An aerial view of the bank prudential regulatory response to COVID-19

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This short article provides a visual summary and numerical stock take of the banking sector prudential regulatory measures taken across the world in response to the COVID-19 pandemic. It is based on an IIF database of measures, which is publicly available on the IIF website and updated daily. The data in this article is as of April 20th.¹

The database includes global standard setting bodies,² G20 members and other leading financial jurisdictions, totaling 33 jurisdictions and authorities. The database captures prudential, securities and related regulatory measures adopted since early March 2020 in response to the COVID-19 pandemic.³ As the information is hand-collected it is possible that some measures have been inadvertently omitted. However, it is intended to be indicative of the nature of the evolving international prudential response to the pandemic. This database does not capture fiscal, monetary and related measures, but those can be found in a separate IIF database.⁴

A large number and wide range of measures have been deployed across the world in short order in response to the pandemic. The objectives have been to keep credit and liquidity flowing to the economy through regulatory flexibility, countercyclical policy loosening and by relieving operational pressures on the financial sector. While each measure is somewhat bespoke and targeted to both the jurisdiction and mandate of the issuing authority or global standard setting body, the IIF has used expert judgement to categorize the measures into five broad groups based on the focus of their stated objective:

a) Capital
b) Liquidity
c) Provisioning, Definition of Default and Non-Performing Loan (NPL)-related measures
d) Consultations/Implementation Timetables
e) Other – such as changes to reporting requirements.

While adding up the number of different measures adopted in a jurisdiction might not provide an accurate summary of the aggregate prudential regulatory policy support, some descriptive statistics are provided here to give an aerial view of the nature of the bank prudential policy response so far. This analysis, and the underlying database, does not account for the materiality or potential magnitude of each measure that has been taken.

¹ https://www.iif.com/COVID-19 and navigate to “COVID-19 Regulatory Measures”. The database is based on publicly available information and does not represent views of the IIF on the measures captured. A separate IIF database containing insurance regulatory measures can be found on the same webpage.
² The database includes the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the International Accounting Standards Board (IASB).
³ One Brazilian measure in the database was taken at the end of February 2020.
Over 300 banking sector prudential regulatory measures were taken in March and early April in response to the COVID-19 pandemic

Our database records a total of 312 distinct measures that were taken between March and April 20th in response to the COVID-19 pandemic (Chart 1). Almost every one of the 33 jurisdictions or authorities in the database has taken measures in response to COVID-19. On average, each has used eight or nine distinct measures and 25% of the jurisdictions/authorities took between 13 and 31 distinct measures. The most active jurisdictions have been the EU Authorities, UK, US, Canada and Switzerland.

Chart 1: Total number of prudential regulatory measures - by jurisdiction or standard setting body

Jurisdictions across the world have been responding in force, as too have the global standard setting bodies

There is not a strong regional picture, particularly after accounting for the fact that geographic regions are not equally represented in the dataset (Chart 2). In North America, both the US and Canada have responded with more than 18 measures each. The EU Authorities have been particularly active, and all of the European jurisdictions in the dataset have taken at least three measures each. In many cases, the measures taken by individual EU jurisdictions were to implement or reinforce measures and guidance provided by the EU Authorities.5 A number of other jurisdictions (presented in Chart 2 in the Rest of the Rest of the World category) have been very active, including Australia, Russia, Singapore and South Africa, which have each adopted 13 measures. Of the global standard setting bodies, the BCBS has been the most active so far in terms of number of public-facing measures.

5 The European Central Bank, European Banking Authority and European Securities and Markets Authority are captured in the database.
A variety of measures have been taken, but the largest proportion have been capital measures

As shown in Chart 3, the largest number of measures in the database are capital measures (30%), including releasing some regulatory capital buffers and providing guidance to emphasize the usability of buffers. The next largest number of measures are ‘other’ measures (23%) – those that are more bespoke and do not fall into the main categories. Examples of measures in this category include changes to reporting requirements and bans on short selling. The least number of measures in the database are liquidity measures (12%). This analysis, and the underlying database, does not account for the materiality or potential magnitude of each measure that has been taken.
Authorities have responded with a range of measures to support the economy and relieve the operational burden on banks during this crisis

In their responses to COVID-19, jurisdictions and authorities have been deploying a variety of different measures, with some adopting measures from all five of the database’s policy categories (capital, liquidity, etc.) (Chart 4). The most active jurisdictions have tended to adopt a wide variety of policy measures, but even countries that have used eight (the median) or fewer distinct measures have often used three or four different types.

Chart 4: Total number of prudential regulatory measures - broken down by type of measure

Source: IIF database.
Chart notes: Categories represented in the chart are the five set out above. The 'provisioning' label is summary for 'Provisioning, Definition of Default and Non-Performing Loan (NPL)-related measures'; the 'timetable' label is summary for 'Consultations/Implementation Timetables'.