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KARATZAS & PARTNERS

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1. ECB recommends banks not to pay dividends and to refrain from share buy-backs until at least October 2020.

Following earlier announcements by the ECB on 12 March 2020 and 20 March 2020, concerning temporary relief measures to ensure that banks keep supporting the economy, the ECB issued on 27 March 2020 a recommendation addressed to banks supervised by the SSM, but also to national competent authorities with regard to banks supervised by them, recommending that at least until 1 October 2020:

1. No dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by the credit institutions for the financial year 2019 and 2020 and
2. that credit institutions refrain from share buy-backs aimed at remunerating shareholders.

Credit institutions that are unable to comply with this Recommendation because they consider themselves legally required to pay-out dividends should immediately explain the underlying reasons to their joint supervisory team.

The aim of the recommendation is to boost banks’ capacity to absorb losses and support lending to households, small businesses and corporates during the coronavirus (COVID-19) pandemic.

2. EBA fosters contactless payments and offers flexibility for the implementation of moratoria

The European Banking Authority (EBA) has offered guidance on the application of prudential framework in light of COVID-19 measures, by making (among others) the following statements:

Banks and other payment service providers have been encouraged to raise their contactless payment thresholds to the legal limit; the Hellenic Bank Association has indeed confirmed that, for the two (2) following months, contactless payments in Greece will be possible up to EUR50, as a sanitary measure.

Moratoria permitting suspension or delays in payments can extend the period of 90 days past due, which is relevant to the determination of whether a default has occurred. Moreover, such measures should not necessarily lead to a reclassification of any loan under the definition of forbearance.

3. The Basel Committee announces the deferral of Basel III implementation

The Governors and Heads of Supervision announced that the implementation of the standards complementing the initial set of Basel III standards (revised leverage ratio, revised standardized approach for credit risk, revised operational risk framework etc.) will be deferred by one year, in order to ensure that banks and supervisors will have the operational capacity to respond to the impact of the pandemic on the banking sector and the real economy. As a consequence, the revised date of implementation of these standards is January 1, 2023 (and January 2, 2028, for the transitional arrangements regarding the output floor).

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