COVID-19: Council adopts exceptional rules to facilitate bank lending in the EU

The EU is temporarily adapting banking rules in order to maximise the capacity of banks to lend money and support households and businesses to recover from the COVID-19 crisis.

The banking package adopted today provides targeted and exceptional legislative changes to the capital requirements regulation (CRR 2). These changes will allow credit institutions to fully play their role in managing the economic shock that stems from the COVID-19 pandemic by fostering credit flows.

"Thanks to the reforms conducted after the 2008 financial crisis, banks are capitalised and resilient enough to act as shock absorbers to businesses hit by the COVID-19 pandemic. But we are only at the very early stages of the recovery. It is our responsibility, as co-legislators, to ensure that banks have the necessary flexibility to continue providing the easiest access possible to funding for our citizens and companies."

Zdravko Marić, Deputy Prime Minister and Minister of Finance of Croatia

More specifically, the targeted amendments concern:

- changes to the minimum amount of capital that banks are required to hold for non-performing loans (NPL) under the "prudential backstop". In particular, the preferential treatment of NPLs guaranteed by export credit agencies will be extended to other public sector guarantors in the context of measures aimed at mitigating the economic impact of the COVID-19 pandemic.

- the extension by two years of transitional arrangements related to the implementation of the international accounting standard IFRS 9. This will allow banks to mitigate the potential negative impact of a likely increase in banks’ provisions for expected credit...
losses.

- the **temporary reintroduction of a prudential filter for sovereign bond exposures** which will mitigate the impact of the current volatility of financial markets on public debt.

- additional flexibility for supervisors to **mitigate negative effects of the extreme market volatility** observed during the COVID-19 pandemic, in particular by excluding "overshootings" that occurred in 2020 and 2021 in banks’ internal models for market risks.

- targeted changes to the **calculation of the leverage ratio** (i.e. the ratio between banks’ capital and its exposures) and a **delay in the introduction of the leverage ratio buffer** by one year to January 2023.

- transitional arrangements for **exposures to national governments and central banks denominated in a currency of another member state**, in order to support funding options in non-euro member states mitigating the consequences of the COVID-19 pandemic.

- the **earlier introduction of some capital relief measure for banks under CRR 2**, most notably with respect to preferential treatment of certain loans backed by pensions or salaries and their SMEs and infrastructure loans, thus encouraging the credit flow to pensioners, employees, businesses and infrastructure investments.

The package of measures was adopted by the European Parliament on 19 June 2020. It will become applicable on the day following its publication in the Official Journal of the European Union and at the latest by end June 2020.

**Amendments to the capital requirements regulation in response to the COVID-19 pandemic**

**Visit the website**