

COVID-19: Overview of key regulatory measures in financial services across Europe



As COVID-19 continues to cause disruption across the globe, European financial services regulators are taking an increasing number of actions to help those they regulate in navigating this difficult time, to ensure that the financial markets continue to function as effectively as possible and to protect those in greatest need during this crisis. This newsletter is to keep our clients up to date with the key regulatory measures being adopted across Europe and to provide practical observations from our interactions with clients and the regulators. We will publish periodic updates over the coming weeks and months; our second publication focusses on key updates from the UK, France, Germany, Spain, Italy and Poland.

Europe

As highlighted in our [first newsletter](#), regulators across Europe continue to adopt measures to address their key concern that banks and insurance companies retain, and can access, sufficient capital. The overriding objective of these measures is evidently to ensure that these institutions remain financially resilient, whilst also being able to provide the maximum support possible to their customers.

Other actions taken by regulators across Europe include:

- reiterating the importance of firms' compliance with their obligations under the Market Abuse Regulation ("**MAR**");
- reiterating that lenders should not be using negotiations with customers relating to financing required as a result of COVID-19 in order to sell ancillary products or obtain mandates that they would not otherwise have been awarded; and
- extending the filing deadlines for certain regulatory reports, or the publication of accounts.

The European Banking Authority ("**EBA**") has issued several communications since the beginning of the COVID-19 pandemic. This week we have focussed on the statement issued by the EBA providing guidance to Payment Service Providers ("**PSPs**") in light of COVID-19:

- The EBA issued a "Statement on Consumer and Payment Issues in light of COVID 19" on 25 March. This brief statement contained high-level guidance for Governments and financial institutions in relation to the implementation of systemic changes designed to support consumers, in particular: the need for ongoing compliance with EU law; the legal and reputational impact of new charges; cross-selling considerations and preservation of consumer credit ratings.
- The Statement has a payments focus. PSPs will be aware of the challenges that Payment Services Regulation 100 has caused in requiring Strong Customer Authentication ("**SCA**") on many payment transactions. The EBA hints that the much delayed transition to SCA for card-based on-line payments may yet be delayed further and removed the need for reporting on readiness by 31 March. The Statement also provides practical

payments guidance as follows: (i) requests encouragement of contactless/remote payments and sanitary PIN-related payments; (ii) encourages PSPs to enable payment transaction authorisation up to the maximum of €50; and (iii) encourages consumers to access their top tips of safe on-line payments.

Retailers and financial institutions should stay close to the EBA for any further changes to the SCA implementation programme.

UK

Updates

Regulatory actions taken by the FCA and PRA have not slowed since our first publication. It is clear that the FCA continues to focus on firms, and their Senior Managers, taking "*reasonable steps*" to deal with the pandemic. From the tenor of the FCA's communications, it is evident that where firms and/or Senior Managers fail to do so, the FCA will not hesitate to take action. We have set out below a summary of the key actions taken, and warnings issued, by the FCA over the last two weeks.

- **Ensuring the fair treatment of corporate customers preparing to raise equity finance:** On 28 April, the FCA published a Dear CEO letter reiterating the importance of capital markets in providing finance to businesses to aid the economic recovery. The FCA:
 - stated that it has received "*credible reports*" of a small number of banks engaging in behaviour which the regulator considers amounts to "*failing to treat their corporate clients fairly when negotiating new or existing debt facilities*". An example given by the FCA is banks using their lending relationship to exert pressure on corporate clients to secure equity mandates that the issuer would not otherwise appoint them to;
 - warned firms that such conduct could be a breach of FCA rules and Principles, naming explicitly the requirements on firms to observe proper standards of market conduct (Principle 5), act with integrity (Principle 1), act in the best interests of clients (COBS 2.1) and prevent or manage conflicts of interest (SYSC 10.1);

- highlighted that firms and Senior Managers need to be mindful of the individual conduct rules and requirements under the SMCR;
- reiterated the need for firms to fulfil their obligations under MAR in relation to the identification, handling and disclosure of inside information received in connection with the renegotiation of a corporate client's existing facilities; and
- requested that firms active in both the equity and lending markets review their systems and controls in order to satisfy themselves that they are appropriate to ensure the fair treatment of customers, the management of conflicts of interests and the handling of inside information.
- Firms and their Senior Managers will need to ensure that they comply with this request, document the systems and controls review undertaken, its conclusions and any actions taken as a result. Firms should also be especially mindful of their Principle 11 obligations.

The FCA's Dear CEO letter can be found [here](#).

- **FCA implements payment holidays to help customers with their motor finance agreements:** The FCA introduced a 3 month payment freeze for motor finance customers on 27 April to help them with the current COVID-19 crisis. Some of the key considerations include:
 - Firms need to ensure they can process potentially large numbers of customers requesting a payment holiday.
 - The FCA expects lenders to make it as easy as possible to request a payment holiday, either online or over the phone.
 - As this would be a suspension of payments under the finance agreement, lenders need to:
 - suppress their systems to ensure that, during the payment holiday, the agreement is not treated as having gone into arrears;
 - ensure that when reporting to the credit reference agencies the agreement is not shown as being in arrears; and
 - ensure a customer's credit file is not adversely affected as a result of taking a payment holiday.
 - Lenders have two options in regards to the original finance agreement, they can either:
 - formally raise a modifying agreement which will need signing before the payment holiday is implemented (this is the only option if seeking to charge additional interest); or
 - treat the payment holiday as a concession.
 - It's crucial that lenders communicate the terms and effects of the payment holiday and ensure customers are fully informed of any changes to the original finance agreement.
- We recommend lenders start preparing now for what happens at the end of the 3 month period as it is likely that many customers will still need ongoing support. It is also possible that

the FCA will review its guidance to ensure that lenders have and continue to comply fully with TCF.

For more information, including on the temporary measures introduced by the FCA relating to the buy-now pay-later (BNPL), rent-to-own (RTO) and pawnbroking agreements as well as those relating to high-cost short term credit (including payday loans), see [here](#).

- **Insuring SMEs Business Interruption:** On 15 April, the FCA published a Dear CEO letter stating that it expects insurers to assess and settle claims quickly where they have an obligation to pay out on a policy. The regulator also stated:
 - where there are reasonable grounds to pay part, but not all, of a claim, the FCA would like firms and their Boards to make interim payments. The FCA also stated that if firms disagree with this approach, it would like firms to send to it the reasons for reaching that decision, how it represents a fair outcome to customers and that firms' decisions are "likely" to inform the FCA's assessment of a firm's culture.
 - The FCA established a small business unit to "*coordinate the activities of the FCA across small business issues...[ensure] regulated firms are supported through the challenges posed by the current crisis... [gather] intelligence about the treatment of small businesses by financial services firms during the crisis and ensuring a co-ordinated response by the FCA to any issues identified*".

The FCA's Dear CEO letter can be found [here](#).

- **Lending to SMEs:** On 15 April, the FCA published a Dear CEO letter reiterating the importance of lending to SMEs during the pandemic and stating that it, together with the PRA, is collecting data to monitor the level of lending to SMEs. Key points from the letter include:
 - Whilst the FCA acknowledged that lending to a SME sits mostly outside the FCA's scope, it reiterated that for each bank that lends to SMEs, it expects that there is a Senior Manager or Senior Managers with clear responsibility for this activity. The regulator stated that it will use the Lending Standards Board's Standards of Lending Practice for Business Customers to consider how Senior Managers and other employees under the SMCR discharge their responsibilities.
 - The FCA expects the CEOs and Boards of banks lending to SMEs to take "*reasonable steps*" to ensure that the Senior Manager(s) with responsibility for small business lending is discharging his/her responsibilities suitably. The regulator also stated that it will look for evidence that the Board is collecting information on the bank's treatment of SMEs and challenging the relevant Senior Manager(s) appropriately.

Boards, and the relevant Senior Managers, will need to ensure that they document their approach to lending to SMEs, and their rationale for it, including the details of any challenges made, if they are to satisfy the regulator that they have acted appropriately, and in order to mitigate enforcement risk.

The FCA's Dear CEO letter can be found [here](#).

– **Changes to regulatory reporting:**

- the FCA has extended the submission deadline for certain regulatory returns that are due up to and including 30 June 2020; and
- the administrative fee for late returns for small or medium-sized businesses has been waived until 30 June 2020.

For details of the temporary changes to regulatory reporting see [here](#).

Practical observations

The measures summarised above are public actions being taken by the FCA. During the course of our work over the last two weeks we have made a number of observations as to how the FCA is operating in practice:

- the FCA has been very aggressive with current supervisory and enforcement matters;
- whilst the FCA remains sympathetic to the effects of COVID-19 on regulated firms and their resources, it is obvious that they are driving supervisory and enforcement matters forwards and will not allow COVID-19 to be used as an excuse indefinitely for delayed responses to regulatory requests;
- the FCA is opening new enforcement investigations, frequently in conjunction with concurrent supervisory actions being taken concurrently, thereby adding to the existing pressures on firms; and
- it appears that the FCA is trying to send a message that it is very much business as usual; the regulator will "*remain vigilant to potential misconduct*" and where they "*find poor practice...[they]...will clamp down with all relevant force*"¹.

France

Updates

The French Financial Markets Regulator ("AMF") and the French Prudential Supervisory Authority ("ACPR") have taken numerous actions in response to the COVID-19 pandemic and falling financial markets. In our first update covering this jurisdiction, we have set out below some of the regulators' key actions since the beginning of the pandemic:

- **Temporary prohibition of short selling in shares admitted to trading on trading venues under the jurisdiction of the AMF:** Pursuant to Article L. 421-16 II of the French monetary and financial code (*code monétaire et financier*) and Article 20 of the Regulation (EU) No 236/2012 of 14 March 2012 on short selling and certain aspects of credit default swaps (European Short Selling Regulation), the AMF banned the creation or increase of short net positions, effective from midnight on 18 March 2020 until 23:59 on 18 May 2020.

– The restriction applies to:

- all shares admitted to trading on a French trading venue (EURONEXT PARIS, EURONEXT GROWTH PARIS, EURONEXT ACCESS PARIS) and for whom the AMF is the relevant competent authority, as well as to all related instruments relevant for the calculation of the net short position; and
- transactions executed both on a trading venue and over the counter.

– The restriction does not apply to:

- market making activities carried out by persons who are exempted under article 17 of the European Short Selling Regulation; and
- index-related instruments or baskets of financial instruments if the shares covered by the ban represent 50% or less of the index or base.

On the same subject, the European Securities and Markets Authority ("ESMA") issued a decision temporarily requiring net short positions holders in shares traded on a European Union regulated market to notify the relevant national competent authority if the position reaches or exceeds 0.1% (instead of 0.2%) of the issued share capital. This came into force on 26 March 2020.

- **AMF's flexibility regarding publication deadlines under the Transparency Directive:** The AMF has invited issuers who anticipate a delay in their publication of the information required under the Transparency Directive to inform the AMF and the market of such delay.

The Transparency Directive, requires issuers whose securities are admitted to trading on a regulated market to:

- publish an annual financial report no later than four months after the end of each financial year; and
- publish a half-yearly financial report no later than three months after the end of the first half of the financial year.

The AMF has confirmed that it will not take any supervisory action against issuers for a period of two months after an annual reporting deadline or one month after half-year reporting deadline if publication of the reports is delayed due to COVID-19.

- **Issuers to comply with their information obligations pursuant to MAR:** The AMF has reminded French issuers of their permanent information obligations pursuant to MAR, in particular the obligation to disclose *as soon as possible* any non-public information of a precise nature that is likely to have a significant influence on the prices of their listed securities.

For issuers with no precise information to be disclosed, the AMF recommends firms specify when disclosing their outlook for 2020, which assumptions they used in preparing this outlook, with respect to the potential impacts of the epidemic.

¹ FCA Business Plan 2020/2021 published on 7 April 2020

- **ACPR calls on banks and insurance companies to refrain from paying dividends:** The ACPR has requested that credit institutions, finance companies and insurance companies refrain from distributing a dividend and from engaging in share buybacks to compensate shareholders until at least 1 October 2020.

Entities unable to defer the payment of dividends because they believe that they are legally obliged to pay dividends must immediately explain the reasons to the ACPR.

Practical observations

The AMF has indicated that its teams are concentrating their efforts on business continuity. Most of them are working remotely but are fully operational. They invite institutions to use their usual contacts to report any difficulties.

Germany

Updates

The German Federal Financial Supervisory Authority ("**BaFin**") updated its [FAQs](#) summarising its opinion on various COVID-19 related topics. In addition to the key points highlighted in our [initial newsletter](#), we have set out below some further topics to note:

- **Real Estate financing:** Due to current travel restrictions and requirements to limit personal contact, the ability to conduct the otherwise obligatory external and particularly internal inspections of real estate for mortgage purposes is currently very limited at best. For the time being and in light of these factors, BaFin will allow Pfandbrief banks (both Significant Institutions ("**SIs**") and Less Significant Institutions ("**LSIs**") using mortgages as Pfandbrief coverage on the basis of valuations within the meaning of the German Regulation on the Determination of the Mortgage Lending Value (Beleihungswertermittlungsverordnung – BelWertV) of the corresponding real estate property encumbered without a prior inspection of the property, under the following conditions;
 - All other requirements for determining a mortgage lending value under the BelWertV must be met.
 - In the case of properties as described in section 24 (1) of the BelWertV (small loan properties) that do not already fall under the applicable provisions of section 24 (3), (3a) of the BelWertV, the result of the mortgage lending valuation must be reduced by at least 10%.
 - In the case of all other real estate, if no inspection is carried out, the result of the mortgage lending valuation must be reduced by at least 20%. If only the interior inspection is waived, the minimum discount will be reduced to 15%. The discount is to be taken into account and documented in deriving the mortgage lending value (section 4 (1) BelWertV).
 - If instead of an on-site inspection, an online visual survey (e.g. by means of mobile phone) is performed enabling the valuer to gain near-complete insight into the entire real estate property and its surroundings, the respective

discounts may be reduced by 5% or, in case of small loans (section 24 (1) BelWertV), be omitted entirely. The extent of the online visual survey of the property and the corresponding findings must be documented with photographic evidence (screenshots).

- Any persistent, crisis-related effects on the mortgage lending value, which can arise particularly in the case of operator-run properties as a result of a reduced occupancy rate, must be adequately taken into account in the valuation.
- The waived inspection must be carried out without delay once the above restrictions no longer apply. If this should result in a reduction of the mortgage lending value, it may be necessary to reduce such value further. If the result of the mortgage lending valuation is confirmed, the precautionary discount occasioned by the lack of an inspection can be omitted.
- **Real Estate Assets in Insurance Asset Management:** To avoid emergency sales in order to comply with supervisory law relating to the proportion of real estate held through investment funds, and to safeguard the stability of the financial market, BaFin will not raise any objections to a temporary passive breach of the proportion of real estate held through investment funds under section 3 (5) of the German Investment Ordinance (Anlageverordnung, AnIV). As long as the fund stays in breach, no new investments of this type will be permitted.
- **Adoptions of time schedules:** BaFin announced a number of postponements to certain timelines, including:
 - postponing the provisional schedule for stress tests of LSIs under national supervision for one year from 2021 to 2022 and test runs planned for autumn 2020 to 2021;
 - BaFin continues to work on the revision of the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, "**MARisk**"), however, new requirements will no longer be introduced as of 31 December 2020 and so are not relevant for 2020 reviews.
 - Already started on-site inspections of business and, for example, cover audits for SIs and LSIs are being discontinued for the time being or, where possible, completed without any on-site activities. Currently, new routine inspections will not be commenced.
 - Application dates and implementation deadlines stipulated in the Capital Requirements Regulation II/Capital Requirements Directive V will remain unless changes are made on the European level; however, BaFin will take into consideration the special situation currently being experienced when imposing regulatory measures, recognising that additional economic burden caused by such measures would not be beneficial or practical.

Spain

Updates

The country remains subject to exceptional measures under the State of Emergency declared on 14 March which has already been renewed three times until 10 May 2020. On 28 April, the Government (i) confirmed that it will request a fourth extension of the State of Emergency until 24 May 2020; and (ii) explained the steps it intends to take to transition back to normality. The transition is likely to last until the end of June. Other measures that have been adopted include:

- The Spanish market main supervisory entities - the Bank of Spain (Banco de España) and the Spanish Stock Market National Commission (Comisión Nacional del Mercado de Valores or "**CNMV**") have still suspended all of their proceedings until the end of the state of emergency, and any applications or communications to the supervisors must be submitted online as reported in the last version of the newsletter.
- The Bank of Spain – together with other regulatory supervisors such as the National Commission on Markets and Competition (Comisión Nacional de los Mercados y la Competencia or "**CNMC**") is now focused on supervising the granting of the financing lines backed by State Guarantee through the Official Credit Institute ("**ICO**") (which now amounts to a total of €40,000 Million) so that, amongst other things, lenders:
 - request less security and guarantees for the ICO financings than those that were being requested without the State Guarantee; and
 - do not impose their own ancillary banking products (i.e. life insurance and other products) on customers due to the granting of the ICO financing.
- On 31 March the CNMC activated a special whistle blowing procedure to communicate any anti-competitive conduct by institutions in their response to COVID-19. By 24 April the CNMC has confirmed that it has already received more than 300 complaints and consultations via the special whistle blowing procedure. The majority of them concern financial institutions.
- Given the growing number of complaints raised relating to the state of emergency, on 28 April the Bank of Spain published a communication re-establishing the claims and complaints procedures for bank customers that was temporarily suspended in mid-March due to the declaration of a state of emergency. The procedures are reinstated as of 29 April.
- On 28 April, the Spanish Government informally confirmed that it intends to make further financing backed by State Guarantee available- to SMEs and sole-traders in the coming weeks. The financing is likely to be offered on the same terms and conditions as previously, but will likely include certain restrictions on their commercial terms and in particular, on the

ancillary products financial institutions are able to impose on customers due the growing numbers of complaints.

- Additionally on 23 April, the ICO confirmed the execution of an agreement with the Council of Europe Development Bank (Banco de Desarrollo del Consejo de Europa or CEB) whereby this institution will lend up to €300 Million, that together with the €34 Million that the ICO will provide, will put a total of additional €334 Million to market in order to finance sole-traders and SMEs in Spain in order to mitigate the effects of COVID-19.
- On 28 April, the CNMV together with the College of Registrars of Spain (Colegio de Registradores) issued a [joint note](#) on the calling of general shareholders meetings of listed companies while the COVID-19 restrictions remain in force.
- Once the state of emergency is lifted, provided that there are still restrictive measures in place in different parts of the country (as the measures to transition back to normality will not be equal for all territories) the CNMV and College of Registrars of Spain have stated that:
 - virtual shareholders meetings shall still be valid even if not expressly permitted by byelaws or regulations;
 - the calling of meetings will need to contemplate different meeting procedures according to the level of COVID-19 restrictions that may be in force at the time and place of the meeting; and
 - an additional notice shall be published shortly before shareholders meetings confirming the final procedures applicable to the meeting.

Practical observations

Some of the practical observations we have made include:

- The main concern of SMEs in Spain is to obtain ICO financing backed by State Guarantee, the applications for which are expected to close on 30 April 2020. There are concerns that the complaints procedure for banks and the control mechanisms implemented by the ICO, Bank of Spain and CNMC may not be sufficiently equipped to deal with issues arising from finance requests before the end of the first phase (30 April).
- Most listed companies are holding virtual shareholders meetings and not using the time extensions for such meetings granted under the state of emergency regulations.
- We are also seeing that companies due to publish their 2019 financial results are considering how to interpret the [11 March 2020 ESMA communication](#) regarding the prompt publication of a complete explanation of any material impact of the COVID-19 crisis on the financial results of listed companies. Companies are generally reluctant to issue any communication that may be seen as a warning to the market and are, therefore, using the extension of time for the publication of periodic information in order to delay any such communication.

Italy

Updates

In our first update covering Italy, we have set out below the key actions taken by the Commissione Nazionale per le Società e la Borsa ("**CONSOB**"), the Bank of Italy and the Italian Government since the beginning of the COVID-19 pandemic:

- **CONSOB provides an extension on deadlines for sending certain periodic communications due from intermediaries and online crowdfunding platform managers:** On 25 March, CONSOB granted intermediaries a 60 day extension for sending to CONSOB the report on the organisational structure and the report on how to perform services, both of which are required by Resolution 17297/2010 (Annexes II.1, II.13 and II.15).
- CONSOB has also provided a 60 day extension for online crowdfunding platform managers (so-called "equity crowdfunding") to send the required communications to CONSOB under article 21, paragraph 3, Regulation no. 18592 on the collection of capital via on-line portals. These communications include:
 - the report on the activities performed and the organisational structure;
 - data on portal activities, on cases of operational interruption and the respective actions undertaken; and
 - data on complaints received in writing and the respective measures adopted.
- **Bank of Italy introduces measure to help credit institutions and financial intermediaries tackle COVID-19:** On 20 March, the Bank of Italy introduced a package of extraordinary measures to help credit institutions and other regulated financial intermediaries tackle the COVID-19 emergency. Measures taken include:
 - 60 day extensions for, inter alia, (i) the ICAAP/ILAAP obligations for credit institutions and investment firms, (ii) recovery plans; (iii) the reports on the organisational structure for investment firms, asset management companies, payment institutions and electronic money institutions (similar to the extensions granted for the filing of such reports by CONSOB);
 - 150 day extension for banks to file with the Bank of Italy of the report on operational and security risks;
 - extending to 30 June 2020, the deadline for the reporting of the non-performing loans reduction plans has been; and
 - easing certain regulatory capital and liquidity requirements for smaller banks and other non-banking intermediaries which may temporarily operate below the target level of the capital conservation buffer and of the liquidity coverage ratio.
- **The Italian Government introduces measures impacting the credit system to support businesses and families:** Through

the "Cura Italia Decree" (Law Decree no. 17 of 16 March 2020) and "Liquidity Decree" (Law Decree no. 23 of 8 April 2020), the Italian Government has introduced measures which have an important impact on the credit system, supporting businesses and families. We have summarised the key measures arising from the "Cura Italia Decree" [here](#). For further information on the "Liquidity Decree", see [here](#).

Poland

Updates

The relevant regulatory authorities and supervisory bodies have continued to implement measures and/or set expectations to help mitigate some of the difficulties being caused by COVID-19, these include:

- **The PFSA expects banks and insurance companies to set variable remuneration at a conservative level:** In line with the EBA's Statement on the distribution of dividends, share buybacks and variable remuneration, the PFSA has stated that it expects banks and insurance companies to set variable remuneration at a conservative level. The PFSA also suggested that banks and insurance companies defer the payment of variable remuneration for a longer period as well as the payment of larger parts of remuneration in equity instruments.
- The PFSA has reiterated that it is crucial for banks and insurance companies to maintain a solid capital base in order to be able to respond effectively to the economic effects of the COVID-19 pandemic.
- **Banks may assess the creditworthiness of clients in relation to credits covered by the portfolio guarantee line financed from the Liquidity Guarantee Fund:** The PFSA gave its permission for Bank Gospodarstwa Krajowego ("**BGK**") (the only Polish state-owned bank) to allow individual banks themselves to assess the creditworthiness of their clients in relation to the repayment of credits covered by the portfolio guarantee line. These are ultimately financed from the Liquidity Guarantee Fund. The Liquidity Guarantee Fund was established to support medium and large enterprises in maintaining liquidity in the face of the COVID-19 pandemic and possible difficulties in accessing by them the necessary external financing. BGK is liaising with individual banks in relation to the portfolio guarantee line agreements.
- **The PFSA supported lowering risk weights for mortgage loans denominated in foreign currencies:** In a letter to the Financial Stability Committee (a body which consists of the Minister of Finance, the Chairman of the PFSA, the President of the National Bank of Poland and the President of the Bank Guarantee Fund), the Chairman of the PFSA supported the concept of lowering risk weights for mortgage loans denominated in foreign currencies. In his opinion, this would free PLN 6 billion of capital in banks that could be used for financing the economy. The implementation of this idea requires amendments to the relevant regulation of the Minister of Finance. We will keep you updated in future newsletters with how this progresses.

– **Amendments to the Regulation of the Minister of Finance creating provisions for risk related banking activity have entered into force:** The amendments include:

- extending the period of recognition for credit securities by banks in their accounts; and
- allowing banks to spread their potential losses over a longer period.
- Extending the obligation to create reserves and the related release of capital over a longer period of time enhances banks' abilities to manage their risks. The amendments are in line with the PFSA proposals included in the Supervisory Stimulus Package for Security and Development.
- The PFSA announced that banks are allowed to conduct activities within the PFR Financial Shield (a financial support programme realised by Polski Fundusz Rozwoju) for SMEs without the need to amend their articles of association.
- The PFSA confirmed that in order to conduct activities within the PFR Financial Shield, banks do not have to amend their articles of association and include those activities in their scope of business activity, which ordinarily requires obtaining permission from the PFSA. An agreement entered into by a bank and Polski Fundusz Rozwoju (state-owned investment

vehicle) is sufficient basis for such activity, provided the activities are performed by banks free of charge.

- **The PFSA accepts guarantees issued by entities other than BGK:** Previously the PFSA announced that it would allow banks to treat guarantees in the amount of 80% of a credit issued by BGK as meeting the condition of a special security. Recently, the PFSA stated that guarantees issued by other entities would be accepted by the PFSA as meeting this condition provided that such guarantees constitute an unfunded credit protection within the meaning of the Capital Requirements Regulation ("**CRR**") and the risk weight for the part of the exposure secured with the guarantee amounts to 0%. The PFSA mentioned, inter alia, the State Treasury, the European Investment Bank, the European Investment Fund and Polski Fundusz Rozwoju as possible providers of such guarantees.

Practical observations

The PFSA remains very active in preparing and implementing measures in response to COVID-19.

DWF Articles

You can find additional articles on the impacts of COVID-19 on financial services more generally on our [COVID-19 hub](#).

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