

## EBA phases out its Guidelines on legislative and non-legislative loan repayments moratoria

21 September 2020

**The European Banking Authority (EBA) has been closely monitoring the developments of the COVID-19 pandemic and, considering the progress made so far, will phase out its Guidelines on legislative and non-legislative payment moratoria in accordance with its end of September deadline. These Guidelines, which were published in the early phases of the COVID-19 pandemic, have provided the necessary flexibility as well as certainty on the regulatory framework, in light of significant number of actions taken by banks to support their customers as exceptional lock-down measures were put in place. The continued ability for banks to provide lending is of key importance and the EBA will keep monitoring the situation as needed.**

The payment moratoria have been an effective tool to address short-term liquidity challenges caused by the COVID-19 pandemic. According to the notification on general payment moratoria received by the EBA, the vast majority of EU banks participated in such schemes. Moreover, depending on the duration of the payment extensions, which in Europe has been on average between 6 and 12 months, payment moratoria will continue producing their effects for a while. The EBA guidelines helped banks to effectively manage the large amounts of requests from customers wishing to participate in such schemes. However, the EBA does not consider adequate at this state the further extension of such an exceptional measure. It is opportune to return to the practice that any rescheduling of loans should follow a case-by-case approach.

The regulatory treatment set out in the Guidelines will continue to apply to all payment holidays granted under eligible payment moratoria prior to 30 September 2020, thus avoiding cliff effects risks of having to reclassify existing loans abruptly at a later stage. Banks can continue supporting their customers with extended payment moratoria also after 30 September 2020, such loans should be classified on a case-by-case basis according to the usual prudential framework.

### Background

The EBA Guidelines on legislative and non-legislative loan repayments moratoria were published on 2 April 2020 to ensure that banks, while maintaining comparable metrics, would be able to grant payment holidays to customers avoiding the automatic classification of exposures under the definition of forbearance or as defaulted under distressed restructuring. This regulatory measure was taken in light of the high degree of disturbance caused by the COVID-19 pandemic and acknowledged the crucial role played by banks in supporting ongoing liquidity challenged faces by European businesses during the pandemic expansion.

#### LINKS

- › [Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis](#)
- › [Our response to Coronavirus \(Covid-19\)](#)