Athens. Governments aren’t legally bound to turn over the money.

"The ECB succeeded in making any help indirect...probably to sustain its independence," said Carsten Brzeski, an economist at ING Bank.
Officials could have taken more-direct steps to provide immediate relief to Athens. ECB officials appeared open to exchanging their Greek bonds with Europe's rescue fund, the European Financial Stability Facility.

Under that scenario, the EFSF would have purchased the bonds at the same discounted price the ECB paid, an arrangement that could have yielded Greece more than €10 billion in debt reduction.

But governments would have had to increase the price tag for the Greek bailout to well above €130 billion to give the EFSF the capacity to undertake the deal, a step they were loath to take given public resistance to putting more taxpayer funds on the line.

Instead, the ECB shielded its Greek bonds from losses last week by swapping them for new ones that wouldn't be subject to collective-action clauses. Private-sector creditors have agreed to take a write-down of their Greek bonds of 53.5%, which is expected to cut Greece's debt by €107 billion.

Collective-action clauses allow the majority of bondholders to force all holders to participate in the exchange. Because the ECB bought Greek bonds from banks in secondary markets, its holdings were at risk if losses were forced on all bondholders.

ECB officials steadfastly refused to put their bonds in play. Doing so, they said, would violate ECB rules that forbid the central bank from providing financial assistance to governments.

With its holdings safe from losses, the ECB's Greek bonds should generate profit of around €5 billion over the next three years. But Athens will likely get less than that. Under the first bailout in 2010, governments made bilateral loans to Greece. With those rates now cut as part of Tuesday's agreement, countries such as Spain and Italy have higher borrowing costs than the interest rate Greece will now pay them. These countries will be able to use profits from their central banks to make up the difference so they don't lose money on the deal.

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