

François Villeroy de Galhau
Chair of the Group of Central Bank Governors and Heads of Supervision

Pablo Hernández de Cos
Chair of the Basel Committee

Bank for International Settlements
CH-4002 Basel
Switzerland

June 6, 2020

Re: *Targeted temporary prudential measures related to COVID-19 crisis*

Dear Chairmen,

The International Banking Federation (IBFed)¹ takes this opportunity to express its support to various central banks, legislative authorities, supervisors, and other policy makers for their rapid actions to mitigate the hardships and wide-ranging consequences of the COVID-19 crisis. In just a few months, a medical crisis triggered a deep, abrupt, and global economic shock. During this time, the banking system proved itself an essential sector absorbing the economic shock by continuing to provide funding to households and businesses.

At a time when most states around the world are taking measures to help their economies get through the crisis, it is essential that the Basel Committee encourages targeted temporary regulatory relief to ensure financial institutions can continue to use their strengths to support customers, businesses, and government programmes.

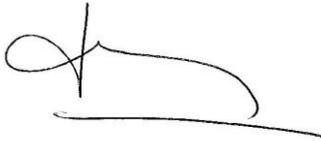
As the Committee is reviewing the various jurisdictional responses it seems useful to identify those responses that were successful in removing regulatory or supervisory barriers that hampered banks' working with customers or funding the economy. It would be highly appreciated if the Basel Committee could share a range of practices that were successful and encourage member states to adopt or customise these to their specific market. These targeted

¹ *The International Banking Federation (IBFed) was formed in 2004 to represent the combined views of our national banking associations. The IBFed collectively represents more than 18,000 banks, including more than two thirds of the largest 1000 banks in the world. IBFed member banks play a crucial role in supporting and promoting economic growth by managing worldwide assets of over 75 trillion Euros, by extending consumer and business credit of over 40 trillion Euros across the globe, and by collectively employing over 6 million people. The IBFed represents every major financial centre and members' activities take place globally. This worldwide reach enables the IBFed to function as a key international forum for considering regulatory and other issues of interest to the global banking industry.*

temporary COVID-19 relief measures should not have a negative impact in the Basel Committees peer review process.

To further this discussion, the attached appendix includes a brief and non exhaustive list of regulatory relief measures that IBFed members have identified as helpful and which we believe BCBS could support to encourage wide acceptance. We thank you for considering these important steps in addressing the economic impact of COVID-19 and facilitating the role of banks in funding households and businesses.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hedwige Nuyens', with a horizontal line underneath.

Ms Hedwige Nuyens
Managing Director
IBFed

A handwritten signature in black ink, appearing to be 'Hugh C Carney', written in a cursive style.

Mr. Hugh Carney
Chair of the Prudential Supervision Working Group
IBFed

Appendix

In response to the COVID-19 crisis, domestic regulators have taken a variety of actions to ensure banks can support consumers, households, and businesses.

Leverage ratio exemptions

BCBS should support exemption for a temporary period for government-guaranteed loans including promotional loans, sovereign securities, central bank reserves from the leverage ratio.

Liquidity Coverage ratio exemptions

BCBS should support exemption for a temporary period of government-guaranteed loans from the liquidity coverage ratio calculation.

Recognition of National Measures

As governments seek to assist institutions in supporting households and businesses many programmes have utilised government guarantees to support lending to customers.

Where local institutions are part of international banking groups, the BCBS should encourage consolidating supervisors to recognise these national economy-supporting measures and discourage them from imposing additional risk-weights or capital requirements.

Treatment of payment moratoria for securitisation transactions.

BCBS should confirm that COVID-19 related forbearance measures, such as payment moratoria, which may or may not lead to a delay in the declaration of a securitisation loss claim in significant risk transfer securitisation transactions, will not be construed as implicit credit support.

Temporary suspension of automatic bans

Authorities should be able to suspend temporarily corrective supervisory actions and regulatory bans triggered by the fluctuation of the level of capital or liquidity when banks are fundamentally sound and such fluctuations are not due to specific bank conditions but are a temporary effect of the crisis.

Neutralisation of procyclicality caused by the crisis

Heightened procyclicality due to the crisis combined with national programs to sustain lending to the economy may result in abrupt temporary changes in prudential requirements. Competent authorities should be encouraged to examine the increase in risk weighted assets and other parameters that is due to the response to the crisis and put forward effective measures to neutralise the effect.