

EBA/GL/2020/07

2 June 2020

Final Report

Guidelines

on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis

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1. Executive Summary

In response to the need to address negative economic consequences of COVID-19 pandemic, the European Union (EU) and Member States have introduced a wide range of mitigating measures to support the real economy and the financial sector. As part of such measures, some Member States have introduced legislative moratoria on loan repayments granting the borrowers various forms of payment holidays on their existing loans. In other Member States similar measures have been introduced under individual institutions' industry-coordinated initiatives. Many Member States have also introduced various forms of public guarantees to be applied to new lending.

Coordinating supervisory response to these measures, the European Banking Authority (EBA) has clarified the implication of such payment moratoria on the application of prudential rules, including in relation to the application of rules on forbearance and the definition of default and non-performing exposures. Clarifications regarding the prudential treatment have been set out in the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis¹ (hereinafter the GL on moratoria). These clarifications, in particular, mean that the payment holidays applied on the basis of the GL on moratoria are not to be considered as forbearance measures, they do not change the pre-existing classification of exposures, and therefore such measures are not captured in the existing supervisory reporting framework.

The lack of sufficient information on the application of payment moratoria and the public guarantees necessitates additional collection of specific information from the institutions for supervisory purposes, and also calls for public disclosure for the purposes of market discipline and transparency for investors and in the wider public interest.

As a coordinated approach to the collection of information regarding the application of the payment moratoria to the existing loans and public guarantees to new lending in response to COVID-19 pandemic, the EBA is introducing additional reporting and disclosure covering both aspects. Competent authorities are expected to take all necessary supervisory measures to ensure that institutions report and disclose additional information as set out in these guidelines.

The guidelines are built on the existing definitions of Commission Implementing Regulation (EU) No 680/2014 (FINREP), and are subject to the application of the principle of proportionality and supervisory flexibility to tailor the application of the guidelines in way that is best suited for the particular situations in a given Member State. The guidelines provide large room for supervisory flexibility in implementation in terms of both the population of institutions addressed and the data templates applied.

The guidelines cover the following: (1) reporting requirements to monitor the use of payment moratoria and the evolution of the credit quality of the exposures subject to such moratoria in accordance with the GL on moratoria, (2) disclosure requirements for the exposures subject to the

¹ EBA/GL/2020/02

payment moratoria in accordance with the GL on moratoria, (3) reporting requirements for the new loans subject to specific public guarantees set up to mitigate the effects of the COVID-19 crisis, (4) disclosure requirements for the new loans subject to the specific public guarantees set up to mitigate the effects of COVID-19 crisis, and (5) reporting requirements on other forbearance measures applied in response to COVID-19 crisis.

The reporting and disclosure requirements are on the basis of these guidelines put forward strictly in the context of the COVID-19 pandemic, and are therefore expected to be time-limited.

Reporting should be performed on a quarterly basis, with the first reference date of 30 June 2020, and for an expected period of 18 months. Disclosure should be performed semi-annually on 30 June and 31 December.

To facilitate reporting on the basis of these guidelines, the EBA will provide technical package, covering validation rules, the data point model (DPM) and the XBRL taxonomy and will fully integrate the new reporting into the EBA reporting framework. Similarly to the implementing technical standards (ITS) on reporting the XBRL taxonomy will not be mandatory for reporting institutions and will not be part of the guidelines. To facilitate that additional reporting, and reduce the costs for institutions and competent authorities, the EBA will also link the technical release of the new reporting requirements with the existing planned release (as a separate module in 2.10 phase 2). The EBA will publish the v2.10 Phase 2 release in June 2020.

Due to the urgency of the matter, the specific focus of these guidelines on COVID-19 pandemic-related and the need to provide the credit institutions with the maximum possible time to prepare themselves for this additional reporting and disclosure to be imposed by competent authorities in compliance with these guidelines, the EBA decided not to carry out public consultations or a cost-benefit analysis in this case. The EBA has notified the Banking Stakeholder Group (BSG) of its intention to issue these guidelines and requested the BSG's advice.

2. Background and rationale

Introduction

1. Following the outbreak of the COVID-19 pandemic, governments across the globe and in the EU introduced a number of response measures, including various forms of population confinement, which are expected to have significant economic consequences. In particular, many businesses, especially private individuals and small and medium-sized enterprises (SMEs) affected by the crisis may face liquidity shortages and difficulties in timely payment of their financial and other commitments. This situation could in turn have an impact on credit institutions, as delays in the repayment of credit obligations may lead to an increase in the volume of non-performing loans on credit institutions' balance sheets.
2. As a response to the negative impact that the COVID-19 pandemic may have on the EU banking sector, a number of Member States implemented a broad range of measures, such as legislative moratoria on loan repayments, with the aim to support the operational and liquidity challenges faced by borrowers. In other Member States, similar measures have been introduced under credit institutions' industry-wide coordinated initiatives.
3. On 2 April 2020, the EBA published Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis² which clarifies a set of criteria and conditions under which such measures do not trigger forbearance classification of loans and advances, and sets out their further prudential treatment in this context.
4. More precisely, moratoria on loan payments that are in accordance with the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis do not trigger forbearance classification and the assessment of distressed structuring of loans and advances benefiting from these moratoria and they do not automatically lead to default classification. For example, if a performing loan is subject to a moratorium compliant with the GL on moratoria, which brings contractual changes to the terms of the loan, in the existing supervisory reporting this loan will continue to be reported under the category of performing exposures with no specific indication of the measures applied. However, it is also emphasised that the credit institutions should continue the monitoring and where necessary the unlikelihood to pay assessment of loans and advances that fall under the scope of these moratoria.
5. Furthermore, as part of the response to the COVID-19 pandemic, a number of Member States introduced public guarantee schemes to be applied to newly originated loans and advances. These public guarantee schemes may vary in their characteristics, such as in the level of

² EBA/GL/2020/02



guarantee given to different counterparties (e.g. households, SMEs and large corporates) and in the duration of the guarantee.

6. It is expected that credit institutions make use of general payment moratoria and other measures applied in response to COVID-19 in a transparent manner under the current market and regulatory conditions. In order to allow effective monitoring of the effects of the COVID-19 pandemic and the application of response measures, it is necessary for credit institutions to collect information about the scope and effects of the use of the moratoria and other COVID-19 related forbearance measures. Monitoring of the application of the moratoria on loan repayments, COVID-19-related forbearance measures and the use of public guarantees to new lending is crucial for the purposes of risk analysis of individual institutions and for the overall financial stability in the EU.
7. The existing supervisory reporting requirements in Commission Implementing Regulation (EU) No 680/2014 (FINREP)³ do not include the information necessary for the monitoring of these measures applied in response to the COVID-19 crisis. Similarly, the existing Pillar 3 disclosure requirements do not provide information on the measures applied in response to the COVID-19 crisis. Furthermore, potential forbearance measures that institutions may introduce in response to COVID-19 pandemic are also not captured explicitly in the current reporting framework.
8. Consequently, the EBA identified the short-term additional supervisory reporting and disclosure necessary for monitoring the implementation of the measures introduced in response to the COVID-19 crisis cognisant of the need for proportionality in the current circumstances. To comply with these guidelines, competent authorities should introduce the additional reporting and disclosures set out therein when exercising their relevant supervisory powers in accordance with Article 104 of Directive 2013/36/EU.
9. These guidelines and associated reporting templates have been built on the existing FINREP definitions and technical specifications in order to increase the operational efficiency for the credit institutions. Similarly, the definitions in Pillar 3 disclosure requirements are based on the EBA Guidelines on disclosure of non-performing and forborne exposures⁴. This is expected to facilitate the use of data and complement the current public information on non-performing and forborne exposures.
10. Due to the urgency of the matter, the specific focus of these guidelines on the COVID-19 pandemic-related measures and the need to provide the credit institutions with the maximum possible time to prepare themselves for this additional reporting and disclosure to be imposed by competent authorities in compliance with these guidelines, the EBA decided not to carry out public consultations or a cost-benefit analysis in this case. The EBA has notified the Banking

³ Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament (OJ L 191, 28.6.2014).

⁴ EBA/GL/2018/10



Stakeholder Group (BSG) of its intention to issue the guidelines but has not requested the BSG's advice.

Reporting and disclosure requirements

11. The guidelines comprise of a set of templates covering the following elements:

- a. reporting requirements on exposures subject to moratoria on repayments in accordance with paragraph 10 of EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis;
- b. reporting requirements on exposures subject to COVID-19-related forbearance measures;
- c. reporting requirements on newly originated exposures that are subject to public guarantee schemes applied in response to the COVID-19 crisis;
- d. disclosure requirements on exposures subject to moratoria on repayments in accordance with paragraph 10 of EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis; and
- e. disclosure requirements on newly originated exposures that are subject to public guarantee schemes applied in response to the COVID-19 crisis.

12. The reporting requirements will apply on a quarterly basis, with the first reference date being 30 June 2020, and for an expected period of 18 months. The disclosure requirements will apply semi-annually on 30 June and 31 December. The reporting requirements will apply at individual, sub-consolidated and consolidated level subject to defined proportionality considerations.

Technical requirements for reporting

13. Competent authorities should require credit institutions to submit the data in an appropriate format, namely in a format that facilitates transfer and aggregation at national and EU levels, and employ practices that safeguard the confidentiality of information.

14. To facilitate data collection and transmission, and to set out clearly what data is required, the EBA will develop and publish (in June 2020) accompanying data validation rules (VRs), data point model (DPM) that will be used to generate an associated XBRL taxonomy.

Proportionality

15. The competent authorities need to be provided with the flexibility necessary to ensure that these guidelines apply across the EU in a proportionate way, reflecting not only the different types of institutions taking into account their size, nature and scope, as well as the complexity



of their activities and their risk profile, but also the inherent specificities of each Member States' banking sector and the impact of the COVID-19 crisis in each jurisdiction.

16. In Member States where no relevant measures have been implemented in response to COVID-19, such as moratoria compliant with GL on moratoria or public guarantee schemes applied on new loans, credit institutions in these jurisdictions do not have to report or disclose such information in respective templates of the guidelines.



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1. Compliance and reporting

Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010⁵. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by 2 August 2020. In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website with the reference 'EBA/GL/2020/07'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

⁵ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p.12).

2. Subject matter, scope and definitions

Subject matter

5. These guidelines specify the content and uniform formats to be required by competent authorities when exercising their supervisory powers for reporting on:
 - a. exposures that meet the conditions set out in paragraph 10 of EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the COVID-19 crisis⁶,
 - b. exposures subject to forbearance measures applied in response to the COVID-19 crisis; and
 - c. newly originated exposures subject to public guarantee schemes introduced in Member States in response to the COVID-19 crisis.
6. Furthermore, these guidelines specify the content and uniform formats to be required by competent authorities when exercising their supervisory powers for the disclosure of:
 - a. exposures that meet the conditions set out in paragraph 10 of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis;
 - b. newly originated exposures subject to public guarantee schemes introduced in Member States in response to COVID-19 crisis.

Scope of application

7. These guidelines apply to all exposures referred to in Annex V of Commission Implementing Regulation (EU) No 680/2014⁷, where these exposures are subject to the prudential treatment set out in the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, are subject to other COVID-19-related forbearance measures, or are newly originated and subject to public guarantee schemes introduced in Member States in response to the COVID-19 crisis.

⁶ EBA/GL/2020/02

<https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-legislative-and-non-legislative-moratoria-loan-repayments-applied-light-covid-19-crisis>

⁷ Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament (OJ L 191, 28.6.2014).



8. Without prejudice to paragraph 19, sections 4 and 5 of these guidelines should be applied at the individual, sub-consolidated and consolidated level, as set out in Part One, Title II of Regulation (EU) No 575/2013.

Addressees

9. These guidelines are addressed to competent authorities as defined in point (i) of Article 4(2) of Regulation (EU) No 1093/2010 and to credit institutions as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013.

Definitions

10. Unless otherwise specified, terms used and defined in Regulation (EU) No 575/2013, in Annex V of Commission Implementing Regulation (EU) No 680/2014 and in the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis have the same meaning in the guidelines.

3. Implementation

Date of application

11. These guidelines apply from 2 June 2020.

4. Reporting of exposures subject to payment moratoria, other COVID-19-related forbearance measures and public guarantees

12. Credit institutions should report exposures that are subject to payment moratoria in accordance with the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis.
13. Credit institutions should report exposures that are subject to forbearance measures introduced in response to the COVID-19 crisis.
14. Credit institutions should report newly originated exposures subject to public guarantee schemes that Member States introduced in response to the COVID-19 crisis.
15. Without prejudice to paragraph 19, credit institutions should report the data set out in paragraph 12, 13 and 14 pursuant to the template set out in Annex 1 and in accordance with the instructions set out in Annex 2 on the following reference and remittance dates:
 - a. quarterly reporting reference dates: 31 March, 30 June, 30 September and 31 December; and
 - b. quarterly reporting remittance dates: 12 May, 11 August, 11 November and 11 February.
16. Credit institutions should submit the information referred to in these guidelines in the data exchange formats and representations specified by competent authorities, respecting the data point definition included in the data point model referred to in Annex XIV and the validation formulae specified in Annex XV of Commission Implementing Regulation (EU) No 680/2014, as well as the following specifications:
 - a. information that is not required or not applicable should not be included in a data submission;
 - b. numeric values should be submitted as facts according to the following:
 - i. data points with the data type 'Monetary' should be reported using a minimum precision equivalent to thousands of units;
 - ii. data points with the data type 'Integer' should be reported using no decimals and a precision equivalent to units.



17. Credit institutions should associate the data submitted in accordance with paragraphs 12, 13 and 14 with the following information:

- a. reporting reference date and reference period;
- b. reporting currency;
- c. accounting standard;
- d. identifier of the reporting institution;
- e. level of application as individual or consolidated.

5. Disclosure of exposures subject to payment moratoria and public guarantees

18. Credit institutions should disclose information on exposures subject to the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis and on newly originated exposures subject to public guarantee schemes, in accordance with the templates set out in Annex 3. Disclosure should take place semi-annually, with the reference date as of 30 June and 31 December.

6. Proportionality

19. To ensure the proportional application of the reporting and disclosure requirements set out in these guidelines, competent authorities should – having regard to the size, nature, scope, complexity of activities and risk profile of institutions under their remit, to the specificities of their banking sector and to the impact of the COVID-19 crisis – consider whether they should apply the following for one or more institutions under their remit:

- a. waiving the application of paragraphs 12 to 14 at the individual level;
- b. required the application of paragraph 15 in more frequent intervals setting out the reference and remittance days for these intervals;
- c. waiving the reporting of Tables 90.02, 90.03, 91.02, 91.03, 91.04, 92.01, 93.01 and 93.02 of Annex 1 for institutions;



- d. waiving the application of paragraph 18 for institutions that are not identified as global or other systemically important institutions;
- e. require the application of paragraph 18 at the highest level of consolidation within a Member State.



Annex 1 – Reporting templates covering information on exposures subject to measures applied in response to the COVID-19 crisis



Annex 2 – Reporting instructions covering information on exposures subject to measures applied in response to the COVID-19 crisis



Annex 3 – Disclosure templates covering information on exposures subject to legislative and non-legislative moratoria and on newly originated exposures subject to public guarantee schemes
