

Communication

Brussels, 1 April 2020

Reference: NBB_2020_011

Contact person:

Catherine Terrier

Phone +32 2 221 45 32

catherine.terrier@nbb.be

Expectations regarding dividend distribution policy in the context of the management of the coronavirus (COVID-19)

Scope

Belgian (mixed) financial holding companies and credit institutions that are not under the direct supervision of the European Central Bank¹.

Summary/Objectives

This Communication sets out the expectations of the Bank regarding the dividend distribution policy of credit institutions and groups of credit institutions that are under the direct supervision of the Bank, in light of the measures adopted to manage the impact of the coronavirus (COVID-19).

¹ The list of institutions under the direct supervision of the ECB can be consulted through the following link:
<https://www.bankingsupervision.europa.eu/banking/list/who/html/index.en.html>.

Dear Sir,
Dear Madam,

The European Central Bank ('ECB') has recently adopted a number of measures to cope with the impact of the coronavirus (COVID-19) on the economy and to ensure that credit institutions can continue to fulfil their role in financing households and companies in these difficult times.

In line with these measures, the ECB issued Recommendation (ECB/2020/19) of 27 March 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation (ECB/2020/1), which is annexed to this Communication.

Point I of this Recommendation reads as follows:

1. The ECB recommends that at least until 1 October 2020 no dividends² 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 that credit institutions refrain from share buy-backs aimed at remunerating shareholders.
2. 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.
3. This Recommendation applies on a consolidated level of a significant supervised group as defined in point (22) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17) and on an individual level of a significant supervised entity as defined in point (16) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17), if such significant supervised entity is not part of a significant supervised group.

Point II of this Recommendation states that it is aimed at significant supervised entities and significant supervised groups as defined in Article 2, points (16) and (22) of Regulation (EU) No 468/2014 (ECB/2014/17).

Additionally, the recitals of this Recommendation mention the fact that - in order to maximise the support to the real economy - it is also considered appropriate that credit institutions that are not under the direct supervision of the ECB should also refrain from such dividend distributions.

In line with this, point III of this Recommendation is therefore also addressed to national competent authorities and national designated authorities with regard to less significant supervised entities and less significant supervised groups as defined in Article 2, points (7) and (23) of Regulation (EU) No 468/2014 (ECB/2014/17). Consequently, the national competent authorities are expected to also apply this Recommendation to such entities and groups, as deemed appropriate.

Given the current difficult situation and the unpredictability of its further evolution, the Bank expects the credit institutions and (mixed) financial holding companies that are under its direct supervision to also comply with the ECB Recommendation annexed to this Communication.

The Bank will closely monitor the further progress of the measures adopted in managing the coronavirus COVID-19 and will inform the institutions concerned of any changes to the expectations set out in this Communication.

² Credit institutions may have various legal forms, e.g. listed companies and non-joint stock companies such as mutuals, cooperatives or savings institutions. The term 'dividend' as used in this Recommendation refers to any type of cash pay-out that is subject to the approval of the general assembly.

A copy of this Communication will be sent to your institution's accredited statutory auditor(s).

Yours faithfully,

Pierre Wunsch
Governor

Annex - only available through www.nbb.be:

- Recommendation (ECB/2020/19) on dividend distributions during the COVID-19 pandemic and repealing Recommendation (ECB/2020/1)