Relief measures to banks from ECB/EBA/ESMA/BCBS due to COVID-19

April 2020

Overview of key publications and statements

EU wide relief measures

Date	Publication	Institution
12th March	ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus	ECB
12th March	Statement on actions to mitigate the impact of Covid-19 on the EU banking sector	EBA
20th March	ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus	ECB
25th March	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures	EBA, esma
27th March	IFRS 9 and Covid-19 and Deferral of Basel III implementation	IFRS, BIS
31st March	EBA provides additional clarity on measures to mitigate the impact of COVID-19 on the EU banking sector	EBA
31st March	ECB letter on IFRS 9 in the context of the coronavirus (Covid-19) pandemic	ECB
2nd April	EBA publishes Guidelines on treatment of public and private moratoria in light of Covid-19 measures	EBA

ECB relief measures – Capital Measures

As announced 12 March 2020

Banks can fully use capital & liquidity buffers, incl. P2G

The ECB will allow banks to operate temporarily below

- the level of capital defined by the Pillar 2 Guidance (P2G),
- the capital conservation buffer (CCB) and
- the liquidity coverage ratio (LCR).

The ECB considers that these temporary measures will be enhanced by the appropriate relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks can already partially use additional elements to meet P2R

Banks will also be allowed to

- partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R).

This brings forward a measure that was initially scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRD V).

Invidiviual relief measures (OSIs, timelines, remediations)

ECB is discussing with banks individual measures, such as

- adjusting timetables, processes and deadlines.
- consider rescheduling on-site inspections and
- extending deadlines for the implementation of remediation actions stemming from recent on-site inspections and internal model investigations, while ensuring the overall prudential soundness of the supervised banks.

In this context, the ECB Guidance to banks on non-performing loans provides supervisors with sufficient flexibility to adjust to bank-specific circumstances.

Banks are expected to use the positive effects coming from these measures to support the economy and not to increase dividend distributions or variable remuneration.

EBA measures & further supervisory expectations

As announced 12 March 2020

Postponement of EU-wide stress test to 2021

The EBA has decided to

- postpone the EU-wide stress test exercise to 2021

This will allow banks to focus on and ensure continuity of their core operations, including support for their customers.

For 2020, the EBA will carry out an

- additional EU-wide transparency exercise

in order to provide updated information on banks' exposures and asset quality to market participants.

Extension of ongoing consultations by 2 months

The EBA has decided to extend the delay for ongoing consultations

Further Supervisory Expectations

ECB expects that Banks continue to

- apply sound underwriting standards,
- pursue adequate policies regarding the recognition and coverage of non-performing exposures, and
- conduct solid capital and liquidity planning and robust risk management.

Extension of data collection exercise by 2 months

The EBA has decided to extend the delay for data collections on funding plans and QIS exercise (Quantitative Impact Study)

Expectation of preparedness in contingency and continuity

ECB reminds banks

- of the critical need to consider and address the risk of a pandemic in their contingency strategies.
- to review their business continuity plans and
- consider what actions could be taken to enhance preparedness to minimise the potential adverse effects of the spread of the coronavirus.

ECB Banking Supervision will engage with banks to ensure the continuity of their critical functions. The ECB Supervisory Board is monitoring developments; these measures will be revised as necessary.

EBA application of the prudential framework

Default, Forbearance and IFRS 9 (coordinated with ESMA)
25 March 2020

General considerations

- banks operational capacity to perform in-depth impairment assessments is strained
- need to apply short-term flexibility in operational requirements
- the flexibility embedded in the accounting and regulatory frameworks is to be fully used
- public and private moratoria, as a response to COVID-19 epidemic, when not borrower specific do not have to be automatically classified as forbearance measures
- banks still need to assess the credit quality of exposures and identify any situation of unlikeliness to pay

Classification of forbearance

- no automatic reclassification is needed when general measures are being offered as the length of the delays in payments is fixed for every borrower irrespective of the borrowers' specific financial circumstances.

Identification of Default

- EBA already considers that public moratoria may extend the period of 90 days past due for default
- under current circumstances, public and private moratoria should be treated similarly to the extent they have similar purpose and characteristics
- renegotiated loans in order to preserve the financial position of the lender should not be considered as a distressed restructuring if the obligor remains likely to meet its obligations under the renegotiated contract,
- the assessment of unlikeliness to pay should be based on to the modified schedule of payments as per moratoria, and where there are no concerns in that regard the exposure may remain in performing status.
- individual assessments should be done in a careful manner, which does not entail any automatism in the classification.

Considerations on IFRS 9

- application of public or private moratoria, should not be considered by as an automatic trigger to conclude to SICR
- institutions should carefully assess how the high-degree of uncertainty and any sudden changes in the short-term economic outlook are expected to impact over the expected life of the financial instrument.
- institutions should distinguish between obligors for which the credit standing would not be significantly affected by the current situation in the long term, from those that would be unlikely to restore their credit worthiness.
- in determining the impact on banks' income statements stemming from the recognition of the expected credit losses (ECL) the mitigation provided by the existence of collateral or public guarantees would need to be considered
- Competent authorities should consider the exceptional circumstances when authorizing institutions to opt for the IFRS 9 transitional arrangements

ECB relief measures – Loan business & further measures

As announced 20 March 2020

Further flexibility in prudential treatment of loans backed by public support measures

- Supervisors, within their remit and on a temporary basis, will exercise flexibility regarding the **classification** of debtors as **“unlikely to pay”** when banks call on public guarantees granted in the context of coronavirus. The supervisor will also exercise certain flexibilities regarding loans under Covid-19 related public moratoriums.
- Loans which become non-performing and are under **public guarantees** will benefit from preferential prudential treatment in terms of supervisory expectations about loss provisioning.
- Supervisors will deploy full flexibility when discussing with banks the implementation of **NPL reduction strategies**, taking into account the extraordinary nature of current market conditions.

ECB applies individual flexibility on supervisory processes

Postpone, by six months,

- the existing deadline for **remedial actions** of on-site inspections, TRIM investigations and internal model investigations
- the verification of compliance with **qualitative SREP measures**
- the **issuance** of TRIM decisions, On-Site follow up letters and internal model decisions

ECB recommends banks to opt for the IFRS 9 transitional rules if not done this so far

- Please see following page for more details

ECB estimates that the capital relief provided by 12 March 2020 to potentially finance up to € 1.8 trillion to customers in need of extra liquidity

- ECB estimates capital relief provided with regards to Pillar 2 Guidance (P2G) and frontloading of new rules on the Pillar 2 Requirement (P2R) amounts to **€120 billion of CET1 capital**.

ECB will continue to monitor developments in cooperation with other authorities.

- Measures will be reviewed as and when necessary.

In detail: treatment of government guarantees

Application of Articles 47(a-c) CRR

In relation to all exposures benefitting from government guarantees, the ECB will, within its own remit, act as follows

- Exercise flexibility within the ECB Guidance on NPL and the Addendum regarding the classification of obligors as unlikely to pay, when institutions call on the COVID-19 related public guarantees, as allowed under the Guidelines issued by the European Banking Authority.
- **Extend** to such publicly guaranteed loans the **preferential treatment foreseen** in the Guidance for NPLs guaranteed or insured by **Official Export Credit Agencies**.
  - Concretely, this means that banks would face a **0% minimum coverage expectation** for the first seven years of the NPE vintage count.
  - The ECB encourages the European co-legislator to consider adopting a similar interpretation for all exposures that fall within the scope of the CRR minimum requirements regarding loss coverage for NPEs (**Articles 47(a-c) of the CRR**).
- The ECB also extends flexibility to the unlikely-to-pay classification of exposures covered by legally imposed payment moratoriums related to COVID-19 in regard to timing and scope of the assessment, taking into account all available support measures.

In detail: recommendation to opt for IFRS 9 transition

ECB stands ready to timely process all applications based on Article 473(a) CRR

IFRS 9 provisions must be based on macroeconomic forecasts whereas, particularly in these times of pronounced uncertainty, IFRS 9 model outcomes may be excessively variable and procyclical

Accounting standards and their implementation do not fall under the ECB's remit.
However, the ECB

- recommends that institutions under its supervision that have not already done so implement the **transitional IFRS 9 arrangements** foreseen in the CRR (Article 473(a) of the CRR).
- The ECB stands ready to **process in a timely fashion all applications** received in this context

Adopting transitional IFRS 9 implementation measures should allow all banks to **filter out** from their prudential capital a large part of the **additional IFRS 9 volatility** from 2020 until the end of the foreseen transitional period.

See "in a nutshell" on next page for more details

In a nutshell: IFRS 9 transational arrangements

Article 473(a) of the CRR (introduced by EU regulation 2017/2395)

Transitional arrangements – Article 473(a) CRR

- Application of the transitional arrangements is **optional**. Intitially banks had to apply until 1 February 2018 for using the arrangements. However, the initial decision may be reverse once during the transitional period.
- Under the arrangements banks are permitted, over a five-year transitional period starting in 2018, to add back to their Common Equity Tier 1 (**CET1**) capital a portion of the additional loss allowances (**provisions**) which resulted in the **application of ECL accounting**.
- The phase-in factors applied to the provisioning amounts which can be added back will **decrease over time** (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, and 25% in 2022). It should be noted that institutions are permitted to almost fully **neutralise** the impact of transitioning to the new impairment regime during the first transition period. This compromise was reached in the European negotiations on the design of the transitional arrangements as a step towards creating a level playing field for IFRS and US GAAP institutions.
- To prevent institutions from benefiting twice from the provisioning adjustments, these shall be effected in a consistent manner under the regulatory regime, which – besides adjustments to CET1 capital – also necessitates changes to other regulatory items that are impacted directly or indirectly by the “adjusted” provisions. This calls for a number of adjustments, in particular to the **capital deductions** for deferred tax assets, specific exposure values and the provisions included in Tier 2 capital.
- Whether an institution decides to apply the transitional arrangements or not, in the interests of market transparency it must **communicate its decision** in the regulatory **Pillar III report**. Institutions that decide to apply the IFRS 9 transitional arrangements are furthermore required to calculate and disclose all capital ratios and the leverage ratio both **with and without** the application of Article 473a of the CRR.

According to an EBA analysis, at beginning of 2019 about 56% of institutions were using transitional arrangements – with some variations between juristictions

In detail: mitigation of IFRS 9 procyclicality

Recommendations to consider public relief measures in economic outlooks
ECB press release on flexibility, 20 March 2020

IFRS 9 provisions must be based on macroeconomic forecasts whereas, particularly in these times of pronounced uncertainty, IFRS 9 model outcomes may be excessively variable and procyclical

Accounting standards and their implementation do not fall under the ECB's remit.
However, the ECB

- recommends, that, within the framework provided by international accounting standards, institutions give a **greater weight to long-term stable outlook evidenced by past experience** when estimating long-term expected credit losses for the purposes of IFRS 9 provisioning policies. This appears particularly important where banks face uncertainty in generating reasonable and supportable forecasts. In producing such forecasts banks should **take into account the relief measures granted by public authorities** – such as payment moratoriums
- **will provide central macroeconomic scenarios** to support banks in applying IFRS 9 provisioning policies
- The measures proposed above should also help **mitigate procylicality** in banks' published financial statements.

Against that background, ECB published points for consideration by banks when using forecasts to estimate ECL, which are further detailed below

- **Collective Assessment of the ECL**
- **Use of long-term macroeconomic scenarios**
- **Use of macro-economic forecasts for specific years**

IFRS 9 in the context of Covid-19 pandemic

ECB letter to significant institutions - 1 April 2020

Further guidance on the use of forecasts to avoid excessively procyclical assumptions in ECL estimations during the Covid-19 pandemic

IFRS 9 requires institutions to estimate ECL by taking into account “ reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions”.

ECB will provide central macroeconomic scenarios to support banks in applying IFRS 9 purposes

Banks are expected to use their own estimates and assumptions, however

- ECB currently provided by March 2020 projections based on end of February data including Covid-19 impact, partially due to the the timing of lockdowns and other public measures
- ECB recommends to incorporate the impact of further lockdowns and severe social distancing that took place after February, on top of these forecasts
- Next ECB forecast will be provided in June
- ECB will not object to a potential rebound of the economy to LT trend by the end of 2020.

Clarification on IFRS 9 transitional arrangements

ECB recommends banks opt to apply transitional IFRS 9 provisions (article 473(a) CRR II)

- Those that have so far applied only the static component, are highly encouraged to apply the full transitional arrangement.

General Considerations

Given the current context of high uncertainty and very limited availability of reasonable and supportable FLI, ECB recommends consideration of

1. Collective assessment od SICR
2. Use of LT macroeconomic forecasts
3. Use of macroeconomic forecasts for specific years

IFRS 9 in the context of Covid-19 pandemic

ECB letter to significant institutions - 1 April 2020

1. Collective assessment of the SICR

ECL estimates are very sensitive to macroeconomic forecasts. A deterioration in the GDP outlook could lead to manifold increase in PD, which determines the transfers from stage 1 to stage 2.

- Extrapolations of short-term GDP forecasts along the banking books' remaining maturity may have **higher impact** on LLP **than short-term macroeconomic impact itself**
- Extrapolations beyond short-term horizon are also most uncertain; especially in a situation with **short term outlooks are uncertain**

Applying macroeconomic forecasts and other information that are only available at the collective level might indicate that portfolios assessed collectively have suffered a SICR as a whole even if this increase will, most likely, not affect all client equally.

- Consider whether a **top-down approach** to stage transfers can be taken
- Recognise lifetime expected credit losses on a portion of the financial assets for which credit risk is deemed to have increase significantly without the need to identify which individual financial instruments have suffered a SICR

IFRS 9 in the context of Covid-19 pandemic

ECB letter to significant institutions - 1 April 2020

2. Use of long-term macroeconomic forecasts

Banks are encouraged to use their own macroeconomic forecasts & assumptions and reliable external sources. In this context, ECB recommends

- Use available historical information, but only as far as this information is representative for the long-term horizon and free of bias
- Where historical information depends on macroeconomic variables, consider information covering at least one or more full economic cycles or that is otherwise adjusted to avoid biases e.g. a recency bias.

3. Use of macroeconomic forecasts for specific years

ECB staff publishes macroeconomic projections four times a year, which extend at least over 3 year horizon. The latest projections was released in March 2020, which partially incorporate the impact of the lockdowns and other public measures.

ECB recommends to use the March 2020 ECB staff macroeconomic projections for the euro area as anchor points. And exercise an informed judgement

- to update those projections to reflect both the lockdowns and the severe social distancing restrictions imposed on the various economies as well the substantive public support measures announced and implemented as countries.
- about a potential rebound of the economy to the long-term trend - ECB would not object any judgement that this rebound might occur within 2020.

IFRS 9 in the context of the Covid-19 pandemic

Inclusion of forward-looking information

Assignment of scenario-weight according to relevance

According to common practice, a baseline macroeconomic scenario should be established. In doing so, ECB considers banks should:

- consider macroeconomic forecasts for
  - specific years and long-term forecasts
  - factor these two types of forecasts into the baseline scenario with weights based on their respective relevance
- assign more weight to the specific-period macroeconomic forecast for the short-term outlook and systematically reduce that weight as the forecast loses relevance for time horizons in the more distant future;
- use the long-term forecast (e.g. the long-term GDP growth rate) whenever the specific forecast has lost relevance.

Given published ECB macroeconomic projections only cover current and next two calendar years, and ranges of uncertainty expand considerably along these years, ECB is of the opinion that, irrespective of the current crisis, institutions should

- only use the long-term forecasts beyond the horizon of those projections
- assess whether they need to revert to the long-term forecasts even faster.

Given the high levels of uncertainty that characterise the current environment, the ECB **would not object** to a bank's conclusion that **mean reversion can be assumed earlier than under normal conditions**.

IFRS 9 in the context of the Covid-19 pandemic

Use of further scenarios

Weighthings should be based upon sufficiently long-term horizon

Institutions that use other scenarios in addition to the baseline scenario are expected to:

- estimate the **probabilities** of these scenarios and their deviation from the baseline according to the **above principles**;
- ensure that the probabilities assigned to scenarios and the deviations of such scenarios beyond the reliable forecasting horizon reflect **experience collected** over a **sufficiently long-term horizon** and not be based on specific year projections.

Macroeconomic Scenarios

Impacts on euro area economy from an intensification of Covid-19
ECB publication, 1 April 2020

ECB projections in case of an intensification of crisis beyond what is contained in current baseline

Under high uncertainty surrounding the economic impact of the Covid-19, two scenarios have been considered : Mild and Severe scenarios. In both scenarios, the epidemic in China extends into the second quarter of 2020 and is assumed to widen significantly in euro area.

Mild scenario (Baseline for mild and severe)

- Recovery is delayed to second half of the year, which leads to notable global supply chain disruptions
- Lower imports than assumed in ECB's baseline scenario for first quarter of 2020
- Supply chain disruptions lead to an additional supply shock in China which increases CPI headline inflation
- Prolonged effort to contain the virus had adverse effects on confidence, increases uncertainty and results in a hike in the risk premia in China
- Individual assessments should be done in a careful manner, which does not entail any automatism in the classification.
- Weaker global outlook for China and for other global economies implies lower euro area foreign demand (**by 0.3% in 2020)** and lower oil prices (**by 14%**)
- Regarding the euro area shock, ECB considers financial market react negatively to deterioration of situation causing an increase in risk premia (**by 20 bps**) which affects the financing conditions of firms and households
- Shocks have also been applied to reflect the adverse impacts on euro area employment, tourism and travel expenditure, as well as on the consumption of transport and recreational and cultural services

Macroeconomic Scenarios

Impacts on euro area economy from an intensification of Covid-19
ECB publication, 1 April 2020

Additional financial shocks are applied in the severe scenario

ECB underlines in both scenarios monetary & fiscal policy do not react. Including such reactions could significantly mitigate effects in scenarios

Severe Scenario

Additional financial shocks are added together with a further decline in oil price. The shocks are supplemented as follow :

- Additional credit spreads (**by 80 bps in 2020**)
- A **10%** decline in both equity prices and housing wealth
- Additional fall in oil prices (**by 20%**)

Impact on economy under mild scenario

- Compared to March 2020 projections, negative impact on euro area GDP would be between **0.6** and **0.8 percentage points**
- Impact on inflation would be lower by around 0.2 pp, as downside impact stemming primarily from declines in oil prices are partially offset by upward impact from supply-side shocks

Impact on economy under severe scenario

- Compared to March 2020 projections, negative impact on euro area GDP would be between **0.8 and 1.4 pp**
- Impact on inflation would be lower by around **0.4 and 0.8 pp** in same year. Further weakening is mainly driven by strong widening of credit spreads and deterioration in financial wealth. While assumed heightened financial stress has only marginal effects on inflation, its drop largely reflects strong permanent fall in oil price

EBA GL for the treatment of public and private moratoria in light of Covid-19 – 3 April 2020

No deferral and no crisis-related restructuring

- No adjustment of the classification as a **forbearance exposure (deferred exposure)** or as a **crisis-related restructuring (distressed restructuring)** if the payment moratorium meets the conditions set out in the EBA Guideline and applies to all requirements of an institution.
- No reclassification of the loan on the basis of the payment moratorium if it was not already classified as forborne before the moratorium began

Days in arrears are counted on the basis of the new payment plan

- The start of the counting of days in arrears with regard to the default definition and the application of the NPE Backstop is **based on the adjusted payment schedule, taking into account the moratorium** (provided that the conditions set out in the EBA Guideline are met.

No changes in the valuation procedures of debtors

- The assessment of possible insolvency of debtors subject to the moratorium will be carried out in accordance with existing guidelines and practices that are usually used for such assessments.
- All forms of credit risk mitigation, such as guarantees granted to institutions by third parties, do not exempt institutions from an assessment of possible insolvency and are not intended to influence the results of such assessments.

Additional documentation and notifications required

- Notification of the national supervisory authority in the event of the application of a general moratorium not provided for by law.
- There is a need to collect and maintain detailed information on the moratoria applied.

EBA further detailed guidance to ensure consistent application private and public moratoria – 3 April 2020

The payment moratoria do not trigger forbearance classification and the assessment of distressed restructuring (i.e. the consideration of diminished financial obligation is not applicable) if they are based on the applicable national law or on an industry- or sector-wide private initiative agreed and applied broadly by relevant credit institutions.

Guidelines aim to provide clarity on the treatment of legislative and non-legislative moratoria applied before 30 June 2020[1].

- The criteria that payment moratoria have to fulfil not to trigger forbearance classification,
- The application of the prudential requirements in the context of these moratoria,
- Ensuring the consistent treatment of such measures in the calculation of own funds requirements.

Conditions for the general payment moratoria:

- The moratorium was launched in response to the Covid-19 pandemic
- The moratorium has to be broadly applied (an initiative of a single institution is not considered sufficiently broad)
- The moratorium has to apply to a broad range of obligors (available to a large predefined group of obligors, regardless of the assessment of their creditworthiness)
- The same moratorium offers the same conditions.
- The moratorium changes only the schedule of payments.
- Being supplemented by public guarantee is not considered as change in other conditions.
- The moratorium does not apply to new loans granted after the launch of the moratorium and before June 30, 2020.

Institutions must continue to adequately identify (case-by-case assessment) those situations where obligors may face longer-term financial difficulties and classify them in accordance with the existing regulation.

Institutions are expected to make use of the general payment moratoria in a transparent manner, providing relevant information to their competent authorities, while specific disclosure requirements to the public will be published at a later point in time.

[1] EBA may extend this time limit at a later stage, if necessary.

SRB

Published on March 25th 2020

Flexibility where necessary but limited to less essential data requests

- The SRB and NRAs will apply 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
- The **Liability Data Report, the Additional Liability Report and the MREL quarterly template** are considered to be essential, and no extension of the deadline will be considered.
- The SRB will assess possible leeway in submission dates for other reports, such as those related to Critical Functions and Access to FMIs

Requests for extensions of deadlines by banks to be assessed on a case by case basis by JSTs

- The IRTs will assess difficulties in **achieving work programme updates and in submitting other deliverables on an individual basis**.
- Banks are expected to substantiate their requests and identify mitigating actions in order to continue progress towards resolvability.

Monitoring the evolution of market conditions and impact on MREL instruments

- The SRB will monitor the evolution of market conditions to assess how it impacts the capacity of institutions to build up their MREL targets
- The SRB is ready to adapt transition periods and interim targets applied to banking groups, and adjust MREL targets in line with capital requirements, ao. to capital buffers.

BCBS - Measures to support the impact of Covid-19

Q&A published on 3rd of April

Treatment of extraordinary support measures

- Risk-weight applicable to loans benefiting from government guarantees should be sovereign risk-weight as per CR22 and CR32
- Payment moratorium periods (public or granted by banks on a voluntary basis) relating to the Covid-19 outbreak can be excluded by banks from the counting of days past due.
- The "*unlikely to pay*" assessment should be based on whether the borrower is unlikely be able to repay the rescheduled payment, and not the initial terms
- The application of a payment moratorium or other relief measures such as public guarantees, should not automatically lead to the loan being categorised as forborne.

ECL accounting under IFRS9

- Relief measures to respond to the adverse economic impact of Covid-19 should not automatically result in exposures moving from a 12-month ECL to a lifetime ECL measurement.
- The ECL estimates should reflect the mitigating effect of the significant economic support and payment relief measures put in place by public authorities and the banking sector
- Banks should use the flexibility inherent in IFRS 9, for example to give due weight to long-term economic trends

Transitional arrangements for ECL accounting

- Jurisdictions may apply the existing transitional arrangements, even if they were not initially implemented by banks
- Jurisdictions may permit banks to switch from the static approach to the dynamic approach to determine the transitional adjustment amount
- Jurisdictions may also use alternative methodologies to approximate the cumulative difference between provisions under the ECL accounting model and provisions under the prior incurred loss accounting model
- Irrespective of when a jurisdiction initially started to apply transitional arrangements, they may allow banks to add-back up to 100% of the transitional adjustment amount to CET1. The "add-back" amount must then be phased-out on a straight line basis over the subsequent 3 years.

Bank of England and Prudential Regulation Authority Measures

Announced on 20 March 2020

Cancellation of the Bank's 2020 annual stress test

- Cancel the 2020 stress test for the eight major UK banks and building societies

- educe the UK countercyclical buffer (CCyB) rate to 0% of banks' exposures to UK borrowers with immediate effect. The Financial Policy Committee (FPC) and the Prudential Regulation Committee (PRC) expect that all elements of banks' capital and liquidity buffers can be drawn down as necessary to support the economy through this temporary shock.

Bank statements on IFRS 9 and COVID-19

- The PRA reminds firms that forward-looking information used to incorporate the impact of Covid-19 on borrowers into the expected credit loss (ECL) estimate needs to be both reasonable and supportable for the purposes of IFRS9.
- In the event firms believe such forecasts can be made, the PRA expects firms to reflect the temporary nature of the shock, and fully take into account the significant economic support measures already announced by global fiscal and monetary authorities.

Thank you.

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