

## COVID-19 Regulatory Actions and Developments

### Other Regulatory

**Date:** August 26, 2020

**NEW! *PRA Clarifies COVID-19 IFRS 9 and Capital Requirements, as Deferrals End***

The FCA published draft updated guidance for firms in relation to mortgage payment deferrals. Upon the end of the existing Covid-19 specific deferrals, if borrowers cannot resume payments in full immediately, tailored forbearance arrangements provided in accordance with the draft updated guidance should be considered. Tailored forbearance arrangements within the UK are likely to be as good an indicator of significant increase in credit risk, credit impairments or defaults as forbearance was prior to the pandemic.

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**Date:** August 14, 2020

***EBA Updates its Work Programme for 2020***

The EBA has published its updated annual work programme for 2020 to reflect changes made in response to the COVID-19 pandemic.

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**Date:** August 11, 2020

***EBA Publishes Guidance on CRR Adjustments***

The EBA published a revised version of its Implementing Technical Standards on supervisory reporting under its “quick fix” amendments to the Capital Requirements Regulation (“CRR”), together with further guidelines on the disclosure and supervisory reporting requirements. The documents provide clarity for market participants applying certain adjustments under the CRR amendments introduced as a result of the COVID-19 pandemic.

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**Date:** August 7, 2020

***EBA Publishes FAQs on its Reporting and Disclosure Guidelines***

On June 2, 2020, the EBA introduced guidelines on the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 pandemic. The EBA has now provided a set of FAQs in section 4 of its “Report on the Implementation of Selected COVID-19 Policies” to assist supervisors and credit institutions when implementing the guidelines.

[External Link](#)

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**Date:** July 28, 2020

***PRA Statement on Dividend Payments and Share Buybacks Beyond 2020***

The PRA confirms that it will undertake an assessment by the end of this year of firms’ post-2020 distribution plans in respect of dividend payments and share buybacks.

[External Link](#)

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**Date:** July 28, 2020

***PRA Statement on EBA Guidelines on Reporting and Disclosure***

The PRA has published guidance for firms subject to its supervision regarding the EBA Guidelines on COVID-19 disclosures, including certain disclosure templates.

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**Date:** July 9, 2020

***EBA Statement on Resolution Planning***

The EBA published a statement designed to re-affirm the importance of resolution planning in times of uncertainty. The focus of the statement is on ensuring that the current COVID-19 pandemic situation is effectively taken into account by resolution authorities.

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**Date:** July 7, 2020

***EBA Report on the Implementation of the Prudential Framework***

The EBA published a report to clarify the application of the prudential framework that was introduced as a result of the COVID-19 pandemic. The report focusses on guidelines on moratoria and operational risk.

[External Link](#)

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**Date:** June 30, 2020

***PRA Statement on Regulatory Reporting and Disclosure Amendments***

The PRA stated that any of its previously announced delays to submitting certain regulatory returns shall no longer apply, and firms should therefore submit future regulatory reporting requirements on time.

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**Date:** June 24, 2020

***PRA Statement on the Implementation of the EBA Data Reporting and Public Information Guidelines (“Guidelines”)***

Following the EBA’s Guidelines published on June 2, 2020, the PRA now confirms that the supervisory reporting elements of the Guidelines do not extend to UK credit institutions. However, the PRA is still considering how to apply the disclosure elements of the Guidelines and will provide further details on this topic in due course.

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**Date:** June 2, 2020

***PRA Statement on Electronic Signatures***

The PRA published a statement confirming that firms may use electronic signatures in relation to the submission of forms and other regulatory documents delivered to the PRA.

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**Date:** June 2, 2020

***EBA Guidelines to Address Gaps in Reporting Data and Public Information***

The EBA published guidance setting out new reporting and disclosure requirements for institutions in respect of their exposures subject to COVID-19 related mitigating measures. These guidelines aim to assist market participants with their understanding of institutions’ risk profiles and the asset quality on their balance sheets.

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**Date:** May 29, 2020

***PRA Q&A on Property Valuations under the Capital Requirements Regulation (“CRR”)***

In light of the COVID-19 pandemic, the PRA answered questions from firms in relation to the requirements under the CRR for commercial and residential property valuations. In particular, the PRA addresses questions around physical inspections, obtaining reliable property valuations and determining appropriate approaches to suspended or unreliable house price indices.

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**Date:** May 26, 2020

***ECB Publishes 2020 Bi-Annual Financial Stability Review***

In the report, the ECB provides an overview of the potential risks to financial stability in the EU. The report notes that EU banks are well capitalised, but are nonetheless likely to face significant losses and further pressure to profitability as a result of the COVID-19 pandemic.

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**Date:** May 25, 2020

***EBA Publishes Preliminary Assessment of the Impact of the COVID-19 Pandemic on the EU Banking Sector***

The EBA notes that banks entered the COVID-19 pandemic with strong capital and liquidity buffers, and managed the pressure on operational capacities when using their contingency plans. Despite the negative impact that the COVID-19 pandemic will likely have on asset quality, banks should be in a position to withstand any potential forthcoming credit losses.

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**Date:** May 22, 2020

***BoE Publishes Update on the Contingent Term Repo Facility (“CTRF”)***

The BoE confirmed that it will discontinue three-month CTRF operations at the end of May 2020, but will continue to offer one-month term CTRF operations on a weekly basis until the end of June 2020.

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**Date:** May 22, 2020

***PRA Statement on Regulatory Capital and IFRS Requirements***

The PRA published a statement that provides further information on the application of regulatory capital and International Financial Reporting Standard 9 requirements to payment holidays granted or extended to address the challenges of the COVID-19 pandemic.

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**Date:** May 19, 2020

***ECB Publishes Results of Survey on Credit Terms and Conditions in Securities Financing and OTC Derivative Markets***

From the results of the survey, the ECB noted that credit terms and conditions remained broadly unchanged but are expected to tighten significantly in the next reference period due to the ongoing COVID-19 pandemic. The ECB also explained that financing collateralised by euro-denominated securities has continued to decline, whilst valuation disputes have significantly increased.

Press Release available here: [External Link](#)

Report available here: [External Link](#)

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**Date:** May 7, 2020

***PRA Statement on the Prioritisation of Critical Functions***

The PRA sets out a number of measures to help firms maintain their safety and soundness, and deliver the critical functions that they provide to the economy. The statement covers, among other things, advice around climate change, the LIBOR transition and guidance on the calculation of the 12-month period used for stressed VAR.

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**Date:** May 7, 2020

***PRA Statement on Pillar 2A Capital Requirements***

In response to the COVID-19 pandemic, the PRA announced that it is setting all Pillar 2A requirements as a nominal amount, instead of a percentage of total risk weighted assets.

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**Date:** May 7, 2020

***Bank of England and PRA Statement on Resolution Measures***

The Bank of England and PRA published a joint statement announcing changes to resolution measures aimed at alleviating operational burdens on PRA-regulated firms. The announcement includes an update on the minimum requirement for own funds and eligible liabilities.

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**Date:** May 7, 2020

***BoE Publishes its Interim Financial Stability Report and Quarterly Monetary Policy Report***

The BoE published an interim financial stability report setting out its view of the performance of the UK's financial system during the COVID-19 pandemic and the outlook for the UK's financial stability, including its assessment of the resilience of the UK financial system. The BoE has also published its quarterly monetary policy report that sets out its response to the COVID-19 pandemic in relation to the BoE's interest rate and the UK's level of inflation. In the financial stability report, the BoE has advised that while there may be a need for short-term reprioritisation, market participants should remain focused on the continued importance of removing reliance on Libor by the end of 2021.

The financial stability report is available here: [External Link](#)

The monetary policy report is available here: [External Link](#)

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**Date:** May 4, 2020

***EBA Press Release on an Additional EU-Wide Transparency Measure***

The EBA launched an additional EU-wide transparency measure that will, by the beginning of June, provide market participants with updated information on the financial condition of EU banks. The information will be taken from data provided by banks to the EBA in December 2019, and will cover banks' capital positions, financial assets, financial liabilities, risk exposure amounts, sovereign exposures and asset quality.

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**Date:** May 4, 2020

***PRA Statement on the Bounce Back Loan Scheme***

The PRA published a statement that sets out its observations on credit risk mitigation eligibility and the leverage ratio treatment of loans under the UK Government's Bounce Back Loan Scheme ("BBLS"). For example, the PRA has confirmed that the BBLS guarantee provided by the Secretary of State can be recognised as unfunded credit risk protection.

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**Date:** April 30, 2020

***ECB Press Release on Amending Interest Rates***

The ECB has announced a number of measures to recalibrate targeted lending operations to further support the EU economy. Key changes include a reduction in the interest rate on all targeted longer-term refinancing operations by 25 basis points to -0.5% from June 2020 to June 2021, and for banks meeting the lending threshold of 0% introduced on March 12, 2020, the interest rate can be as low as -1%.

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**Date:** April 30, 2020

***ECB Announcement Regarding New Longer-Term Refinancing Operations***

The ECB has introduced seven additional longer-term refinancing operations to ensure liquidity support for the EU financial system. These measures are intended to contribute to preserving the smooth functioning of European money markets by providing an effective backstop after the expiry of the longer-term bridge refinancing operations that have been conducted since March 2020.

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**Date:** April 28, 2020

***EC Adopts a New Set of Measures in Response to the COVID-19 Pandemic.***

The European Commission ("EC") introduced a new set of measures to facilitate bank lending to support the EU economy and help mitigate the impact of the COVID-19 pandemic. The approach generally relaxes the EU's accounting and prudential rules; for example, European banks will benefit from a temporary measure that amends their obligations under the EU's Capital Requirements Regulation when calculating capital ratios and loan-loss provisions.

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**Date:** April 27, 2020

***FCA and PRA Statements on HM Treasury's Amendments to the UK's CBILS, CLBILS and BBL Schemes***

HM Treasury has amended the coronavirus business interruption loan scheme ("CBILS") and the new bounce back loan ("BBL") scheme to support small businesses. In response, the FCA notes that certain FCA Handbook creditworthiness rules and customer due diligence procedures for lenders may be relaxed in some limited instances in connection with the CBILS. The PRA's statement considers whether guarantees provided by the Secretary of State for Business, Energy and Industrial Strategy under the amended CBILS and the coronavirus large business interruption loan scheme ("CLBILS") are eligible for recognition as unfunded credit risk mitigation under the Capital Requirement Regulation.

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**Date:** April 22, 2020

***ECB Announces Measures to Mitigate the Impact of Possible Rating Downgrades on Collateral Availability***

In light of the COVID-19 pandemic, the ECB adopted a number of temporary measures to mitigate the effect on the availability of collateral due to possible rating downgrades. The measures aim to ensure that banks have sufficient assets available to participate in liquidity-providing operations in the EU and to continue the provision of funding to the Eurozone economy.

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**Date:** April 22, 2020

***EBA Provides Further Guidance on Flexibility in Relation to Market Risk***

To mitigate the impact of the COVID-19 pandemic on market risk prudential requirements, the EBA proposed amending its standards on prudent valuation by introducing the use of a 66% aggregation factor to be applied until December 31, 2020 and to delay reporting of the first FRTB-SA figures to September, 2021. The EBA also published a statement on additional supervisory measures and the application of the prudential framework on targeted aspects in the area of market risk.

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**Date:** April 22, 2020

***BoE Statement on Increase to APF Gilt Lending Limits***

The BoE announced that it has increased the proportion of gilts held in the asset purchase facility ("APF") that are made available to the UK Debt Management Office (the "DMO") to use in its market operations and for the DMO's standing and special repo facilities. The BoE will more than double the total percentage of the APF's gilt holdings available each day, which will facilitate an additional £30 billion of lending to the market by the DMO.

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**Date:** April 20, 2020

***PRA Q&A on the Usability of Liquidity and Capital Buffers***

In light of the COVID-19 pandemic, the BoE's PRA published a Q&A on liquidity and capital buffers for all firms to which the Capital Requirements Directive IV applies. This includes the PRA's views on the usability of liquidity and capital buffers, how these buffers will support the economy and the expected period required to restore the buffers.

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**Date:** April 9, 2020

***PRA Decision on Systemic Risk Buffer Rates***

In light of the COVID-19 pandemic, the PRA, with the support of the Financial Policy Committee, issued a decision to maintain the systemic risk buffer rates for ring-fenced banks and large building societies at the rate set in December 2019. The PRA will next reassess these rates in December 2021.

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**Date:** April 6, 2020

***KOSPI 200 Index Transitions to Narrow-Based Security Index***

Korea Exchange ("KRX") noted that the KOSPI 200 index was deemed a narrow-based security index under the U.S. Commodity Exchange Act and U.S. Securities Act since April 1, 2020, and as such, futures on the KOSPI 200 index are now available for trading by certain U.S. persons only in accordance with applicable SEC and CFTC staff guidance. In addition, KOSPI 200 index futures are no longer available for trading via Globex pursuant to a 2014 KRX – CME Group Strategic Partnership.

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**Date:** April 3, 2020

***FinCEN Issues Special Notice***

The Financial Crimes Enforcement Network has issued a notice to assist financial institutions in complying with anti-money laundering and related obligations during the COVID-19 pandemic. The notice also includes a direct contact mechanism for urgent COVID-19-related issues.

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**Date:** April 3, 2020

***Basel Committee and IOSCO announce deferral of final implementation phases of the margin requirements for non-centrally cleared derivatives***

On April 3, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions announced a delay in the global implementation of mandatory initial margin for uncleared swaps. The initial margin compliance dates for Phase 5 and Phase 6 will now be, respectively, September 1, 2021, and September 1, 2022. The CFTC and US prudential regulators will have to amend their respective margin rules to make this change official for US swap dealers

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**Date:** April 3, 2020

***ECB Updated its FAQ on Certain Supervisory Measures***

The European Central Bank ("ECB") published FAQs on supervisory measures in reaction to the COVID-19 pandemic, including: relief measures regarding asset quality deterioration and non-performing loans; relief measures regarding the operational aspects of supervision; and relief measures regarding capital and liquidity requirements.

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**Date:** April 3, 2020

***Joint PRA and HMT statement on the delay to implementation of the Basel 3.1 standards***

The PRA and the HM Treasury (UK) published a statement welcoming the one-year delay to the implementation of Basel 3.1 standards, which was announced by the Group of Central Bank Governors and Heads of Supervision in order to provide operational capacity to banks and supervisors to meet the financial stability challenges of the COVID-19 pandemic.

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**Date:** March 31, 2020

***EBA Clarifies Measures to Mitigate the Impact of the COVID-19 Pandemic on the EU Banking Sector***

The European Banking Authority ("EBA") clarified its expectations in relation to dividend and remuneration policies, provided additional guidance on how to use flexibility in supervisory reporting and recalled the necessary measures to prevent money laundering and terrorist financing ("ML/TF"). The EBA also advised institutions to refrain from distributing dividends or making share buybacks and separately requested that national competent authorities of the various EU Member States offer flexibility on reporting and Pillar 3 disclosure dates. Finally, the EBA called on regulators to support financial institutions' ongoing ML/TF prevention efforts by sharing information on emerging risks, setting clear regulatory expectations and using supervisory tools flexibly.

Supervisory reporting and Pillar 3 disclosure statement [available here](#)

Dividend distribution, share buybacks and variable remuneration statement [available here](#)

Financial crime risk statement [available here](#)

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**Date:** March 26, 2020

***Letter from PRA to UK Bank Chief Executives on IFRS 9, capital requirements and loan covenants***

The PRA wrote to the chief executives of UK banks on the regulatory and supervisory measures that it is taking to alleviate the financial stability impact of the COVID-19 pandemic and to maintain the safety and soundness of authorised firms. The PRA's letter also includes guidance in respect of consistent and robust IFRS 9 accounting and the regulatory definition of default; the treatment of borrowers who breach covenants due to COVID-19; and the regulatory capital treatment of IFRS 9.

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**Date:** March 25, 2020

***EBA Provides Clarity to Banks and Consumers on the Application of the EU Prudential Framework***

The EBA published a statement to explain a number of additional interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and the accounting treatment of the credit risk of exposures under IFRS 9.

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**Date:** March 20, 2020

***ECB Coordinated Central Bank Action to Further Enhance the Provision of US Dollar Liquidity***

The ECB, the Bank of Canada, the Bank of England, the Bank of Japan, the Federal Reserve and the Swiss National Bank announced coordinated measures to enhance the provision of liquidity via the standing US dollar liquidity swap line arrangements by offering seven-day US dollar operations on a daily basis until at least the end of April and continuing to offer weekly operations with 84-day maturity. The daily operations began on March 23, 2020 and will remain in place for as long as appropriate to support the smooth functioning of US dollar funding markets.

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**Date:** March 20, 2020

***ECB and Danmarks Nationalbank reactivate swap line to provide euro liquidity***

The ECB reactivated its swap line with the Danish central bank (Danmarks Nationalbank) from March 20, 2020 and increased the size of the swap line from €12 billion to €24 billion, which will remain in place for as long as necessary.

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**Date:** March 20, 2020

***BoE Announces Supervisory and Prudential Policy Measures to Address the Challenges of COVID-19***

The Bank of England ("BoE") and PRA announced a number of measures to alleviate operational burdens on PRA-regulated firms and BoE-regulated financial market infrastructures ("FMIs") due to the COVID-19 pandemic, which include cancelling its 2020 annual stress test for eight major UK banks and buildings societies and postponing, where appropriate, non-critical data requests, on-site visits and deadlines for PRA-regulated firms and BoE-regulated FMIs.

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**Date:** March 19, 2020

***ECB response to the COVID-19 Pandemic***

In a statement, the President of the ECB, Christine Lagarde, summarized the recent measures taken by the ECB to mitigate the economic fallout of the COVID-19 pandemic, including in particular the ECB's new Pandemic Emergency Purchase Programme.

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**Date:** March 18, 2020

***ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP)***

The ECB launched its new PEPP, a temporary asset purchase programme of private and public sector securities, to counter the serious risks to the monetary policy of, and overall outlook for, the Eurozone posed by the COVID-19 pandemic.

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**Date:** March 12, 2020

***EBA Statement on Actions to Mitigate the Impact of COVID-19 on the EU Banking Sector***

The EBA published a statement on the postponement of the EU-wide stress test exercise until 2021 to allow banks to prioritize operational continuity. 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. In the meantime, national competent authorities of the various EU Member States can give banks some leeway in the remittance dates for some ancillary areas of supervisory reporting.

[External Link](#)

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**Date:** March 12, 2020

***ECB announces easing of conditions for targeted longer-term refinancing operations (TLTRO III)***

The ECB introduced a number of measures to support bank lending to small- and medium-sized enterprises most affected by the virus. These measures include lowering the interest rate on TLTRO III by 25 basis points, raising the borrowing allowance from 30% to 50% of eligible loans and reducing the lending performance threshold on TLTRO III to 0% from 2.5%.

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**Date:** March 12, 2020

***ECB Measures to Support Bank Liquidity Conditions and Money Market Activity***

The ECB announced a series of additional longer-term refinancing operations to safeguard liquidity to support banks and to safeguard money market conditions.

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**Date:** March 12, 2020

***ECB Banking Supervision Provides Temporary Capital and Operational Relief in Reaction to the COVID-19 Pandemic***

Principally, the ECB's relief permits banks to fully use capital and liquidity buffers, including operating temporarily below the level of capital required under Pillar 2 Guidance, the capital conservation buffer and the liquidity coverage ratio. Banks will also be permitted, temporarily, to partially use certain otherwise non-qualifying capital instruments to meet their Pillar 2 capital requirements. Finally, the ECB intends to adopt certain operational flexibility in implanting bank-specific supervisory measures.

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