



Corona update 24-6-2020

Measures announced with an impact relevant for the securitisation market

ESMA

March 11: ESMA recommends action by Financial Markets Participants for COVID-19 Impact. General recommendations concerning Business Continuity Planning, Market disclosure, Financial Reporting and Fund Management.
<https://www.esma.europa.eu/press-news/esma-news/esma-recommends-action-financial-market-participants-covid-19-impact>

March 20: ESMA extends Consultation response dates by 4 weeks. For Securitisation this implies that the Consultation on ND1-4 thresholds now closes on 13 April 2020.
<https://www.esma.europa.eu/press-news/esma-news/esma-extends-consultations-response-dates>

March 25: Guidance on accounting implications of Covid-19. ESMA notes that the measures taken in the context of the COVID-19 outbreak which permit, require or encourage suspension or delays in payments, should not be regarded as automatically having a one-to-one impact on the assessment of whether loans have suffered a Significant Increase in Credit Risk.
<https://www.esma.europa.eu/press-news/esma-news/esma-issues-guidance-accounting-implications-covid-19>

March 27: Guidance on Financial Reporting Deadlines in light of COVID-19. It recommends National Competent Authorities (NCAs) to apply forbearance powers towards issuers who need to delay publication of financial reports due to difficulties encountered due to COVID-19.
<https://www.esma.europa.eu/press-news/esma-news/esma-issues-guidance-financial-reporting-deadlines-in-light-covid-19>

EBA

March 12: Statement on actions to mitigate the impact of COVID-19 on the EU banking sector. The EU wide stress tests is postponed to 2021 to allow banks to prioritise operational continuity. And Competent Authorities should make full use, where appropriate, of flexibility embedded in existing regulations (incl. covering Pillar 2 requirements with capital instruments other than CET, flexible use of LCR etc.)
<https://eba.europa.eu/eba-statement-actions-mitigate-impact-covid-19-eu-banking-sector>

March 25: EBA provides clarity to banks and consumers on the application of the prudential framework in light of COVID-19 measures.

<https://eba.europa.eu/eba-provides-clarity-banks-consumers-application-prudential-framework-light-covid-19-measures>

March 31: EBA provides additional clarity on measures to mitigate the impact of COVID-19 on the EU banking sector.

<https://eba.europa.eu/eba-provides-additional-clarity-on-measures-mitigate-impact-covid-19-eu-banking-sector>

April 2: EBA publishes Guidelines on treatment of private and public moratoria in light of COVID-19 measures.

<https://eba.europa.eu/eba-publishes-guidelines-treatment-public-and-private-moratoria-light-covid-19-measures>

April 22: EBA provides further guidance on the use of flexibility in relation to COVID-19 and calls for heightened attention for risks including further clarity on the prudential application of the definition of default and forbearance as well as how the EBA Guidelines on legislative and non-legislative moratoria on loan repayments apply to securitisations. Also the reporting under the alternative standardised approach for market risk in the trading book (applicable to securitisation) has been postponed 6 months until Q3 2021.

<https://eba.europa.eu/eba-provides-further-guidance-use-flexibility-relation-covid-19-and-calls-heightened-attention-risks>

June 2: EBA issues guidelines to address gaps in reporting data and public information in the context of COVID-19.

<https://eba.europa.eu/eba-issues-guidelines-address-gaps-reporting-data-and-public-information-context-covid-19>

ECB

March 12: ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus. The ECB will allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR)

<https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312~45417d8643.en.html>

March 12: ECB announces measures to support bank liquidity positions and money market activity: Series of additional longer-term refinancing operations to safeguard liquidity and money market conditions and Operations allotted on a weekly basis and all mature on 24 June 2020 when the fourth operation of TLTRO III settles

https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312_2~06c32dabd1.en.html

March 12: ECB announces easing of conditions for targeted longer-term refinancing operations (TLTRO III): interest reduced by 25 bps, borrowing allowance raised to 25% of eligible loans.

https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312_1~39db50b717.en.html

March 18: ECB announces € 750 bln Pandemic Emergency Purchase Programme (PEPP)

https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html

April 2: ECB extends review of its monetary policy until mid-2021

<https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200402~942a1358ee.en.html>

April 22: ECB takes steps to mitigate impact of possible rating downgrades on collateral availability. Currently eligible ABSs to which a rating threshold in the general framework of CQS2 applies (equivalent to a rating of A-) will be grandfathered as long as their rating remains at or above CQS4 (equivalent to a rating of BB+).

https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200422_1~95e0f62a2b.en.html

April 30: ECB recalibrates targeted lending operations to further support real economy. Further lowering of interest rate on TLTRO and lending assessment period brought forward

<https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200430~fa46f38486.en.html>

April 30: ECB announces new pandemic emergency longer-term refinancing operations (PELTRO's)

https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200430_1~477f400e39.en.html

June 4: ECB announces Monetary policy decisions, incl, increase of the PEPP

<https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200604~a307d3429c.en.html>

BCBS

March 27: Deferral of Basel III implementation to increase operational capacity of banks and supervisors to respond to COVID-19.

Implementation date deferred 1 year to 1 January 2023 (output floor transitional arrangements also 1 year to 1 January 2028).

<https://www.bis.org/press/p200327.htm>

April 3: Measures to reflect the impact of COVID-19: Payment Holidays not categorized as > 90 days overdue and not mechanically allocated to Expected Credit Losses under IFRS 9.

<https://www.bis.org/bcbs/publ/d498.htm>

EC

13 March: European Coordinated response to counter the economic impact of the Corona virus. One of the 4 instruments highlighted is to support firms and ensure that the liquidity of our financial sector can continue to support the economy. This introduces measures supporting SME's including credit holidays.
https://ec.europa.eu/ireland/news/covic19-commission-sets-out-european-coordinated-response-to-counter-the-economic-impact-of-the-coronavirus_en

28 April: Commission adopts banking package to facilitate lending to households and businesses in the EU. Incorporates in the CRR several earlier COVID-19 related recommendations of EBA and ESMA.
https://ec.europa.eu/ireland/news/commission-adopts-banking-package-to-facilitate-lending-to-households-and-businesses-in-the-eu_en

11 May: GUIDELINE (EU) 2020/634 OF THE EUROPEAN CENTRAL BANK of 7 May 2020 amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2020/29)
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2020:148:FULL&from=EN>

28 May: COMMISSION DELEGATED REGULATION (EU) .../... of 28.5.2020 amending Delegated Regulation (EU) 2016/101 of 26 October 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation under Article 105(14) of Regulation (EU) No 575/2013
<https://ec.europa.eu/transparency/regdoc/rep/3/2020/EN/C-2020-3428-F1-EN-MAIN-PART-1.PDF>

DNB

March 17: DNB lowers bank buffer requirements to support lending, Systemic buffers will be lowered for 3 large banks and the introduction of a floor for mortgage loan risk weighting will be postponed.
<https://www.dnb.nl/en/news/news-and-archive/persberichten-2020/dnb387870.jsp>

March 23: Provides more details on the announcement of March 17
<https://www.dnb.nl/en/news/news-and-archive/dnbulletin-2020/dnb387914.jsp>

AFM

26 March: in view of the current exceptional circumstances, the AFM has deferred most large data requests to the financial sector until June 1st.
<https://www.afm.nl/nl-nl/professionals/nieuws/2020/mrt/afm-schort-uitvragen-deels-op-tot-1-juni>

24 April: Starting points payment problems for mortgages in the Corona crisis (in Dutch).

<https://www.afm.nl/nl-nl/professionals/nieuws/2020/april/help-klanten-hypotheek>

28 April: Majority recent mortgages applicants has no concerns about monthly payments due to Coronacrisis (in Dutch).

<https://www.afm.nl/nl-nl/professionals/nieuws/2020/april/consumentenmonitor-hypotheek>

Finance Ministry

24 April: Letter regarding additional fiscal measures related to Coronacrisis (in Dutch) see par. 6 Payment holidays for mortgage obligations

<https://www.rijksoverheid.nl/documenten/kamerstukken/2020/04/24/kamer-brief-over-aanvullende-fiscale-maatregelen-in-verband-met-coronacrisis>

NHG

April 22: NHG expands safety net to support home owners during the Coronacrisis (in Dutch), allowing up to 9% Corona related late payments

<https://www.nhg.nl/Over-NHG/Nieuws/Nieuws-archief/Actueel-detail/nhg-breidt-vangnetfunctie-uit-om-woningeigenaren-te-steunen-tijdens-coronacrisis>

May 27: NHG roept op tot uniformiteit Corona vragenlijst in advies- en acceptatietraject

<https://www.nhg.nl/Over-NHG/Nieuws/Nieuws-archief/Actueel-detail/nhg-roept-op-tot-uniformiteit-corona-vragenlijst-in-advies-en-acceptatietraject>

AFME

April 21: Initial Impact of COVID-19 on European Capital Markets

<file:///C:/Users/RKoning/OneDrive%20-%20NVB/My%20Documents/Corona/AFME-%20Impact%20of%20COVID-19%20on%20European%20Capital%20Markets-1.pdf>

Rating agencies

Moody's: Coronavirus shock exposes consumer securitisation to multiple risks

https://www.moody.com/login?ReturnUrl=http%3a%2f%2fwww.moody.com%2fresearchdocumentcontentpage.aspx%3f%26docid%3dPBS_1222734

DBRS: European RMBS Transactions' Risk Exposure to Coronavirus (COVID-19) Effect

<https://www.dbrsmorningstar.com/research/360599/european-rmbs-transactions-risk-exposure-to-coronavirus-covid-19-effect>

S&P's: Covid-19 may be a litmus test for European RMBS calls

<https://www.spglobal.com/ratings/en/research/articles/200415-covid-19-may-be-a-litmus-test-for-european-rmbs-calls-11433493>

S&P's: European ABS and RMBS: assessing the credit impacts of COVID-19
https://www.spglobal.com/ratings/en/research/articles/200330-european-abs-and-rmbs-assessing-the-credit-effects-of-covid-19-11414199?mkt_tok=eyJpIjoiWWpjM01qSXdOR1JsWVRZMyIsInQiOiJuOTlZME82TUJpV0ViZERTUXZlVTBKT0g2VTQyYXF3eDkyYmpLVHhTY0o0TGJ6SXRHbjBpZG45aVNRVo5VUNGeUZ1SkdMWjJ0VDI3WWZYkxyZ0hiNnNuM1wvZFEyNzRjWlBWQWJBSWVwNFVIRlwwbTFnWUtoTWRUeFFGbVhlcVnIn0%3D

S&P's: European Auto and Consumer ABS: Analysis Adjusted To Reflect COVID-19 Effects
https://www.spglobal.com/ratings/en/research/articles/200511-european-auto-and-consumer-abs-analysis-adjusted-to-reflect-covid-19-effects-11482573?mkt_tok=eyJpIjoiTUR0aFpqOTJNMkZrWldWaClInQiOiJrZnUrRk1mZHDhV2w0WnJFVjI3WjlyOW1QZ1RScG5WTW02WkJPeW55bEZLOHZLa2VWVWQ2aXZLWHhmQ0RYRUhjSURYbUVCWGVRa3I4Tm8wc0xTQXJjeitTOWJCCc1k5dXQ1ZndTUUI2M0lrZlJRWGEwMVpzdUxTc1BIY3d3ZGV3byJ9

S&P's: Credit FAQ: Reporting Requirements for COVID-19 Payment Holidays in European Structured Finance
https://www.spglobal.com/ratings/en/research/articles/200527-credit-faq-reporting-requirements-for-covid-19-payment-holidays-in-european-structured-finance-11505991?mkt_tok=eyJpIjoiTXpSbE1tTTJPREUxTURjeClInQiOiJHVVhyc0hNbmVuY0M4QXhqMW4rNTBhV3crWU9leHJDNnVYbk1WWTVnaE05aDIzRHJQcHZW aWk4TkhoREtVNUJOUU9FSVo3MDc4TDZsQUxrK3I3TmNxS3AxRGhwOWVZMUxhMHdkbGl6MWZ6VWNPWWxxbXILU3RNQUt2VXh4cXFaSSJ9

Fitch: Dutch RMBS resilient to higher foreclosures
<https://www.fitchratings.com/research/structured-finance/dutch-rmbs-resilient-to-higher-foreclosures-price-declines-01-04-2020>
<https://www.fitchratings.com/research/structured-finance/dutch-rmbs-stress-test-ratings-resilient-against-higher-foreclosures-house-price-falls-01-04-2020>

Fitch: Fitch Rating's approach for addressing Corona-virus related risks for EMEA RMBS
https://www.fitchratings.com/research/structured-finance/fitch-ratings-approach-for-addressing-coronavirus-related-risks-for-emea-rmbs-15-04-2020?mkt_tok=eyJpIjoiTnprMFpERTBaREV3WW1FeSIsInQiOiJcL1BqZHRyZzNvVXNldEtYTVFitchRSUDFtT29XeDFKS0kzT2IRdW9GN25pQXZiWHN1TzNuUHJwSDRubWN6R0FLY3VWVnVZM0lFNVh2c21sWXRyaGF3Zm9sRUtlVldFYmhGYzdtV2VmRGR0YlZidFRzT3pmR3JpQVlhTmVjSEsrMDRTMjUifQ%3D%3D

Fitch: Structured Finance's Forbearance Challenges Go Beyond Liquidity
https://your.fitch.group/rs/732-CKH-767/images/Fitch-Structured-Finance%27s-Forbearance-Challenges-Go-Beyond-Liquidity-2020-05-06-10120836.pdf?mkt_tok=eyJpIjoiTnpjell6QmpPVFZqTVRrMSIsInQiOiJsa3hMUUm1TdWVrdHQ0UUINaFlxRXMyVTU2blkzTzNXWDFLb2YyOWY2Y1VIS0RLTjJtY2VB Njh0ZDR5UHczRXJ4dk5lVkyxWUhcGNPcjVWTVWpEMlA3ZUc0aUt6Rk5Gbm5yN VpsNm9JOGhDN2tDamFjcmQxSVEwbmpjY1wvM3lPdzUifQ%3D%3D

Fitch: Shorter pro-rata may protect SRT ABS from Coronavirus impact
https://www.fitchratings.com/research/structured-finance/shorter-pro-rata-may-protect-srt-abs-from-coronavirus-impact-05-05-2020?mkt_tok=eyJpIjoiWXpBMk5EaGlZMIUxTWpNMCIslInQiOiI2XC8rSXg0Q2RqMWpRNmh1eXB5WGszYVVlZThZRFlwTzhwcDBVZFpzUVFyXC96cjhPOGJtbEo3d2RCWTVjTThabGxicXhmcFdDYlJSOTQ2MEI5aXRcL1Qra3B2cU5neSt1eSs5V1BUUWJPclpnamd6WW8rVHczQVd4a2R2aXh5NldNaCJ9

EDW

April: Special Reporting Guidelines: how to report data to reflect COVID-19
<https://www.eurodw.eu/special-reporting-guidelines-how-to-report-data-to-reflect-covid-19/>

Law firms

Baker McKenzie: EU Securitisation Regulation disclosure in times of COVID-19
https://insightplus.bakermckenzie.com/bm/attachment_dw.action?attkey=FRbANEucS95NMLRN47z%2BeeOgEFct8EGQJswJiCH2WAXtSHhFQUxUNP7p2UbmuuFy&nav=FRbANEucS95NMLRN47z%2BeeOgEFct8EGQbuwypnpZjc4%3D&attdocparam=pB7HEsg%2FZ312Bk8OIuOIH1c%2BY4beLEAe8PTADDr5dHs%3D&fromContentView=1

Clifford Chance: Corona Impact on European RMBS
<https://www.cliffordchance.com/briefings/2020/03/coronavirus-impact-on-european-residential-mortgage-securitisation.html>