

INTERNATIONAL CONTINGENCY MEASURES IN THE EU: ECB – EBA – ESMA - EIOPA – SRB FSB, BIS, IOSCO

STATUS 15 APRIL 2020

OVERVIEW OF COVID-19 RELATED RECOMMENDATIONS,
ANNOUNCEMENTS, STATEMENTS AND PRESS RELEASES

Banking and Financial Services

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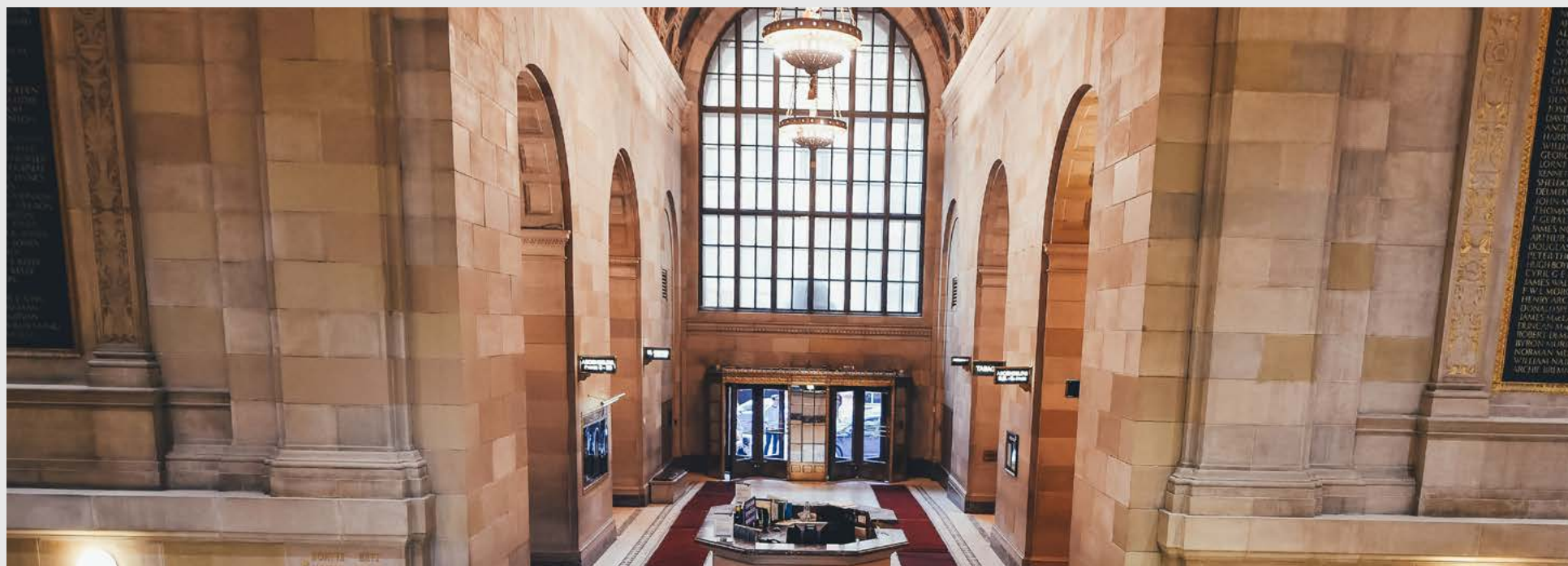
ECB - COVID RELATED ANNOUNCEMENTS AND RECOMMENDATIONS

- On 12 March** the ECB [announced](#) that temporary flexibility in application of prudential requirements would be provided to supervised entities. For the moment, relief from capital and liquidity requirements was granted;
- On 20 March** the ECB [announced](#) new measures that provide further flexibility in the prudential treatment applicable to its directly supervised banks. These new measures are aimed at mitigating the adverse effects of the coronavirus-related economic shock on the capability of banks to fund households and corporations. The new measures provide for the following:
- The classification of debtors as 'unlikely to pay' will be approached with flexibility when banks call on public guarantees granted in the context of the coronavirus. A flexible approach will be adopted also for loans under Covid-19 related public moratoriums;
 - A flexible approach will be ensured in the prudential treatment of NPLs. First, supervisors will take into account the extraordinary nature of current market conditions when they discuss the implementation of NPL reduction strategies with banks. Second, a preferential prudential treatment, in terms of supervisory expectations about loss provisioning, will be ensured for loans under public guarantees that become non-performing;
 - In addition, the ECB recommends banks to avoid excessive procyclical effects when they apply the IFRS 9 international accounting standard;
- On 27 March** the ECB issued a [Recommendation](#) on dividend distributions during the Covid-19 pandemic. In the Recommendation, the ECB explains that it considers appropriate that significant credit institutions refrain, at least until 1 October 2020, from performing actions aimed at remunerating shareholders, by distributing dividends or performing share buy-backs, during the Covid-19 crisis. Even if the Recommendation is addressed to significant supervised entities and significant supervised groups, the ECB considers that the same would also be appropriate for less significant credit institutions. Credit institutions should ask their joint supervisory team for any doubt about how they can legally refrain from paying dividends; •
- On 1 April** Andrea Enria (Chair of the ECB Supervisory Board) sent a [letter](#) to all significant institutions providing recommendations on how to apply IFRS 9 in the current market conditions and guidance on the use of forecasts to avoid excessively procyclical assumptions in their expected credit loss (ECL) estimations during the COVID-19 pandemic.



EBA - COVID RELATED STATEMENTS AND COMMUNICATION (1)

- On 12 March** the EBA [decided](#) to postpone the 2020 EBA EU-wide stress test and will extend the postponement to all banks subject to the 2020 stress test;
- On 12 March** the EBA provided specific [recommendations](#) to NCAs on how to make use of flexibility in their supervisory work;
- On 25 March** the EBA issued a [statement](#) on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of COVID19 measures. In its statement, the EBA provides clarity to the EU banking sector on how to handle, in a consistent manner, aspects related to (i) the classification of loans in default, (ii) the identification of forbore exposures and (iii) the accounting treatment;
- On 25 March** the EBA issued a [statement](#) on consumer and payment issues in light of Covid-19. In its statement, the EBA calls on NCAs to ensure that, when they adopt new measures to provide regulatory flexibility to supervised entities during the Covid-19 crisis, they act in the interest of the consumer and in compliance with EU law. With specific reference to payment services, the EBA provided recommendations to consumers on how to protect themselves against online fraud, and on the sanitary precautions when they carry out payments;
- On 25 March** the EBA issued a [communication](#) containing a list of activities to be postponed in order to support banks' focus on key operations and to limit any non-essential requests in the short term. In particular, the EBA has decided to extend the deadlines of ongoing public consultations by two months, to postpone all public hearings already scheduled to a later date and run them remotely via teleconference or similar means, and to extend the remittance date for funding plans data and for the QIS based on December 2019 data;



EBA - COVID RELATED STATEMENTS AND COMMUNICATION (2)

- On 31 March** the EBA issued a [statement](#) clarifying its expectations on supervisory reporting and Pillar 3 disclosures in light of Covid-19. In the statement, the EBA urges competent authorities to offer leeway on reporting dates to supervised entities, affirming that institutions should be allowed up to one additional month for submitting reports with remittance dates between March and the end of May 2020. However, it explains that such exception should not apply to: i) information on the liquidity coverage ratio (LCR) and on the Additional Monitoring Metrics (ALMM); ii) data sets identified as priority by the competent or resolution authority; iii) reporting for resolution planning purposes. The EBA also encourages competent authorities to be flexible when assessing deadlines for the publication of institutions' Pillar 3 disclosures;
- On 31 March** the EBA issued a [statement](#) where it urges all banks to refrain from dividends distribution or share buybacks which result in a capital distribution outside the banking system, in order to maintain its robust capitalisation. Banks should seek clarification from their competent authorities if they consider themselves legally required to pay-out dividends or make share buybacks. Banks should review their remuneration policies in line with the risks stemming from the economic situation. Remuneration and, in particular, its variable portion should be set at a conservative level;
- On 31 March** the EBA issued a [statement](#) where it urges competent authorities to support financial institutions' ongoing efforts by sharing information on emerging ML/TF risks, setting clear regulatory expectations of the steps credit and financial institutions should take to mitigate those risk, and adjusting supervisory priorities/plans to ensure that AML/CFT supervision remains effective;
- On 2 April** the EBA published [guidelines](#) on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020. The aim of these guidelines is to clarify the requirements for public and private moratoria, which if fulfilled, will help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring.



ESMA - COVID RELATED DECISIONS, RECOMMENDATIONS AND PUBLIC STATEMENTS (1)

- On 11 March** ESMA provided [recommendations](#) to financial market participants on how to react to the COVID-19 emergency;
- On 16 March** ESMA issued [a decision](#) temporarily requiring the holders of net short positions in shares traded on EU regulated markets to notify the relevant national competent authority if the position reaches or exceeds 0.1%;
- On 20 March** ESMA published a [public statement](#) on actions to mitigate the impact of COVID-19 on the EU financial markets regarding the new tick size regime for systematic internalisers. ESMA expects NCAs not to prioritise their supervisory actions in relation to the new tick-size regime from 26 March, the application date, until 26 June 2020;
- On 20 March** ESMA published a [public statement](#) on the application of MiFID II requirements on the recording of telephone conversations. In the statement, ESMA acknowledges that, considering the exceptional circumstances created by the COVID-19 outbreak, some scenarios may emerge where, notwithstanding steps taken by the firm, the recording of relevant conversations required by MiFID2 may not be practicable. If firms, under these exceptional scenarios, are unable to record voice communications, ESMA expects them to consider what alternative steps they could take to mitigate the risks related to the lack of recording;
- On 26 March** ESMA published a revised [public statement](#) on supervisory coordination under the SFTR. In the statement, ESMA calls on NCAs not to prioritise their supervisory actions on the application of reporting provisions of SFTR, regarding SFTs concluded between 13 April 2020 and 13 July 2020, and SFTs subject to backloading under SFTR. The statement also contains other expectations of ESMA towards NCAs during the Covid-19 crisis;
- On 27 March** ESMA issued a [public statement](#) on the implications of the COVID-19 pandemic on the deadlines for publishing financial reports which apply to listed issuers under the Transparency Directive. In the statement, ESMA acknowledges the difficulties for issuers and their auditors in meeting the deadlines for publishing financial reports. Therefore, ESMA encourages NCAs to apply forbearance powers towards issuers who need to delay publication of financial reports beyond the statutory deadline. Nonetheless, requirements under the Market Abuse Regulation still apply;



ESMA - COVID RELATED DECISIONS, RECOMMENDATIONS AND PUBLIC STATEMENTS (2)

- On 27 March** ESMA issued a [press release](#) where it communicates that the date of application of the transparency calculations for equity instruments remains unchanged at 1 April 2020, notwithstanding the request by some stakeholders to postpone the date;
- On 31 March** ESMA issued a [public statement](#) providing clarification on issues related to the publication of reports by execution venues and firms as required under RTS 27 and RTS 28, in light of Covid-19. Acknowledging the difficulties encountered by execution venues and firms in preparing these reports due to the COVID-19 pandemic, ESMA recommends that NCAs consider the possibility to allow the publication of RTS 27 reports after the scheduled deadline of 31 March, and the publication of RTS 28 reports after the scheduled deadline of 30 April;
- On 2 April** ESMA published a [document](#) which outlines ESMA's update of its risk assessment, in order to account for the Covid-19 pandemic.
- On 9 April** ESMA [public statement](#) on the obligations to publish yearly and half-yearly reports of UCITS, AIF, EuVECA and EuSEF fund managers. ESMA recommends NCAs to adopt a flexible approach with regard to the supervisory actions against these market participants in respect of the upcoming reporting deadlines.



EIOPA - COVID RELATED DECISIONS, RECOMMENDATIONS AND PUBLIC STATEMENTS (2)

- On 17 March** EIOPA issued a [statement](#) on actions to mitigate the impact of Covid-19 on the insurance sector. The statement sets out the key expectations of EIOPA towards NCAs and insurance companies during the Covid-19 crisis, and describes the approach that EIOPA intends to adopt during the crisis;
- On 20 March** EIOPA provided [recommendations](#) addressed to national competent authorities on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure in light of the Coronavirus/COVID-19 pandemic;
- On 27 March** EIOPA issued a [press release](#) informing that in the upcoming weeks it will carry out, due to the Covid-19 crisis, extraordinary calculations on a weekly basis to monitor the evolution of the relevant risk-free interest rate term structures (RFR) and the symmetric adjustment to equity risk (EDA). EIOPA is publishing this information in order to support insurance and reinsurance undertakings in the monitoring of their solvency and financial position;
- On 1 April** EIOPA issued a [statement](#), where it urges insurers and intermediaries to take into consideration the impact of the Covid-19 crisis on consumers, and to adapt their conduct to the current circumstances in order to act in the best interest of consumers. In particular, EIOPA calls on insurers and intermediaries to exercise flexibility in how consumers are treated (where possible), provide clear and timely information on contractual rights (and the impact of Covid-19 on insurance policies) while being explicit in all communications, inform consumers about contingency measures that insurers and intermediaries are taking, and continue applying product oversight and governance requirements;
- On 2 April** EIOPA issued a [statement](#) on dividends distribution and variable remuneration policies in the context of COVID-19. In the statement, EIOPA urges that at the current juncture (re)insurers temporarily suspend all discretionary dividend distributions and share buy backs aimed at remunerating shareholders.



SRB - COVID RELATED LETTER

On 1 April the SRB published a [letter](#) sent to banks under its remit, where the SRB outlines the flexible approach that it intends to adopt in order to provide operational relief during the Covid-19 crisis. In particular, even if committed to working on the 2020 resolution plans and issuing 2020 MREL decisions according to the planned deadlines in early 2021, the SRB intends to adopt a pragmatic and flexible approach in order to consider, where necessary, postponing less urgent information or data requests related to this upcoming 2020 resolution planning cycle.

BANKING /FINANCIAL SUPERVISION (INTERNATIONAL) - COVID RELATED STATEMENTS AND COMMUNICATION (1) - FSB

On 20 March the FSB published a press release where it encourages authorities and financial institutions to make use of the flexibility within existing international standards to provide continued access to funding for market participants and for businesses and households facing temporary difficulties from COVID-19, and to ensure that capital and liquidity resources in the financial system are available where they are needed;

On 2 April the FSB communicated in a [press release](#) that, in light of the discussions held during the FSB Plenary on 30 March, its members identified as necessary that some financial service firms keep a limited number of essential personnel on-site, in order to continue to operate critical functions. Therefore, FSB members are actively engaging with national and local authorities to ensure that these essential personnel are permitted to work on-site and are properly equipped.



BANKING /FINANCIAL SUPERVISION (INTERNATIONAL) - COVID RELATED STATEMENTS AND COMMUNICATION (2) - BIS

- On 20 March** the Basel Committee on Banking Supervision held a conference call to discuss the impact of the rapid worldwide spread of the coronavirus disease (Covid-19) on the global banking system. A BIS [press release](#) reported that:
- The Basel Committee supports the objectives of the regulatory and supervisory measures adopted by financial and banking regulators worldwide in order to alleviate the financial stability impact of Covid-19. Moreover, the Basel Committee noted that members have flexibility to undertake further measures if needed;
 - The Basel Committee is continuing to assess and address the banking and supervisory implications of Covid-19, and is actively coordinating with the Financial Stability Board and other standard setting bodies on cross-cutting financial system issues;
 - In the immediate term, the Basel Committee is suspending consultation on all policy initiatives and postponing all outstanding jurisdictional assessments planned in 2020 under its Regulatory Consistency Assessment Programme;
- On 27 March** The Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has endorsed a set of [measures](#) to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the coronavirus disease (Covid-19) on the global banking system. The measures endorsed by the GHOS comprise some changes to the implementation timeline of the outstanding Basel III standards, postponing some implementation dates by one year;
- On 3 April** the Basel Committee on Banking Supervision published a [document](#) setting out technical guidance related to (i) the exceptional measures introduced by governments and banks to alleviate the impact of the coronavirus disease (Covid-19); and (ii) expected credit loss (ECL) accounting.



BANKING /FINANCIAL SUPERVISION (INTERNATIONAL) - COVID RELATED STATEMENTS AND COMMUNICATION (3) - IOSCO

- On 25 March** IOSCO published a [press release](#) to inform that its members are cooperating closely on their responses to the disruption in capital markets caused by the Covid-19 crisis. The press release informs that securities regulators are focused on the operational and financial resilience of market infrastructures, the operational capability of market users, and the continued flow of information to these markets;
- On 3 April** IOSCO issued a [statement](#) addressed to issuers worldwide, urging to i) take into account, when applying IFRS 9, the implications of the relief programmes adopted by public bodies around the world, ii) be transparent, when disclosing information, about how emerging issues related to the Covid-19 outbreak have been considered in determining their approach in the application of accounting for expected credit losses (ECL);
- On 3 April** OSCO and the Basel Committee on Banking Supervision issued a joint [press release](#) announcing the deferral of final implementation phases of the margin requirements for non-centrally cleared derivatives



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