EUROPEAN CENTRAL BANK

BANKING SUPERVISION

European banking supervision measures in the context of the coronavirus (COVID-19) pandemic

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Main features of European banking supervision measures during the coronavirus crisis

- Prompt
- Balanced
- Risk-sensitive
- Transparent

All the information about ECB Banking Supervision's response to the COVID-19 pandemic can be found on the dedicated webpage in all official EU languages

Prudential and operational relief measures

Press release 12 March: capital, liquidity and operational relief

- Banks allowed to use capital and liquidity buffers, incl. Pillar 2 Guidance
- Frontloading change of capital composition of Pillar 2 Requirements
- Postponement of existing supervisory deadlines and new decisions

€120bn capital freed up to support lending

Press release 20 March: guidance on NPLs and IFRS 9

- Relief measures regarding asset quality deterioration and non-performing loans (NPLs)
- Guidance on prudential treatment of loans to take account of new public support measures
- Avoiding excessive procyclicality in IFRS9 via use of transitional arrangements and by giving greater weight to long-term stable outlook when estimating long-term expected credit losses

Press release 16 April: reduction in requirements for market risk

- Qualitative market risk multiplier set by supervisors temporarily reduced

Recommendation on dividends

Press Release 27 March

- ECB recommends banks not to pay dividends for 2019 and 2020 and to refrain from share buy-backs aimed at remunerating shareholders until at least **1 October 2020**
  - Rationale: Conserving capital necessary to ensure banks retain capacity to support the economy amid environment of high uncertainty.
  - Impact: At an aggregate level, significant institutions originally proposed paying €35.6 billion in dividends for the 2019 financial year. Of this, **€27.5 billion** has not been paid out, almost €6.2 billion had already been paid out by the time the ECB's recommendation was published, and just under €2 billion was paid out after the recommendation was published, for instance because it was not possible to reverse a decision taken at a general shareholders' meeting.

Supervisory mitigating measures: Summer update

Press Release 28 July

- Recommendation on dividends and share buy-backs extended until **1 January 2021** as a **temporary and exceptional measure**
- Banks asked to be extremely moderate with regard to **variable remuneration**
- Forward-guidance provided on the timeline for **buffer replenishment**
    - Banks not expected to start rebuilding buffers before peak capital depletion is reached
    - Banks can operate below P2G and the combined buffer requirement until at least end-2022, and below LCR until at least end-2021, without automatically triggering supervisory actions
    - Timeline to be decided on a case-by-case basis following the 2021 EU-wide stress test
- Deadline for **non-performing loan reduction strategies** further extended, allowing more time for an assessment of COVID-19 impact.
- Other **operational relief** measures – e.g. suspension of follow up actions on supervisory decisions – not extended