Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Credit Institutions

Central Bank Expectations in light of Covid-19

Version available on website from 16 April 2020 to 31 December 2022

Explanatory note: Recognising the challenges faced by firms and market participants as a result of the COVID-19 pandemic, in April 2020, the Central Bank communicated that it would allow a level of flexibility for regulated firms in certain specified areas. The Central Bank has determined that certain measures previously communicated in respect of Credit Institutions, and which have since expired on their terms, will not be extended. This includes announcements made by the European Central Bank and the European Banking Authority that are no longer relevant or in application. This document sets out unedited text previously published on the Central Bank of Ireland website that has since been superseded. It is being made available for reference purposes only.

Unedited text included on Central Bank website from 16 April 2020 to 10 August 2020

Credit Institutions Directly Supervised by the Central Bank

Regulatory Requirements

In line with announcements made by the European Central Bank (ECB) and the European Banking Authority (EBA) to provide flexibility for credit institutions on various regulatory measures, the Central Bank has also assessed where flexibility may be afforded for aspects of the regulatory framework under its remit, and has determined the following:

Postponement of Deadlines for Remedial Actions/Measures by Six Months

The Central Bank is applying a level of flexibility in relation to the deadlines for remedial actions/measures. The following covers those remedial actions/measures related to prudential banking supervision only.

Noting the approach of the SSM for Significant Institutions to postpone by six months existing deadlines for remedial actions imposed in the context of on-site inspections and the verification of compliance with qualitative SREP measures amongst others, the Central Bank recognises that COVID-19 requires regulated entities to take the actions and steps needed to cope with significantly changed operational demands, to remain resilient, and to continue to serve their customers and the economy. The Central Bank expects those regulated entities in a position to meet the existing RMP implementation dates to continue to do so. Individual firms can engage directly with their supervisor where they have difficulties in relation to meeting specific RMP submission dates including the reasons why. Those supervisors will consider on a case-by-case basis whether the postponement of such measures may be necessary in order to achieve the objectives stated above.

For 2020 recovery plans, banks should review their recovery options and assess their plausibility and can expect supervisory engagement on this.

Extension to Regulatory Returns Remittance Dates

In line with the recommendation in the EBA Statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19, the Central Bank is extending remittance dates for a number of reports with reporting dates between March and end May 2020, as listed in Table 1 below.

Table 1: Changes to remittance dates for credit institutions

Return Type	Reporting Date (s)	Original Remittance Date (s)	Revised Remittance Date (s)
COREP OF	31 March 2020	12 May 2020	12 June 2020
COREP LR	31 March 2020	12 May 2020	12 June 2020
FINREP	31 March 2020	12 May 2020	12 June 2020
Asset Encumbrance	31 March 2020	12 May 2020	12 June 2020
Large Exposures	31 March 2020	12 May 2020	12 June 2020
Stable Funding	31 March 2020	12 May 2020	12 June 2020
LCR DA	31 March 2020 and 30 April 2020	15 April 2020 and 15 May 2020	No Change
ALMM	31 March 2020 and 30 April 2020	15 April 2020 and 15 May 2020	No Change
Funding Plans	31 December 2019	31 March 2020	2 June 2020
Basel III Monitoring Exercise	31 December 2019	8 April 2020	10 June 2020
Supervisory Benchmarking Credit Risk (SBP)	31 December 2019	14 April 2020	14 May 2020
Related Party Lending Return	31 March 2020	15 May 2020	12 June 2020
Quarterly Financial Summary Return: Retail Banks	31 March 2020	30 April 2020	12 June 2020
Quarterly Financial Summary Return: Non-Retail Banks	31 March 2020	15 May 2020	12 June 2020
Deposit Guarantee Return	31 March 2020	12 May 2020	12 June 2020

Reliable supervisory reporting is crucial in times when the financial system faces many challenges caused by the COVID-19 outbreak. To examine the effects of COVID-19 on the financial sector, the Central Bank will require additional targeted information to be submitted by credit institutions during this period. While we aim to be measured and pragmatic with these data requests in terms of the type and frequency of requests, recognising the rapidly evolving nature of the situation we are faced with, we expect credit institutions to continue to engage constructively with us and respond to such requests in an expedient manner.

Pillar 3 Disclosures

In line with the EBA Statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19, the Central Bank expects credit institutions to advise of any delay, the reasons for such delay and, to the extent possible, the estimated publication date of their Pillar 3 reports, if they are delayed. In order to address the importance of transparency and uncertainties on the risks faced by credit institutions, credit institutions should assess the need for additional Pillar 3 disclosures on prudential information that may be necessary in order to properly convey the risk profile of the credit institution in the context of the COVID-19 outbreak.

When doing this assessment, credit institutions should take into account the extraordinary measures that competent authorities, central banks, national governments, and other EU bodies have announced to address the adverse systemic economic impact of the outbreak.

ECB/SSM Announcements

The Central Bank has been engaged in efforts to respond to COVID-19 as part of the Eurosystem and the European System of Financial Supervision. Accordingly, in line with the ECB announcement of 12 March 2020, and subsequent FAQs, the Central Bank is implementing a number of measures to provide its directly supervised credit institutions with flexibility in meeting certain capital and liquidity requirements.

Credit institutions will be permitted to use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, namely Additional Tier 1 or Tier 2 instruments, to partially meet the Pillar 2 Requirements (P2R) in accordance with Article 104a(4) of CRDV. This brings forward a measure that was scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRDV).

Capital and liquidity buffers have been designed to support credit institutions to withstand stressed scenarios. Given the challenges presented by the COVID-19 crisis, the Central Bank will allow credit institutions 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 above measures provide significant capital relief to credit institutions to support the economy. Credit institutions should 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.

EBA Announcements

In line with announcements made on regulatory flexibility from the EBA, the Central Bank confirms that it will apply the measures as outlined in the EBA's recent announcements:

- EBA Statement on actions to mitigate the impact of COVID-19 on the EU banking sector
- EBA Statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19
- EBA Statement to mitigate financial crime risks in the COVID-19 Pandemic
- EBA Statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures
- EBA Statement on dividends distribution, share buybacks and variable remuneration
- EBA Statement on consumer and payment issues in light of COVID-19
- EBA Statement on further actions to support banks' focus on key operations: postponed EBA activities
- EBA Statement on additional supervisory measures in the COVID-19 pandemic
- EBA Statement on the application of the prudential framework on targeted aspects in the area of market risk in the COVID-19 outbreak

Remuneration and dividends

Following on from recent EBA and ECB statements, the Central Bank expects that:

- Credit institutions review their remuneration policies and practices and awards to ensure that they are consistent with and promote sound and effective risk management also reflecting the current economic situation;
- Remuneration, in particular, its variable portion should be set at a conservative level. Credit institutions should consider whether a larger part of variable remuneration should be subject to longer deferral periods and whether the proportion granted in the form of instruments should be increased; and
- Credit institutions should not pay dividends for the financial years 2019 and 2020 until at least 1 October 2020 and should refrain from share buy-backs aimed at remunerating shareholders.
- The economic and financial markets face a period of uncertainty until the full impact of COVID-19 becomes clear. As a result, the Central Bank will continue to review its approach to regulatory flexibility for the duration of the current disruption.

See also:

- COVID-19 Information Hub

Unedited text included on Central Bank website from 11 August 2020 to 05 November 2020

Credit Institutions Directly Supervised by the Central Bank

Regulatory Requirements

In March 2020 the European Central Bank (ECB) and the European Banking Authority (EBA) announced a package of supervisory relief measures for credit institutions to ensure they could continue to fulfil their role in funding the real economy.

Following this, the Central Bank assessed where similar flexibility for credit institutions could apply to aspects of the regulatory framework under its remit.

On 28 July 2020, the ECB communicated its exit strategy from the supervisory relief measures taken at the outset of the COVID-19 crisis. The Central Bank has now also assessed the ongoing application of the aforementioned flexibility in the context of its regulatory framework and this is reflected below.

Postponement of Deadlines for Remedial Actions/Measures

In March 2020, the Central Bank applied a level of supervisory flexibility in relation to the deadlines for remedial actions/measures to ensure regulated entities could take the actions and steps needed to cope with significantly changed operational demands, to remain resilient, and to continue to serve their customers and the economy.

Individual firms could engage directly with their supervisor where they had difficulties in relation to meeting specific risk mitigation programme (RMP) submission dates. Supervisors assessed the circumstances and determined on a case-by-case basis whether a postponement, of up to 6 months, of such measures would be necessary in order to achieve the objectives stated above.

Taking into account the economic and financial developments so far and the gradual return to operational normality at most banks, the Central Bank does not foresee any further postponements of the deadlines for remedial actions imposed in the context of on-site inspections and the verification of compliance with qualitative SREP measures amongst others.

Pillar 3 Disclosures

In line with the EBA Statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19, the Central Bank expects credit institutions to advise of any delay, the reasons for such delay and, to the extent possible, the estimated publication date of their Pillar 3 reports, if they are delayed. In order to address the importance of transparency and uncertainties on the risks faced by credit institutions, credit institutions should assess the need for additional Pillar 3 disclosures on prudential information that may be necessary in order to properly convey the risk profile of the credit institution in the context of the COVID-19 outbreak.

When doing this assessment, credit institutions should take into account the extraordinary measures that competent authorities, central banks, national governments, and other EU bodies have announced to address the adverse systemic economic impact of the outbreak.

ECB/SSM Announcements

Relief measures regarding capital and liquidity requirements

The Central Bank has actively participated in the Eurosystem and European System of Financial Supervision's response to COVID-19. Accordingly, in line with the ECB announcement of 12 March 2020, and subsequent FAQs, the Central Bank has implemented a number of measures to provide its directly supervised credit institutions with flexibility in meeting certain capital and liquidity requirements.

Credit institutions are permitted to use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, namely Additional Tier 1 or Tier 2 instruments, to partially meet the Pillar 2 Requirements (P2R) in accordance with Article 104a(4) of CRDV. This brings forward a measure that was scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRDV).

Capital and liquidity buffers have been designed to support credit institutions to withstand stressed scenarios. Given the challenges presented by the COVID-19 crisis, the Central Bank will allow credit institutions 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 above measures provide significant capital relief to credit institutions to support the economy. Credit institutions should 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.

In line with the ECB announcement of 28 July, and subsequent FAQs, the Central Bank will not expect banks to operate above the level of their P2G any sooner than the end of 2022. In relation to the LCR, the point in time at which the Central Bank would expect banks which have previously used their liquidity buffers to once again comply with the general 100% minimum level will depend on both bank-specific (e.g. access to funding markets) as well as market-specific factors (e.g. demand for liquidity from households, corporates and other market participants). In any event, the Central Bank will not expect this any sooner than the end of 2021.

EBA Announcements

In line with announcements made on regulatory flexibility from the EBA, the Central Bank confirms that it will apply the measures as outlined in the EBA's recent announcements:

- EBA Statement on actions to mitigate the impact of COVID-19 on the EU banking sector
- EBA Statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19
- EBA Statement to mitigate financial crime risks in the COVID-19 Pandemic
- EBA Statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures
- EBA Statement on dividends distribution, share buybacks and variable remuneration
- EBA Statement on consumer and payment issues in light of COVID-19
- EBA Statement on further actions to support banks' focus on key operations: postponed EBA activities
- EBA Statement on additional supervisory measures in the COVID-19 pandemic
- EBA Statement on the application of the prudential framework on targeted aspects in the area of market risk in the COVID-19 outbreak

See also:

- COVID-19 Information Hub

Unedited text included on Central Bank website from 06 November 2020 to 28 February 2022

Credit Institutions Directly Supervised by the Central Bank

Regulatory Requirements

In March 2020 the European Central Bank (ECB) and the European Banking Authority (EBA) announced a package of supervisory relief measures for credit institutions to ensure they could continue to fulfil their role in funding the real economy.

Following this, the Central Bank assessed where similar flexibility for credit institutions could apply to aspects of the regulatory framework under its remit.

On 28 July 2020, the ECB communicated its exit strategy from the supervisory relief measures taken at the outset of the COVID-19 crisis. The Central Bank has now also assessed the ongoing application of the aforementioned flexibility in the context of its regulatory framework and this is reflected below.

View details of the Central Bank's previous expectations for reference purposes only.

Postponement of Deadlines for Remedial Actions/Measures

In March 2020, the Central Bank applied a level of supervisory flexibility in relation to the deadlines for remedial actions/measures to ensure regulated entities could take the actions and steps needed to cope with significantly changed operational demands, to remain resilient, and to continue to serve their customers and the economy.

Individual firms could engage directly with their supervisor where they had difficulties in relation to meeting specific risk mitigation programme (RMP) submission dates. Supervisors assessed the circumstances and determined on a case-by-case basis whether a postponement, of up to 6 months, of such measures would be necessary in order to achieve the objectives stated above.

Given that the banking sector has shown operational resilience, the Central Bank now expects credit institutions to meet specific RMP submission dates. Should firms identify concerns in meeting these timelines they should engage in a timely manner with their usual supervisors.

Pillar 3 Disclosures

Credit institutions should assess the need for additional Pillar 3 disclosures on prudential information that may be necessary in order to properly convey the risk profile of the credit institution in the context of the COVID-19 outbreak.

When doing this assessment, credit institutions should take into account the extraordinary measures that competent authorities, central banks, national governments, and other EU bodies have announced to address the adverse systemic economic impact of the outbreak.

Additional Data Requests

Reliable supervisory reporting is crucial in times when the financial system faces many challenges caused by the COVID-19 pandemic. To examine the effects of COVID-19 on the financial sector, the Central Bank will require additional targeted information to be submitted by credit institutions during this period. While we aim to be measured and pragmatic with these data requests in terms of the type and frequency of requests, recognising the rapidly evolving nature of the situation we are faced with, we expect credit institutions to continue to engage constructively with us and respond to such requests in an expedient manner.

ECB/SSM Announcements

Relief measures regarding capital and liquidity requirements

The Central Bank has actively participated in the Eurosystem and European System of Financial Supervision's response to COVID-19. Accordingly, in line with the ECB announcement of 12 March 2020, and subsequent FAQs, the Central Bank has implemented a number of measures to provide its directly supervised credit institutions with flexibility in meeting certain capital and liquidity requirements.

Credit institutions are permitted to use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, namely Additional Tier 1 or Tier 2 instruments, to partially meet the Pillar 2 Requirements (P2R) in accordance with Article 104a(4) of CRDV. This brings forward a measure that was scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRDV).

Capital and liquidity buffers have been designed to support credit institutions to withstand stressed scenarios. Given the challenges presented by the COVID-19 crisis, the Central Bank will allow credit institutions 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 above measures provide significant capital relief to credit institutions to support the economy. Credit institutions should 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.

In line with the ECB announcement of 28 July, and subsequent FAQs, the Central Bank will not expect banks to operate above the level of their P2G any sooner than the end of 2022. In relation to the LCR, the point in time at which the Central Bank would expect banks which have previously used their liquidity buffers to once again comply with the general 100% minimum level will depend on both bank-specific (e.g. access to funding markets) as well as market specific factors (e.g. demand for liquidity from households, corporates and other market participants). In any event, the Central Bank will not expect this any sooner than the end of 2021.

Relief measures regarding credit institutions' leverage ratio

Effective 28 June 2021, credit institutions under the Central Bank's direct supervision may continue to exclude certain central bank exposures from the leverage ratio. This decision by the Central Bank follows the Governing Council of the ECB's determination, as monetary authority of the euro area, that exceptional circumstances exist that permit the temporary exclusion of certain exposures to central banks from the leverage ratio's total exposure measure in view of the Covid-19 pandemic. This decision extends, until March 2022, the relief measure regarding credit institutions' leverage ratio provided in October 2020, which was due to expire on 27 June 2021.

The Capital Requirement Regulation (CRR) allows banking supervisors, after consulting the relevant central bank, to allow credit institutions to exclude certain central bank exposures from their leverage ratio. Such assets include coins and banknotes as well as deposits held at the central bank.

The 3% leverage ratio requirement is binding since 28 June 2021 in accordance with Article 92(1)(d) CRR. Credit institutions that elect to avail of the relief measures regarding leverage ratio must recalibrate the 3% leverage ratio requirement in such a way that only the central bank exposures newly accumulated since the beginning of the pandemic effectively benefit from the leverage ratio relief. In other words, only the increase in credit institutions' central bank exposures since end-2019 would in practice lead to leverage ratio relief; this maintains the level of resilience provided by the leverage ratio before the pandemic.

This extension applies until 31 March 2022. Credit institutions that elect to use this extension must ensure that the expiry of the prudential exemption on 31 March 2022 is factored into their capital plans to maintain sufficient capital levels in accordance with regulatory requirements.

EBA Announcements

In line with announcements made on regulatory flexibility from the EBA, the Central Bank confirms that it will apply the measures as outlined in the EBA's recent announcements:

- EBA Statement on actions to mitigate the impact of COVID-19 on the EU banking sector
- EBA Statement to mitigate financial crime risks in the COVID-19 Pandemic
- EBA Statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures
- EBA Statement on dividends distribution, share buybacks and variable remuneration
- EBA Statement on additional supervisory measures in the COVID-19 pandemic
- EBA Statement on the application of the prudential framework on targeted aspects in the area of market risk in the COVID-19 outbreak
- EBA continues to call on banks to apply a conservative approach on dividends and other distributions in light of the COVID-19 pandemic

See also:

- COVID-19 Information Hub

The Central Bank will continue to review its approach to supervisory flexibility for credit institutions throughout the duration of the COVID-19 pandemic and may provide further updates as required.

Unedited text included on Central Bank website from 01 March 2022 to 31 December 2022

Postponement of Deadlines for Remedial Actions/Measures

In March 2020, the Central Bank applied a level of supervisory flexibility in relation to the deadlines for remedial actions/measures to ensure regulated entities could take the actions and steps needed to cope with significantly changed operational demands, to remain resilient, and to continue to serve their customers and the economy.

Individual firms could engage directly with their supervisor where they had difficulties in relation to meeting specific risk mitigation programme (RMP) submission dates. Supervisors assessed the circumstances and determined on a case-by-case basis whether a postponement, of up to 6 months, of such measures would be necessary in order to achieve the objectives stated above.

Given that the banking sector has shown operational resilience, the Central Bank now expects credit institutions to meet specific RMP submission dates. Should firms identify concerns in meeting these timelines they should engage in a timely manner with their usual supervisors.

Pillar 3 Disclosures

Credit institutions should assess the need for additional Pillar 3 disclosures on prudential information that may be necessary in order to properly convey the risk profile of the credit institution in the context of the COVID-19 pandemic.

When doing this assessment, credit institutions should take into account the extraordinary measures that competent authorities, central banks, national governments, and other EU bodies have announced to address the adverse systemic economic impact of the pandemic.

Additional Data Requests

Reliable supervisory reporting is crucial in times when the financial system faces many challenges caused by the COVID-19 pandemic. To examine the effects of COVID-19 on the financial sector, the Central Bank will require additional targeted information to be submitted by credit institutions during this period. We may need to do so in the future, depending on the evolution of the pandemic, although we aim to be measured and pragmatic in terms of the type and frequency of these requests. We expect credit institutions to continue to engage constructively with us and respond to such requests in an expedient manner.

ECB/SSM Announcements

Relief measures regarding capital and liquidity requirements

The Central Bank has actively participated in the Eurosystem and European System of Financial Supervision's response to COVID-19. Accordingly, in line with the ECB announcement of 12 March 2020, and subsequent FAQs, the Central Bank has implemented a number of measures to provide its directly supervised credit institutions with flexibility in meeting certain capital and liquidity requirements.

Capital and liquidity buffers have been designed to support credit institutions to withstand stressed scenarios. Given the challenges presented by the COVID-19 pandemic, the Central Bank allows credit institutions to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), and to use the capital conservation buffer (CCB) to withstand potential stress.

The above measures provide significant capital relief to credit institutions to support the economy. Credit institutions should 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. In line with the ECB announcement of 28 July, and subsequent FAQs, the Central Bank will not expect banks to operate above the level of their P2G any sooner than the end of 2022.

In line with the ECB announcement of 10 February 2022 and subsequent FAQs, the Central Bank will no longer permit credit institutions to operate below the level of capital defined by their P2G beyond 31 December 2022. As of 31 March 2022, the Central Bank has not extended the supervisory measure that allowed credit institutions to exclude central bank exposures from their leverage ratios (please see 'Relief measures regarding credit institutions' leverage ratio' below).

The Central Bank also reported that substantial use could be made of LCR liquidity buffers in the context of the COVID-19 pandemic, even if this would have resulted in the LCR falling below the general 100% minimum level. The Central Bank clarified that it would not expect credit institutions, which have previously used their liquidity buffers, to once again comply with the general 100% minimum level any sooner than the end of 2021.

In view of credit institutions' current liquidity buffers, as well as the liquidity available in the banking system, this liquidity relief is not being extended beyond the end of 2021. Therefore, the Central Bank expects all credit institutions under its direct supervision to comply with the general LCR minimum level of 100% as of 1 January 2022. This is in line with the ECB's expectations of credit institutions as per the ECB announcement of 17 December 2021 and subsequent FAQs.

Relief measures regarding credit institutions' leverage ratio

The leverage ratio relief measures previously adopted by the Central Bank meant that banks could exclude certain central bank exposures from the leverage ratio. This decision by the Central Bank followed the Governing Council of the ECB's determination, as monetary authority of the euro area, that exceptional circumstances existed that permitted the temporary exclusion of certain exposures to central banks from the leverage ratio's total exposure measure in view of the COVID-19 pandemic.

This relief measure expired on 31 March 2022; credit institutions which had previously made use of this measure must now ensure that such exposures are included in their leverage ratio.

Useful Links

FAQs on ECB supervisory measures in reaction to the coronavirus
EBA Response to COVID-19
COVID-19 Information Hub

The Central Bank will continue to review its approach to supervisory flexibility for credit institutions throughout the duration of the COVID-19 pandemic and may provide further updates as required.

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