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## COVID-19 RELATED (REGULATORY) UPDATES

The COVID-19 virus (corona) leads globally to substantial concerns and has huge impact on the daily business. In many nations a (semi or total) lockdown situation has been implemented or is expected in due course. The current situation impacts financial institutions and their clients substantially. Our RSM-team on Governance, Risk & Compliance keeps an eye on all developments in the financial markets as well as in the field of financial supervisory. We aim to keep you informed about the upcoming developments from a financial regulatory perspective, also bearing the practical consequences in mind.

### **DNB lowers buffer requirement banks**

Together with the Dutch Ministry of Finance, AFM and the Dutch Association of Banks, DNB decided to lower buffer requirements for banks in order to ensure the stability of the financial sector. With this measure, payments and providing credit to business continue to function properly. The current system buffers are 3% of the global risk-weighted exposures and will be 2,5% for ING and 1,5% for ABN-AMRO. Furthermore, the introduction of a lower limit for the risk weighing of mortgage loans will be postponed. With these measures, €8 million in capital will be released. This allows banks to continue lending in the event of increasing losses.

### **Continuity plans DNB with reference to COVID-19**

DNB emphasizes that business continuity plans are mostly focused restoring on critical business processes after short disruptions, such as natural disasters, failure of (IT) infrastructure or terrorist attacks. However, a pandemic is not a short-term incident, but the effects can last for months. Continuity plans are focused on short-term events and could be insufficient to cope with long-term incidents such as the COVID-19 pandemic. DNB expects that institutions have acknowledged this, have analyzed this and that institutions will take additional measures.

And pay attention to the following subjects:

- Proactive monitoring of developments surrounding this pandemic
- Mapping and analyzing the consequences of a pandemic for the institution itself
- Assessment of adequacy of current continuity plans (taking into account the 30% or more absence of personnel)
- Explicitly include the pandemic scenario into the testing strategy of the continuity plans
- Taking into account the possible change of behavior of clients and personnel (and supporting infrastructure to work from home)
- In case where external service providers or critical suppliers are used, ensure that they have taken adequate measures to be prepared for a pandemic

### **EBA statement on actions to mitigate the impact of COVID-19 on the EU banking sector**

EBA has announced to postpone EU-wide stress test to 2021 in order to allow banks to prioritize operational continuity, including customer support. EBA has instructed Competent Authorities to plan supervisory activities and on-site inspections in a pragmatic and flexible way and if possible, postpone the on-site inspections that are non-essential.

### ESMA recommends action by financial market participants for COVID-19 impact

ESMA (European Securities and Market Authority), after discussions by Board of Supervisors, has recommended actions by financial market participants for COVID-19 impact. Recommendations are as follows:

**Business Continuity Planning:** All financial market participants should be ready to apply their contingency plans to ensure operational continuity in line with regulatory obligations.

**Market disclosure:** Issuers should disclose any relevant significant information concerning the impacts of COVID-19 on their business in accordance with their transparency obligations under the MAR (Market Abuse Regulation).

**Financial Reporting:** Issuers in their 2019- year end financial report (if not finalized yet) or interim financial reporting disclosures, should provide qualitative and quantitative information on the actual and potential impacts of COVID-19 on their business activities, financial situation and economic performance.

**Fund Management:** Asset managers should continue to apply the risk management requirements.

### ESMA postpones new reporting obligations

With reference to the current developments regarding COVID-19, the European financial supervisors have decided to postpone the new reporting obligations of securities financing transactions (SFTR). This obligation would come into force on the 13th of April. Furthermore, the ESMA is issuing a Public Statement in order to ensure that competent authorities do not prioritize their supervisory actions in relation to the new MiFIR tick-size regime from 26th of March up until the 26th of June. ESMA also expects competent authorities to generally apply their risk-based supervisory powers in their day-to-day enforcement of applicable legislation in this area in a proportionate manner.

### European Commission adopts Temporary Framework to enable Member States to further support the economy in the COVID-19 outbreak

The European Commission has adopted a Temporary Framework that allows Member States to ensure that sufficient liquidity remains available to businesses after the COVID-19 outbreak.

Temporary Framework provides for five types of aid:

1. Member States will be able to grant up to €800,000 in the shape of direct grants, tax advantages and/or advance payments to a company.
2. Member States will be able to provide State guarantees to ensure banks keep providing loans to the customers.
3. Member States will be able to grant loans with favourable interest rates to companies.
4. Framework provides further guidance on ensuring minimal distortion of competition between banks.
5. Framework introduces additional flexibility enabling short-term export credit insurance to be provided by the State where needed.

### Lower threshold short sell by decision of ESMA

Due to the current developments on the stock exchanges, de European supervisors have decided to lower the reporting threshold of short selling positions from 0,2 percent to 0,1 percent. The lowering of the threshold is valid for three months, but is extendible.

### More information?

In case you have any further questions regarding this article, please feel free to contact [Herman Annink](#), [Songul Balaban](#), [Jaap van Dijk](#) or [Marlène Jans](#) of the Governance, Risk & Compliance-team of RSM.

The situation around corona is developing and changing every hour. Please find the most up-to-date information about COVID-19 related issues and possible support in [our coronavirus-section on our website](#).