Institutions

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Basel Committee's response to the Covid-19 crisis

The outbreak of the ongoing Covid-19 pandemic has tragically familiarized us with enormous costs in lives since the beginning of 2020. At the time of writing this article, Europe sees the third wave of infections. Recent research forecasts that the lockdowns in many European countries and containment measures could be fuelling an economic depression that might impact the real and the financial sectors (Angelini et al., 2020; Atkenson, 2020; Bodenstein et al., 2020). Consequently, the authorities have developed responses to support economic activity, preserve financial stability, and ensure transparency (Borio and Restoy, 2020).[13]

The Basel Committee regularly revises the implications of the Basel III standards for banks. Although the last published results do not reflect the impact of the Covid-19 pandemic on banks, recent estimates predict that banks have made positive progress in meeting capital and liquidity requirements in the last five years. Indeed, the volume of **CET1 capital** held by the largest banks doubled since 2011, whereas pool high liquid assets and inflows increased to near 12% since 2012 (EBA, 2020c). Consequently, banks entered the Covid-19 crisis in a relatively good position compared to the 2008 Great Financial crisis (BIS, 2020c, Enria, 2021). Notably, the Committee is evaluating the Basel III reforms that have been implemented to date. In September 2020,

13. Appendix A summarizes the government measures aimed at supporting the real sector in the foremost European economies, whereas Appendix B focusses on bank-specific measures.

the Committee approved an updated work plan to evaluate the post-crisis reforms, incorporating lessons learned from the Covid-19 crisis. This analysis is to evaluate: (i) the effectiveness of the post-crisis reforms; (ii) the interactions between Basel III and other reforms; and (iii) the existence of gaps in the regulatory framework.

Notably, the outbreak of the Covid-19 crisis induced capital and liquidity measures to support banks' lending and liquidity to the real sector. Most of these focus on the flexibility embedded in the Basel Framework while other measures remain temporary in nature. The revised Basel III standards were to take effect on the 1st January 2022.[14] Nevertheless, in March 2020, the Group of Governors and Heads of Supervision (GHOS) launched a swathe of actions to provide additional capacity for banks and supervisors to respond to the immediate financial stability concerns. These actions comprise: (i) the deferral of the **Basel III standards** to 1st January 2023 so as not to disrupt the business cycle even more. The accompanying transition agreements for the output floor have been postponed to 1st January 2028; (ii) The revised **market risk framework** to the 1st January 2023; and (iii) The **revised Pillar 3** disclosure to 1st January 2023 (Svoronos and Vrbaski, 2020). However, the deadline might be extended until 2028 since, nowadays, there is not a common legislative proposal from the European Commission, and the legislatives processes might take on between two and a half and four and a half years. In this regard, Enria (2021) advocates that further delays might stoke uncertainty and postpone necessary adjustments in the banking sector.

Importantly, unlike previous reforms, the current package is not aimed at fitting all the banks equally. The impact of reform would depend on banks' business models, size and reliance on their internal models. As a structural reform, delaying or watering down Basel III standards in Europe might create asymmetries among banks and put at risk reliance on internal models (Enria 2021). In particular, European regulators should avoid unclear criteria for

14. The regulatory instrument best suited to supporting the supply of credit during a downturn is the Basel III countercyclical capital buffer, which was designed to induce banks to accumulate capital during growth times so that they can draw it out in crisis times. The countercyclical capital buffer is calibrated as a function of risk-weighted assets, within a range of 0-0.25% according to the economy's phase within the financial cycle and helps to mitigate procyclicality of banks' behaviour (Restoy, 2020). Furthermore, Basel III introduced the capital conservation buffer, which is intended to be drawn in bad times to allow banks to maintain their intermediation function.

capital standards or double-accounting of model risk at the bank level because it might introduce confusion and uncertainty for market participants.

Importantly, many jurisdictions announced that banks' **liquidity coverage ratio** (LCR) may fall below 100% and that banks may take additional time to restore their LCR. This measure is oriented to provide banks flexibility to meet their liquidity needs and support their business activities. Additionally, the publication of Pillar 3 reports was deferred to extend deadlines provided to banks to file their financial statements (BIS, 2020a,b; FSB, 2020).

Enhancing the flexibility of the IFRS-9 accounting standards

Accounting standards are aimed at providing for an accurate representation of the banks' accounting situation. Simultaneously, prudential regulation is devoted to ensuring financial stability. Both objectives might not be consistently achievable. Indeed, accounting standards relying heavily on market valuations might induce excessive procyclicality in the financial system (Borio, 2019; FSF, 2009) and reinforce liquidity-price spirals (Borio, 2020a,b). In this context, the Covid-19 outbreak intensified the debate about the repercussions of prudential regulation indicators, which rely on accounting valuations and may encourage banks to behave procyclically. However, prudential authorities can partly offset procyclicality through backstops or filters (Borio, 2019; Restoy and Zamil, 2017). Arguably, backstops might be able to transparently reconcile prudential regulation and accounting (Restoy, 2010).

The two principal accounting codes, the International **Financial Reporting Standards (IFRS 9)** and the **US Generally Accounting Principles (US GAAP)**, have recently adopted a more forward-looking approach focused on expected losses due to loan loss provisioning. Both codes entered into force in January 2018 and December 2019, respectively. However, these new schemes cannot perform their functions in *unexpected* shocks such as the Covid-19 pandemic since, by definition, provisions are *expected* losses. The regulatory authorities responded by including at least one of the following initiatives. First, banks will be allowed to suspend the application of the new standards momentarily. Second, improving the current arrangements to sterilize the impact on regulatory capital and, lastly, issuing practical implementation guidance to avoid excessively rigid interpretations could foster provisions (Borio and Restoy, 2020).

The Basel Committee highlights the importance of the **expected credit loss (ECL) accounting frameworks** as a forward-looking measure of credit losses. Furthermore, the Committee has consulted international accounting and auditing standard-setting boards, audit firms, and market regulators regarding the impact of Covid-19 on such frameworks. The Committee concluded that ECL frameworks are not designed to be applied mechanistically. Banks are expected to use the flexibility inherent to accounting frameworks to mitigate the impact of the Covid-19 crisis (BIS, 2020a). In the European context, banks will have to use their judgment when determining if ECLs are required. In this regard, banks are not expected to apply the ECLs approach automatically in an exceptional situation such as the Covid-19 crisis (EC, 2020a).

Public Guaranteed Schemes

Public guaranteed schemes (PGS hereafter) transfer, totally or partially, the risk of default from the lender to the State. They are commonly implemented in countries where market failures prevent firms from accessing bank credit. This measure has been essential to small and medium enterprises (SMEs) since the Covid-19 outbreak until the time being.[15] In jurisdictions where PGSs were in place before the Covid-19 crisis, countries had to make legal changes to adapt these schemes to the specific needs related to the pandemic, e.g., Spain. However, most jurisdictions decreed primary laws so as to amend the current PGS framework or to create new schemes, and to authorise fiscal backstops for the scheme. Countries with secondary legislation (e.g., the Netherlands) authorized a fiscal backstop in primary legislation. Significantly, these legal avenues depend on the country's characteristics, and legal frameworks should be aligned with public financial management (Emre et al., 2020).

15. Approximately 40 countries launched this programme which was aimed at providing liquidity to SMEs. The total volume of lending under PGS varies across countries (see the Numbers section).

Outstandingly, moratoria and PGS share two common points. First, they are decided by governments or lawmakers, not by regulatory authorities. Second, both are complementary tools but can have very different effects in terms of **borrowers' incentives**. Although the moratoria are intended to support borrowers' short-term repayments, they can undermine credit discipline. Therefore, PGS is meant to ease capital pressures by reducing risk-weighted assets. They should also protect banks against credit risk and incentivize further lending or loan restructuring. In other words, government guarantees can be a valuable tool in the face of a sizeable exogenous shock but might also give rise to **moral hazard**. They might impact recovery if scarce resources end up in firms that might not be ultimately viable or do not need support. Shielding banks from bearing the risk of their lending could lead to granting credit to over-indebted borrowers (Borio and Restoy, 2020).

Restrictions on dividend payments and share buybacks

The restrictions on dividend payments in Europe were imposed by Recommendation ECB/2020/19 of 27 March 2020, which recommended that significant credit institutions avoid distributing dividends or share repurchases to remunerate shareholders during the Covid-19 economic crisis. Subsequently, Recommendation 2020/7 of 27 May 2020 of the European Systemic Risk Board (ESRB) extended such restriction on dividend payments to the whole financial system. Recommendation ECB/2020/19 was subsequently repealed and extended to 1 January 2021 by Recommendation ECB/2020/35 of 27 July 2020. Then, on 15 December 2020, due to persisting uncertainty regarding the evolution of the pandemic, the ECB considered banks needed to extend restrictions on dividend payments or repurchasing shares, at least for amounts up to 15% of their accumulated profits in 2019 and 2020, or more than 20 basis points of their Common Equity Tier 1 ratio. Reflecting this, Recommendation ECB/2020/62 repealed the previous Recommendation and extended the restrictions on dividend payments to 30 September 2021 (Martinez-Miera and Vegas, 2021).

Restrictions on dividend distributions preserve capital that can be used to absorb losses and support lending, but it might impair investors' confidence, increasing banks' cost of capital and making equity access more costly (Kongsamut et al., 2021). Preserving capital across the whole banking sector is aligned with previous measures undertaken to stabilize the economy. Furthermore, bank supervisors have fully exercised flexibility by encouraging banks to restructure loan repayments, easing regulatory regimes, and allowing banks to draw down their buffers (Awad et al., 2021). Importantly, any **bailout** after being allowed to pay dividends would be controversial, although they might be necessary in specific cases.

Contingency plans and bank resolution in the context of the Covid-19 crisis

As the pandemic's impact across social and industry sectors has been intense, one should expect that some loans might not be repaid and NPLs increase in the most impacted cohorts, even in a recovery scenario. Consequently, banks exposed to weak borrowers might cast some doubts about their viability even under the most optimistic scenarios. If problems in the financial sector persist, creditors and investors may no longer distinguish between viable and unviable financial institutions, thus undermining confidence in the whole sector and triggering liquidity problems.

Past crises teach us that financial systems might be more resilient with a well-developed safety net and good planning. Regulatory authorities should be aware that actions oriented to strengthen **safety nets** -e.g., central banks, financial supervisory and regulatory agencies, resolution authority, deposit insurers, and Ministry of Finance- must have clear mandates and enough operational independence to be able to operate and execute their task under pressure.

Notably, **bank resolution** might be assumed undesirable and unpracticable during a health crisis. Indeed, regulatory authorities are encouraged to enhance their resolution plans for contingencies, which should be aimed at responding to potential systemic crises and in anticipation of a return to normalcy. Given the unprecedented nature of the Covid-19 outbreak, accelerating too rapid recognition of banks' losses might constrain their ability to absorb the shock. As in the previous crisis, assessing the viability of individual banks is a crucial task, but it can only be credible when the lasting and the scope of the pandemic were clarified. Bank resolution and restructuring options can be identified once the size and distribution of losses have been quantified. Furthermore, capital needs might differ significantly across banks depending on business models and risk appetites and incentives to hide problems and losses, which might deleteriously reduce profitability and capital.

Legislative proposals in Europe: the moratoria and the classification of NPLs

European Banking Association (EBA) Guidelines on legislative and non-legislative loan repayment **moratoria** were published on 2nd April 2020 to ensure that banks would grant payment holidays to customers to avoid the automatic classification of exposures under the definition of forbearance or defaulted under distressed restructuring. After the second Covid-19, the EBA decided to reactivate the Guidelines on the 2nd of December to guarantee that loans, which have not been benefited from the moratoria, can now do it. However, the EBA has introduced the following two limitations to ensure that the support provided by the moratoria is limited to bridging liquidity shortages triggered by containment measures without operational restraints on the continuous supply of credit. First, only loans that are suspended, postponed or reduced under general payment moratoria not more than 9 months in total, including previously granted payment holidays, can benefit from applying the Guidelines. Second, banks are requested to document to their supervisors how they will assess that the exposures to general payment moratoria do not become NPLs. This requirement will allow supervisors to take appropriate actions if necessary (EBA, 2020a,b).

The legacy of the past financial crisis has been a high stock of NPLs in Member States banks. However, it should be emphasized that important progresses have been made to reduce their weight in banks' balance sheets and improve their operational efficiency. Indeed, government guarantees and payment moratoria are key measures to support borrowers' who might be significantly affected by the pandemic. From the regulatory point of view, the definition of default and loan forbearance under the Capital Requirement

Regulation (Regulation (EU) No 575/2013) may stand in the way of widespread use of these measures. The Communication (COM/2020/112 final) clarifies that the prudential regulation rules on the classification of NPLs can accommodate in line with the ECB's rules (EC, 2020a).

Importantly, **exit strategies** should be cognizant of other non-regulatory support measures to avoid compound cliff effects. Then, coordination between national and supranational authorities will be vital. Importantly exit strategies should be multifaced and adapted to country-specific characteristics to address solvency issues and distinguishing among impaired assets. There is no one-fits-all strategy to bank restructuring or NPLs resolution, and domestic regulators are encouraged to diagnose detailly before recommending systemic solutions such as public management companies, which are not suitable for heterogenous credits. Furthermore, exit strategies should include intertemporal trade-offs between increasing credit provision in the short term and maintaining long-term resilience given the associated risks (Kongsamut, 2021).

The ECB's monetary policy decisions

The scale and the nature of the Covid-19 crisis called for an extraordinary monetary policy response. The European Central Bank introduced a wide-ranging package of measures that acted through two dimensions: (i) asset purchases and (ii) liquidity operations. Regarding asset purchases, an extra 120 billion euros was added to the ongoing **Asset Purchase Programme (APP)** on the 12th March 2020. Subsequently, the third **Targeted Longer-Term Refinancing Operations (TLTRO III)** programme became one of the main liquidity provisions (Borgioli et al., 2020). Borrowing rates can be as low as 50 basic points below the average interest rates on the deposit facility between 21st June 2020 and 23rd June 2021, and as low as the average rate on the deposit facility during the rest of the life of the respective TLTRO III. Accurately, the Decision ECB/2020/25 and Decision (EU) 2020/614 modify the lending performance threshold, a new lending assessment period and changes in the interest rate to be applied to TLTRO III; whereas the Decision ECB/2020/13 modifies the borrowing allowance and the bid limits per operation to be applied to TLTRO III and allows an earlier repayment option after one year of settlement starting in September 2021 (Altavilla et al., 2020).

The Pandemic Emergency Purchase Programme (PEPP) was launched on 18th March 2020 and is conceived as a temporary asset purchase programme of private and public sector securities. The cornerstone of this programme is that the national central banks will flexibly conduct purchases of public debt. The Government Council will offer four additional **pandemic emergency longer-term refinancing operations (PELTROs)** in 2021, which will continue to provide an effective liquidity backstop.

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APPENDIX A.
Summary of government measures oriented to support the real sector.

FRANCE

State-Guaranteed Loans	Moratorium	Liquidity Shortage	Credit Mediation /Lines	Public Credit
Law No. 2020-289 and ministerial order of implementation dated 23 March 2020: The State-guaranteed loan is a one-year treasury loan and will have a grace period over this period. It could support corporate bank financing to the tune of EUR 300 billion.	**Ordinance n. 2020**-306 dated 25 March 2020 on the extension of time limits and adaptation of procedures during the Emergency Period (as defined below) has been taken and supplemented by **ordinance n. 2020-**427 dated 15 April 2020.	**Bpifrance** and the government finance 50% of the consulting costs concerning the WCR cash module.	Support from the State and the Bank of France (credit mediation) to negotiate with his bank a rescheduling of bank loans. The Credit Mediation Department may accept companies in amicable procedure, in safeguard or receivership, and exceptionally in compulsory liquidation.	**Amended Finance Bill for 2020, Law #2020-473, 25 April 2020:** State-granted loans when they have not benefited from State-guaranteed loans. Banks will have to write reasons for refusing loans lower than EUR 50 thousand to companies.

GERMANY

State-Guaranteed Loans	Moratorium	Liquidity Shortage	Credit Mediation /Lines	Public Credit
The **KfW (Kreditanstalt für Wiederaufbau)** offers a fast track loan for the companies with more than 10 employees. This loan is 100% secured by the German Federal Government guarantee.	The obligation to file for insolvency is suspended retroactively from 1 March 2020 until 30 September 2020 for companies which are suffering economic difficulties or have become illiquid because of the pandemic.	Joint protective shield amounting to EUR 30 billion from the Federal Government and credit insurers to secure supplier credits of German companies. Substantial participation of credit insurers, who bear losses of up to EUR 500 million.	Introduction of a shopping line coverage whereby the credit lines of foreign customers from various exporters are combined into credit tranches with a uniform repayment profile and counted towards the Hermes-covered credit line.	The German Federal Government has adopted a package of measures to help companies cope with the coronavirus crisis. The role of the state-owned development bank **KfW** in this crisis is to facilitate the short-term supply of liquidity to companies.

ITALY

State-Guaranteed Loans	Moratorium	Liquidity Shortage	Credit Mediation /Lines	Public Credit
Central Guarantee Fund ("Fondo centrale di garanzia"): Less than 72 months loans of amounts equal to those set forth by the **decree no. 23/2020** may be guaranteed by the Central Fund up to 90% (in case of direct guarantee) or up to 100% (in case of reinsurance), subject to the approval of the European Commission. The Central Fund and Confidi guarantee also 100% of loans (with a limit of 25% of the total turnover of the beneficiaries) granted to companies with less than EUR 3.2 million of total turnover.	The **Italian Banking Association** has announced an agreement with various professional associations to set up a large-scale moratorium on debt repayment, including mortgages and repayments of small loans and revolving lines of credit. It will concern loans taken out by companies until 31 January 2020.	The **National Promotional Institute** and the development finance institution have increased the funding limit for the banking system, from EUR 1 million to EUR 3 million.	**SACE S.p.A.** issues guarantees for loans granted to companies of any size (EUR 200 billion of which EUR 30 billion for SMEs). SACE guarantees between 90% and 70% of the granted loans' amount; the guarantees' amount depends on the number of companies' employees in Italy and on the relative annual turnover (with at least 5000 employees and until EUR 1.5 billion, between EUR 1.5 billion and EUR 5 billion or greater than EUR 5 billion annual turnover).	The **National Promotional Institute** and the development finance institution have increased the funding limit for the banking system, from EUR 1 million to EUR 3 million.

THE NETHERLANDS

State-Guaranteed Loans	Moratorium	Liquidity Shortage	Credit Mediation /Lines	Public Credit
Enlargement of the **Corporate Financing Guarantee Scheme (Garantie Ondernemersfinanciering; GO-C)** for SMEs and larger firms. The amount for which the government stands as guarantor has been increased up to EUR 150 million.	Small firms are offered a six-month delay in repayments of micro loans through **Qredits**, with interest rates lowered down to 2%.	**Borgstelling MKB-kredieten (BMKB(-C))**: The credit guarantee has been increased up to 90% of 75% of a line of credit and the percentage for the premium due is lowered from 3.9% to 2% for a maximum period of 8 quarters and 3% for a period of 9 to 16 quarters. The BMKB(-C) guarantee ceiling is EUR 1.5 billion.	The **Growth Facility Scheme**, which makes it easier for SMEs to raise capital, will be extended by one year, to 1 July 2021.	SMEs with relatively small financial needs are, under conditions, eligible for a bridging loan of up to € 50,000 under the Small Credits for **Corona Guarantee Scheme (Klein Krediet Corona garantieregeling; KKC)** with the State as guarantor for 95% of loan. The term of the loan is at most 5 years against an interest rate of max. 4%, with a one-time premium of 2%. This measure has a guarantee ceiling of EUR 713 million.

SPAIN

State-Guaranteed Loans	Moratorium	Liquidity Shortage	Credit Mediation /Lines	Public Credit
Royal Decree-8 2020: Approval of a EUR 100,000 million line of state-backed guarantees credit line whereby the State shall cover the financing extended by financial institutions to companies and self-employed persons.	**Royal Decree-8 2020:** Moratoria is applied to mortgage-backed loan agreements when the debtor is in a situation of economic vulnerability, as well as the guarantors of the main debtor. Notaries' fees for intervention in contracts formalising the temporary suspension (moratorium) of contractual obligations under any of the non-mortgage-backed loans or credits referred to in **Royal Decree-Law 11/2020.**	**Royal Decree-Law 8/2020:** Approval of a credit line whereby the State shall cover the financing extended by financial institutions to companies and self-employed persons. The Ministry of Foreign Affairs and Digital Transformation will grant up to EUR 100,000 million in guarantees for funding provided by credit institutions (Art. 29).	**Royal Decree-Law 15/2020:** The counter-guarantee granted by Compañía Española de Reafianzamiento Sociedad Anónima (CERSA) has been consolidated to increase the guarantee capacity of Reciprocal Guarantee Company. Provisions made to cover promissory notes included on the Spanish Brokers' Association (AIAF) Fixed Income Market and the Alternative Fixed income Market (MARF).	Raising of the net indebtedness limit of the **Spanish official credit institute (ICO)** to increase credit facilities aimed at financing SMEs and the self-employed. The **General State Budget Law** allows ICO to raise EUR 10,000 million to provide additional liquidity to the above-mentioned agents.

UNITED KINGDOM

State-Guaranteed Loans	Moratorium	Liquidity Shortage	Credit Mediation /Lines	Public Credit
The **Coronavirus Business Interruption Loan Scheme (CBILS)** - for business with turnover lower than GBP 45 million- UK businesses with annual turnover of no more than GBP 45m can borrow up to GBP 5m interest-free for 12 months under a **British Business Bank (BBB)** scheme where the Government provides the lender with a guarantee for 80% of each loan (subject to a per-lender cap on claims) and covers the cost of the first 12 months of interest. For large businesses, the CBILS involves a government guarantee of 80% to enable banks to make loans of up to GBP 25 million (CBILS was capped at GBP 5 million) to businesses with an annual turnover of between GBP 45 million and GBP 250 million. Firms with a turnover of more than GBP 250 million can borrow up to GBP 50 million from lenders. The government guarantees 80% of the finance to the lender.	Regulations will provide for application to: a) Charitable Incorporated Organisations. b) Co-operative and community benefit societies c) Limited liability partnerships Where entities currently benefit from a special administration regime (for example providers of social housing, gas and electricity supply companies and financial institutions) regulations can be made to modify application of or disapply the moratorium for those entities.	**Bounce Back loan scheme for small businesses:** On 27 April, the government announced a fast-track finance scheme for small businesses, allowing firms to apply for Bounce Back loans worth up to 25% of turnover, with a maximum payment of GBP 50,000, and access the cash within days. The government will provide lenders with a 100% guarantee for the loan and pay any fees and interest for the first 12 months. No repayments will be due during the first 12 months. After that the interest rate will be set at 2.5% a year.	The **COVID-19 Corporate Finance Facility (CCFF)** has been created to provide funding to large businesses through the purchase of short-term corporate debt in the form of commercial paper. The CCFF launched on 23 March 2020 and Bank of England data released on 2 April 2020 showed that GBP 1.9 billion of commercial paper has been purchased under this facility already and according to a HM Treasury release on 3 April 2020 a further GBP 1.6 billion has been committed.	**Future Fund for high-growth companies:** The Future Fund was initially endowed with GBP 500 million loan scheme aimed at ensuring that high-growth companies in the UK receive the investment they need to continue during the crisis. The government confirmed that given the high number of applications it would be expanding its financial commitment to the fund. Delivered in partnership with the **British Business Bank.**

Source: Own elaboration from KPMG's website (https://home.kpmg/xx/en/home/insights/2020/04/government-response-global-landscape.html).

APPENDIX B.
Regulatory measures appliable to banks as of April 2021.

COUNTRY	REGULATORY MEASURES
France	Reducing the countercyclical capital buffer to 0% (an increase from 0,25% to 0,5% was to become in April 2020).
Germany	Releasing the countercyclical capital buffer for banks from 0,25% to 0%. Further EUR 100 billion to refinance expanded to refinance expanded short-term liquidity provision to companies through the public development bank (KfW) in partnership with commercial banks.
Italy	The Bank of Italy announced a series of measured to help banks and non-bank intermediaries, in line with those undertaken by the ECB and the EBA. Including the possibility to operate below selected capital and liquidity requirements, as well as rescheduling on-site inspections. Promoting the use of credit claims as collateral to incentivize lending to SMEs.
The Netherlands	The De Nederlandsche Bank (DNB) reduced systemic buffer requirements for the three largest banks. The DNB is also taking measures to provide less regulatory relief to less significant banking institutions. Banks directly supervised by the DNB are allowed to exclude specific central banks exposures when calculating leverage ratios. Introducing a floor for mortgage loan risk weighting is postponed. Dutch banks agreed to grant SMEs a six-month postponement of their loan repayment. On the 6th October 2020, the authorities adopted a law to facility debt restructuring for companies facing financial difficulties. This law is intended to avoid bankruptcies.
Spain	The Bank of Spain will allow the banks under its supervision to adapt the settings of transition periods and the intermediate minimum required own funds and eligible liabilities (MREL) targets. Banks will be allowed to apply expert judgement for the credit-risk classification of forborne exposures.
United Kingdom	The Prudential Regulatory Authority (PRA) set out expectations that banks suspended dividends and buybacks until end-2020, cancel 2019 dividends and pay no cash bonuses to senior staff. The PRA indicated all Pillar 2A requirements will be set as nominal amount despite a percentage of Risk Weighted Assets (RWA). The PRA will allow companies to offset the increase in RWA due to the application of a higher value-at-risk (VaR) multiplier through a reduction in risks-not-in-VaR (NVAR) capital requirements. The Financial Conduct Authority (FCA) introduced a package of targeted temporary measures to support customers affected by coronavirus, including payment freeze on loans and credit cards for up to three months.

Source: Own elaboration from the IMF Policy Tracker (URL: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#G).