

EBF BOARD COMMUNIQUE

Banks stand by their customers in the second wave of COVID-19

- **Unprecedented action from banks and authorities to help mitigate the economic impact of the COVID-19**
- **Further measures to be considered to free up additional lending capacity**
- **New capital regulation to be delayed or amended until pandemic situation has stabilised**

BRUSSELS, 20 November 2020 – European banks stand ready to keep up their support for businesses and households amid growing uncertainty around the speed and strength of the recovery.

While it is too early to assess the full impact of the second ongoing wave of Covid-19 on the economy, it is clear that extraordinary support will still be needed in the next months to help the European economy to regain its full strength. Board members of the European Banking Federation (EBF), bringing together national banking associations from 32 countries, met on Friday by video conference. They reviewed recent actions taken by banks, supervisors and regulators and renewed their commitment to continuing playing a constructive role in the crisis.

Board members welcomed in particular the combined measures adopted by the EU institutions, as the Banking package to facilitate banks' lending to households and businesses in the EU. They would also welcome a quick adoption of the Capital Market Recovery package to make it easier for capital markets to support European businesses to recover from the crisis.

Still, as the health situation is worsening again, the Board urges lawmakers to consider further measures to free additional lending capacity, such as adapting a cap of the Single Resolution Fund target level. The idea of the EU legislators was to have a fund of around 55bn Euro. Due to the dynamic calculation method the fund has grown up to more than 70bn Euro – an increase which does not correspond with the underlying risks.

Also new tools to deal with non-performing loans resulting from this crisis without major economic disruptions should be considered, including a review of the NPL backstop regulation, a more pragmatic securitisation framework to stimulate the NPLs secondary market and a consistent framework for Asset Management Companies.

Despite the fact that the post financial crisis regulatory architecture has greatly increased the resilience of the sector, it appears opportune to proceed with an in-depth review of the current regulatory framework in light of its effect during the pandemic crisis. European lawmakers should first postpone the timetable for implementation of Basel IV until the economic impact of the Covid-19 pandemic is sufficiently clear. Importantly, the transposition of the outstanding parts of the Basel IV agreement into EU law should be done taking European specificities into account and with a view to allow banks to support the recovery of the EU economy.

European banks are part of the solution to this crisis. They are serving their clients and the economy at large. At the same time, banks need to be able to attract capital in the in the same way as in other part of the world such as in the US.

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EU Transparency Register / ID number: 4722660838-23

“European banks are strong and face the crisis generated by Covid-19 with high capital levels. The sector is making a tremendous effort to encourage recovery, while putting in place pre-emptive actions to manage loan loss provisions. The focus must remain on supporting the real economy, ensuring that clients and communities are equally successful in facing these unprecedented challenges. The role of the EBF is key in making sure that the regulatory environment continues to allow banks to remain an important part of the solution.” says Jean Pierre Mustier, President of the EBF.

Furthermore, the EBF Board encouraged ongoing efforts by the European Union and the United Kingdom to reach a free trade agreement as soon as possible. Starting next year, UK Finance will cease to be a full member of the EBF. However, members unanimously and amicably agreed to create a new category of membership in order to allow the UK association to continue to engage in the work of the EBF.

Finally, the EBF Board stressed that as a result of the pandemic, deep structural changes such as digitalisation and the so-called greening of the economy, have been accelerated and need to be properly managed in order to reap the full benefits. In order to manage this transition Europe will need deep and liquid capital markets as well as a complete Banking Union. European banks encourage regulators to pursue those goals with renewed ambition.

“To create a single banking and capital market, EU rules and regulations must be further harmonised. In particular in new fields, such as digitalisation or the market for sustainable products, we need to ensure from the outset that we do not end up with a patchwork regime. A completed single market will make European banks stronger and only strong banks guarantee a long-term reliable supply of credit.”, says Christian Ossig, Chairman of the EBF Executive Committee.

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About the EBF:

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The EBF is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere. Website: www.ebf.eu