

A. Introduction

The COVID-19 crisis called for a decisive, coordinated response by the fiscal, monetary and prudential authorities in order to support the real economy. In those circumstances, the regulatory and legal framework applied to the financial sector was (temporarily) adjusted in order to ensure the continuity of financial services during the crisis, and various measures were taken with the sector's involvement to support the liquidity position of firms and households. However, the adjustments to the regulatory and legal framework did not only concern crisis-related aspects but also covered structural changes which had begun or were announced before March 2020. At microprudential level, the Bank is responsible for the supervision of credit institutions, investment firms, insurance undertakings, financial market infrastructures and payment institutions. Changes in the regulatory and legal framework – specific to certain sectors or applicable to them all – are described in chapter B.

This overview shows that the supervisory authority devotes increasing attention (and resources) to monitoring compliance with the rules on preventing money-laundering and combating terrorist financing. Society's legitimate expectations are so high that this is a priority for the Bank. The same applies to developments concerning the management of risks relating to climate change and the environment.

The crisis also affected the operational supervision of institutions subject to the Bank's surveillance, and particularly the inspections normally conducted on site. Furthermore, the supervision priorities were partly redirected towards crisis management, although the impact on the sector has been

relatively limited so far. However, the Bank continued to pay close attention to the more structural challenges facing the financial sector. Operational aspects relating to the supervision of financial institutions during 2020 – under the single supervisory mechanism (SSM) in the case of credit institutions – are presented in chapter C.

2020 also marked the fifth anniversary of the creation of the single resolution mechanism (SRM), in which the Bank exercises its mandate as the national resolution authority. The actions carried out in that connection are described in chapter D.

Finally, chapter E discusses prudential supervision aspects specifically linked to the digitalisation of financial services, which gained further importance in 2020.

Prudential policy formed an integral part of a decisive, coordinated response to the COVID-19 crisis

Apart from its microprudential missions, the Bank also exercises a

macroprudential mandate pursuant to the Law of 25 April 2014 which officially designated the Bank as the macroprudential authority in Belgium. Recent initiatives under that mandate are described in box 5 of the section of the Report on "Economic and financial developments". The Macroprudential Report published annually by the Bank describes the macroprudential framework in more detail.