

# Taking Stock: An aerial view of the bank prudential regulatory response to COVID-19 in 2020

February 16, 2021

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**This short paper provides a visual summary and numerical stock-take of the banking sector prudential regulatory measures taken across the world in response to the COVID-19 pandemic.** As follow-up to an IIF article published in the early part of the COVID-19 crisis,<sup>1</sup> this paper extends that earlier analysis to explore trends through to the end of 2020.

The analysis is based on an IIF database capturing prudential, securities and related regulatory measures adopted between early March 2020 and end-December 2020.<sup>2,3</sup> A large number and wide range of measures were deployed across the world after the declaration of the COVID-19 Pandemic by the World Health Organization on March 11.<sup>4</sup> The IIF continues to monitor and record relevant measures and announcements in this database of measures.

During 2020, the IIF recorded over 500 measures that were announced as part of the response to the COVID-19 crisis by the global standard setting bodies,<sup>5</sup> G20 members and other leading financial jurisdictions, totaling 34 jurisdictions and authorities. Broadly, the objectives were to keep credit and liquidity flowing to the economy through regulatory flexibility, countercyclical policy loosening, and by relieving operational pressures on the financial sector. The IIF has used expert judgement to categorize the measures into five broad groups based on the focus of their stated objective:

- a) **Capital**
- b) **Liquidity**
- c) **Provisioning, Definition of Default and Non-Performing Loan (NPL)-related measures**
- d) **Consultations/Implementation Timetables**
- e) **Other Measures– such as changes to reporting requirements.**

<sup>1</sup> See <https://www.iif.com/Publications/ID/3870/An-Aerial-View-of-the-Bank-Prudential-Regulatory-Response-to-COVID-19>. That article introduced the dataset and measures taken as of April 20, 2020.

<sup>2</sup> See <https://www.iif.com/COVID-19> and navigate to “COVID-19 Regulatory Measures”. The database is based on publicly available information and does not represent views of the IIF on the measures captured. Separate IIF databases containing insurance regulatory measures and other non-prudential policy measures can be found on the same webpage.

<sup>3</sup> As the information is hand-collected it is possible that some measures have been inadvertently omitted. However, it is intended to be indicative of the nature of the evolving international prudential response to the pandemic. The measures that are in the database are recorded at the time when the statement is announced publicly. Some measures may be time limited and naturally lapsed, but may not be shown as removed unless that was explicitly announced later.

<sup>4</sup> One Brazilian measure in the database was announced by the authorities in March as having been taken at the end of February 2020. In this paper it is considered as a measure taken in March.

<sup>5</sup> The database includes the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO), the International Accounting Standards Board (IASB), and the Financial Action Task Force (FATF).

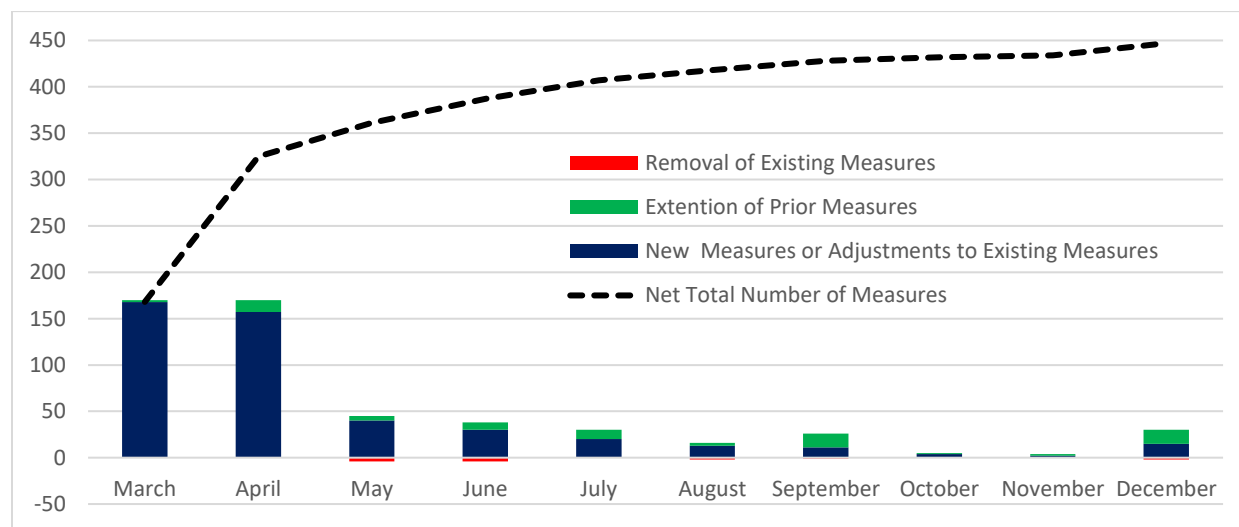
While adding up the number of different measures adopted in a jurisdiction might not provide an accurate summary of the aggregate prudential policy support provided, some descriptive statistics are provided here to give a high-level view and provide insights into the extent and evolution of the global bank prudential policy response during 2020. This analysis, and the underlying database, does not account for the materiality or potential magnitude of each measure that has been taken.

**Over 500 banking sector prudential regulatory measures were taken between March and December in response to the COVID-19 pandemic.**

Our database records a **total of 534 distinct measures** that were taken between March and December 2020 in response to the COVID-19 pandemic, as shown in Chart 1.<sup>6</sup> Of these:

- 460 measures (including new measures and adjustments to existing measures) were announced, comprising 84% of the database;
- 74 announcements were extensions of existing measures; and
- Only 13 announcements were to explicitly remove certain measures.

**Chart 1: Total number of bank regulatory measures – decomposed into new measures, adjustments, extensions, and removal of measures <sup>7</sup>**



**A variety of measures have been used, but the largest proportion are capital measures.**

Looking at the five categories, the largest number of measures taken by the authorities are capital measures (36% of all announcements) as shown in Chart 2. This includes permitting flexibility in the usage of buffers,

<sup>6</sup> Measures are counted on a jurisdiction-by-jurisdiction basis. For example, when the ECB announced a measure and a European jurisdiction announced an adoption of that measure, they are counted as two individual measures in this paper.

<sup>7</sup> Measures are categorized as ‘Extensions’ when the duration of the measure is increased without any amendments to the underlying measure. When there is any change to the measure it is categorized as ‘Adjustment’. Removal of measures are categorized as ‘Removal’ when they are explicitly announced. Net Total Number of Measures is calculated as New Measures plus Adjustments minus Removals.

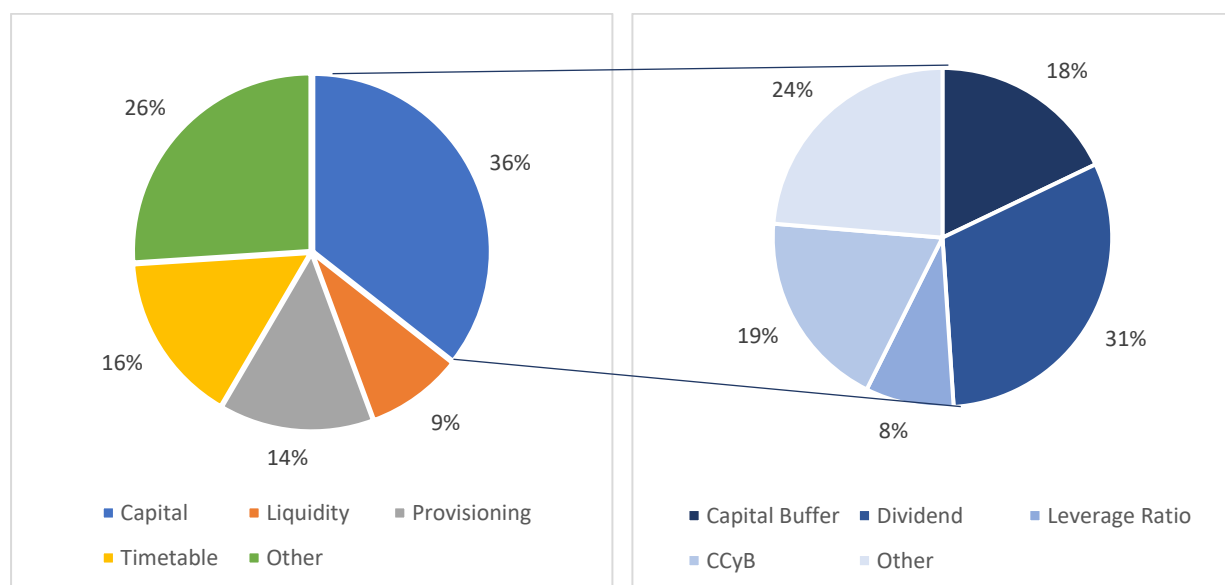
adjusting the level of the countercyclical capital buffer (CCyB), and permitting exclusions to the leverage ratio exposure measure. Some authorities applied restrictions on capital distributions such as dividends and share buybacks. The breakdown of capital measures is shown in Chart 3.

The second largest number of measures related to postponing the timelines for consultations and deferral of Basel III implementation (referred to as the ‘Timetable’ category in Chart 2). Most of these measures were announced during the first two months of the pandemic.

Liquidity related measures comprised 9% of all measures captured in the database. Nevertheless, as discussed in the next section, most jurisdictions or authorities adopted at least one liquidity-related measure, including allowing flexibility to use liquidity buffers.

There was also a significant number of ‘Other measures’ (26%) including adjustments to authorities’ work programs, reporting requirements, and short-selling prohibitions.

**Chart 2: Composition of global measures - by category of measure**      **Chart 3: Composition of capital-related measures**



***Authorities responded with a range of measures to support the economy and relieve the operational burden on banks during the crisis.***

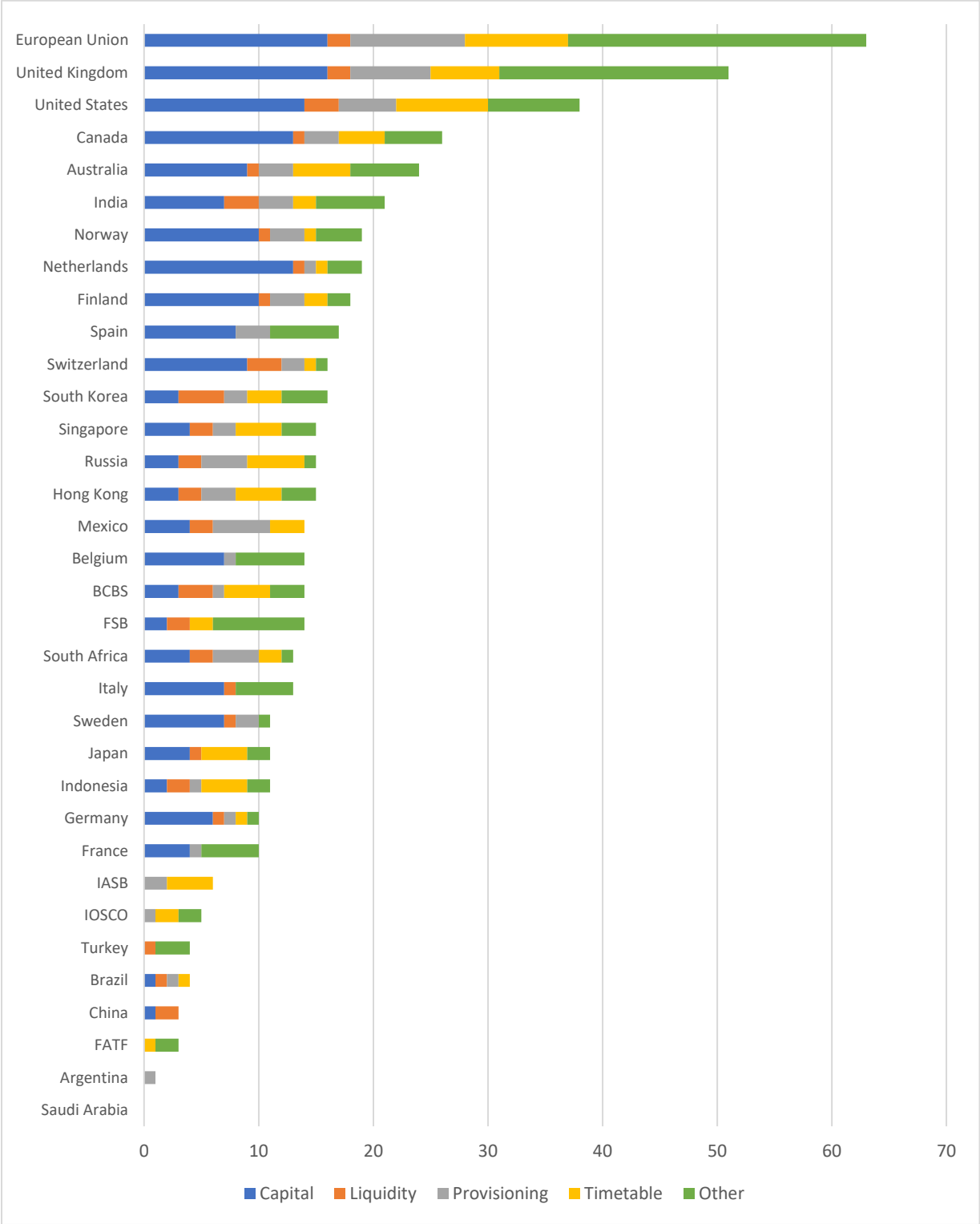
**Nearly all of the 34 jurisdictions or authorities in the database have taken measures in response to COVID-19, demonstrating the global scale and significance of the pandemic and associated response by regulatory authorities.** On average, each has used fifteen or sixteen distinct measures. The most active jurisdictions have been the EU Authorities,<sup>8</sup> UK, US, Canada and Australia (Chart 4).

Jurisdictions and authorities have deployed a variety of different measures, with some adopting measures from all five of the database’s policy categories. The most active jurisdictions have tended to adopt a wide

<sup>8</sup> The European Central Bank, European Banking Authority, European Securities and Markets Authority, and the Single Resolution Board are captured in the database.

variety of policy measures, but even countries that have used fourteen (the median) or fewer distinct measures have often used three or four different types.

**Chart 4: Total number of bank regulatory measures - broken down by jurisdiction and type of measures**

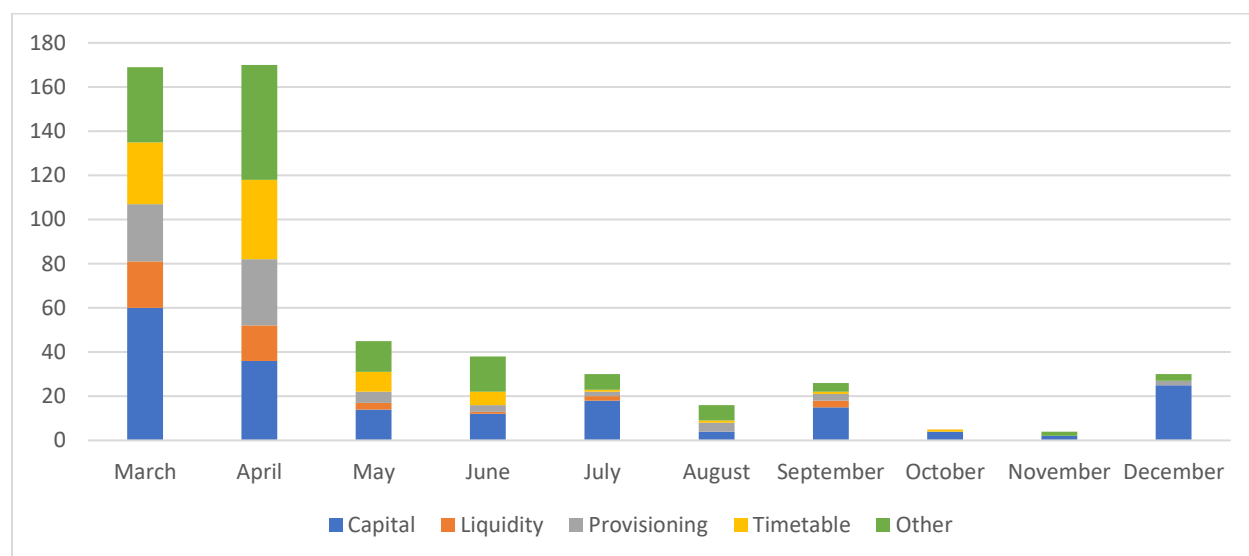


*The bulk of the measures were announced in March and April, with several being extended later.*

### **March and April**

**The majority of the announcements and novel measures introduced were concentrated in March and April, 2020:** 340 measures were taken during those two months alone. This accords with the initial unfolding of the COVID-19 crisis when the economy, society and the financial system had to respond to the unexpected and unprecedented events. It also highlights the speed with which authorities responded to the COVID-19 crisis and the transparency with which they acted (Chart 5).

**Chart 5: Total number of bank regulatory measures and announcements– broken down by month and category of measure <sup>9</sup>**



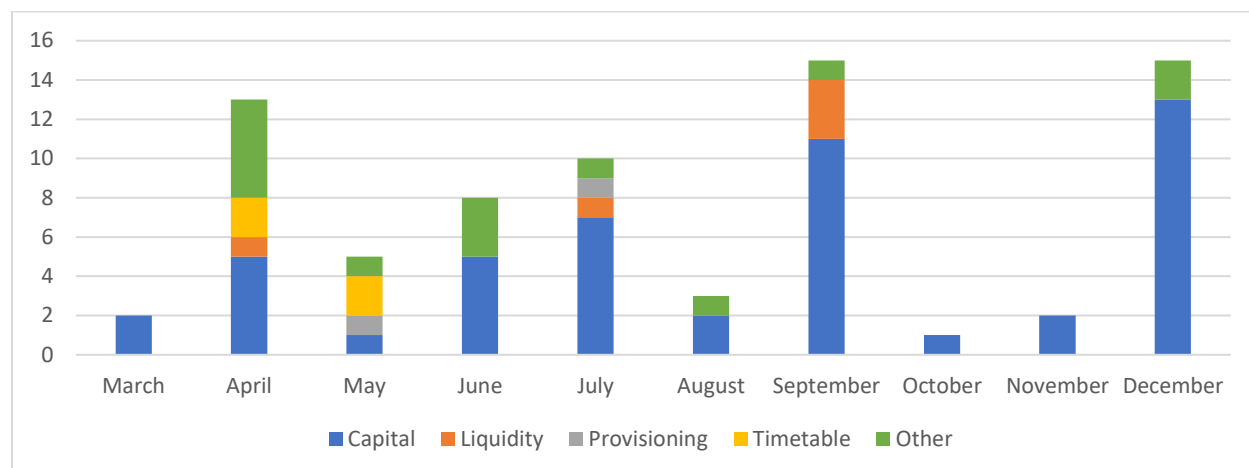
### **May to December**

The number of new measures declined each month between May and August in 2020. **However, there were noticeable increases in the number of announcements in September and December – largely extensions of existing measures.** This indicates that in H2 2020 regulatory authorities periodically considered the status of the COVID-19 crisis and whether additional or extended measures were required as the banking system continued to provide support to companies and households (Chart 5).

In terms of the approach to explicitly extending measures taken, short-term extensions of approximately one month were commonly implemented between April and June. However, measures were often extended again and for longer periods thereafter, often to quarter ends. **The extended measures largely comprised capital measures, such as reiterating the flexibility of buffers or maintaining the CCyB at a rate determined during March or April** (Chart 6).

<sup>9</sup> All the measures in the IIF database during 2020 are captured, including new measures, adjustments, extensions, and removals.

**Chart 6: Total number of extensions of regulatory measures – broken down by month and category of measure**



***Amid ongoing exceptional uncertainty, prudential flexibility will continue to be necessary to support the economy through this crisis.***

The global standard setting bodies, G20 members and other leading financial jurisdictions have taken a variety of measures to weather the COVID-19 crisis so far. The prudential regulatory response has so far been swift and substantial to enable the financial sector to contribute to supporting households, businesses, and markets. While there is encouraging news about the distribution of vaccinations across the world, the duration of this health and economic crisis remains uncertain. Amid this “exceptional uncertainty” ([IMF World Economic Outlook](#), January 2021), it remains valuable for regulators to provide the maximum transparency and necessary flexibility for banks to effectively support their clients and the economy.