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31 March 2020

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## Statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19

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In response to the global outbreak of the Corona virus (COVID-19 outbreak) and its spread in Europe particularly since February 2020, the EBA issued a statement on actions to mitigate the impact of COVID-19 outbreak on the EU banking sector on 12 March 2020<sup>1</sup>. The statement published today aims to detail further possible actions to be taken by institutions or competent and resolution authorities in this context.

As the institutions may face increasingly difficult conditions in the immediate future, the EBA considers that they need to concentrate their efforts on monitoring and assessing the impact of the COVID-19 outbreak as well as ensuring business continuity. At the same time, market participants and competent and resolution authorities need access to reliable information, in order to understand institutions' financial and prudential situations.

### Supervisory reporting

The statement issued by the EBA on 12 March 2020 explicitly refers to the possibility that competent and resolution authorities could give institutions some leeway with regard to the remittance dates for some areas of supervisory reporting, without putting at risk the access to the crucial information needed to monitor closely institutions' financial and prudential situation.

Reliable supervisory data is crucial in times when the financial system faces turbulences caused by extraordinary situations. Considering the potential impact of the COVID-19 outbreak on the economy in the near future, it is important to have key prudential information on capital, risks, liquidity and the financial position of institutions.

Bearing all these factors in mind, competent and resolution authorities should assess the extent to which a delayed submission of all the data or subsets of the data included in the EBA reporting framework would be justified in these extraordinary circumstances. For the time being, such supervisory actions are only being considered for submissions due between March and end of May 2020.

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<sup>1</sup> EBA statement on actions to mitigate the impact of COVID-19 on the EU banking sector (<https://eba.europa.eu/eba-statement-actions-mitigate-impact-covid-19-eu-banking-sector>)

In general, **institutions should be allowed up to one additional month for submitting the required data<sup>2</sup>**. Each competent and resolution authority should clarify the precise terms for institutions in their jurisdiction. **Such exception should not apply to:**

- Information on the liquidity coverage ratio (LCR) and on the Additional Monitoring Metrics (ALMM) and data sets identified as priority by the competent or resolution authority. This data should be reported in accordance with the deadlines specified in the applicable reporting standard;
- Reporting for resolution planning purposes: Information on the institution's liability structure, including intra-group financial connections should be reported to resolution authorities by the set date in the applicable reporting standard (30 April 2020 or earlier if set by the resolution authority).

High quality data is of crucial importance and a pre-requisite for a reliable assessment during ordinary times, but even more during times when the financial system faces extraordinary situations. Where an adequate level of data quality is not achieved, resubmissions are necessary. In order to facilitate operational efficiency, however, **a specific timeframe for updating, correcting and resubmitting the data can be discussed and agreed with the competent authority.**

From March 2020 onwards, reporting framework version 2.9 will gradually replace its predecessor version 2.8. The EBA is of the view that prolonging the application of version 2.8 would not provide a significant relief to institutions or authorities, because their operational planning is already advanced and a postponement would be more disruptive. It would also misalign the reporting with the underlying regulatory framework. **Reporting in accordance with version 2.9 should therefore start, as envisaged by the adopted Implementing Act amending Regulation, with the reference date 31 March 2020.**

The EBA is committed to facilitating the efficiency of institutions' reporting in the light of the situation caused by the COVID-19 outbreak. Competent and resolution authorities are asked to give particular considerations to the ad-hoc data requests they issue to institutions at this point in time. The COVID-19 outbreak triggers particular information needs which possibly cannot be fully satisfied on the basis of regularly reported data and which, within reason, need to be addressed to institutions. Therefore, the EBA suggests that **competent and resolution authorities do not prioritise their supervisory actions towards ad-hoc data collections that are not specifically needed to monitor institutions in the context of the COVID-19 outbreak.**

In line with this commitment and the statement of 25 March 2020<sup>3</sup>, and in coordination with the Basel Committee on Banking Supervision, **the EBA has decided to cancel the QIS exercise based on June 2020 data.**

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<sup>2</sup> The remittance for funding plans data has been extended by two months, see EBA statement 'EBA provides clarity to banks and consumers on the application of the prudential framework in light of COVID-19 measures' of 25 March 2020.

<sup>3</sup>The EBA statement on Further actions to support banks' focus on key operations: postponed EBA activities <https://eba.europa.eu/eba-provides-clarity-banks-consumers-application-prudential-framework-light-covid-19-measures>

## Pillar 3 disclosures

While the EBA recognises the relevance of the timely disclosure of meaningful prudential information by institutions to address uncertainties on the risks and vulnerabilities faced and to restore the stakeholder's confidence, particularly in the context of the COVID-19 outbreak, the EBA is also aware of the operational challenges derived from this situation. Addressing, in a coordinated way, the operational challenges that institutions may face is a priority. When addressing institutions' operational challenges, the EBA aims to ensure an effective coordination with the competent authorities and with actions taken by ESMA and EIOPA.

In the current circumstances, competent authorities should consider the difficulties that institutions may face to prepare their Pillar 3 reports within the usually applicable deadlines for publication and should make use of the flexibility that they may have when exercising the powers set in point (a) of Article 106 CRD.

In particular, the EBA encourages **competent authorities to be flexible when assessing the institutions' compliance with the deadlines for the publication of their Pillar 3 reports as set out in accordance with Article 106 (1) CRD.**

When exercising this flexibility, competent authorities should consider the requirement for those institutions with securities issuances traded in a regulated market to publish their Pillar 3 reports "in conjunction with" the date of publication of their financial statements, that is, on the same date or as soon as possible thereafter. In this regard, competent authorities should take into account the expectations set by ESMA in the public statement published on 27 March 2020<sup>4</sup> in respect of need for flexibility when supervising compliance with the deadlines set out in the Transparency Directive for the publication by issuers of whose securities are admitted to trading on regulated markets of their annual and half-yearly financial report.

Similarly, competent authorities should consider similar flexibility when assessing the compliance of the deadlines set in accordance with Article 106 CRD for those institutions preparing their financial statements according to their national accounting law and that are not under the scope of the Transparency Directive.

Where institutions reasonably anticipate that publication of their Pillar 3 reports will be delayed, they are expected to inform their competent authorities and market participants of the delay, the reasons for such delay and to the extent possible the estimated publication date.

Finally, the EBA emphasises the importance of transparency and Pillar 3 disclosures to address uncertainties on the risks faced by institutions<sup>5</sup>. Competent authorities and institutions **should assess the need for additional Pillar 3 disclosures on prudential information that may be**

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<sup>4</sup> ESMA statement on actions to mitigate the impact of COVID-19 on the EU financial markets ([https://www.esma.europa.eu/sites/default/files/library/esma80-191-995\\_public\\_statement.pdf](https://www.esma.europa.eu/sites/default/files/library/esma80-191-995_public_statement.pdf))

<sup>5</sup> In understanding public disclosures the EBA draws attention to the EBA Guidelines on LCR disclosure (EBA/GL/2017/01) and LCR values which are disclosed as an average value of month-end observations for the twelve months preceding the disclosure reference date.

**necessary in order to properly convey the risk profile of the institution<sup>6</sup> in the context of the COVID 19 outbreak.** When doing this assessment, they 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.

This statement will be reviewed at a later point in time in the light of further developments with regard to the COVID-19 outbreak.

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<sup>6</sup> Article 431 CRR and Article 104 CRD