

Governments Provide Financial Regulatory Relief

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Original post [here](#).

The COVID-19 crisis has led governments across the world to temporarily ease the operational burden of supervisory and regulatory activities on the financial institutions they regulate. These regulatory relief efforts can be broken down into three major categories:

1. Reducing supervisory activities such as stress tests and bank examinations.
2. Delaying the implementation of new rules or laws.
3. Reducing reporting requirements.

The YPFS Financial-Intervention Tracker shows 85 such regulatory relief measures to date, as summarized in our [Resource Guide](#). As the COVID-19 crisis unfolds, [regulators](#) have pledged to continue to find new ways to help financial companies focus on their COVID-19 response in a safe and sound manner.

Reducing supervisory activities

In many cases, supervisors have reduced the scope of their annual stress tests and other supervisory activities.

The U.S. Federal Reserve [announced](#) on March 24 its intent to significantly scale back its annual examination activities. The Fed will not conduct examinations on-site at the banks it supervises “until normal operations are resumed at the bank and Reserve Banks.” Instead, it will focus on off-site monitoring. “Monitoring efforts will concentrate on understanding the challenges and risks that the current environment presents for customers, staff, for firm operations and financial condition, and for the largest firms, the risks to financial stability.”

The Fed has deferred “a significant portion” of examinations for institutions with greater than \$100 billion in total consolidated assets. However, the Fed did not suspend its annual stress test exercise, conducted only by the largest bank holding companies (see [here](#), pp. 2). It has ceased all regular exam activity for smaller institutions, “except where the examination work is critical to safety and soundness or consumer protection, or is required to address an urgent or immediate need” (see [here](#)). Banks that are not highly rated, or have existing liquidity, asset quality, consumer protection, or miscellaneous issues will continue to receive regular examinations. The Fed also said that banks will have an additional 90 days to remediate existing supervisory findings, unless otherwise specified.

Many countries similarly curtailed regular supervisory activities. For example, the [Central Bank of Hungary](#) (MNB) postponed on-site inspections unless absolutely necessary and said it would not use its supervisory powers if banks breached their Pillar II capital buffers. [South Korea](#), [Egypt](#), and others have suspended ongoing investigations during the crisis. [Romania](#) postponed the deadline for collecting contributions to its [Bank Resolution Fund](#) for three months, with a possible extension of up to six.

The [Bank of England](#) cancelled its 2020 stress tests, cut back on in-person supervisory visits, and postponed the publication of its 2019 biennial exploratory scenario on liquidity buffers and facilities to “alleviate burdens on core treasury staff at banks.”

The [European Banking Authority](#) postponed its Europe-wide stress test exercise to 2021 to “allow banks to focus on and ensure continuity of their core operations, including support for their customers.” In place of the stress test, the EBA will carry out an additional transparency exercise to update information about banks to market participants. The ECB also published [guidance](#) indicating that affiliate supervisors would be postponing on-site inspections, certain compliance measures, and reviews of internal models for six months.

While the [Bank of Russia](#) did not cancel its stress tests, it advised non-governmental pension funds to use a scenario as of September 30, 2019, rather than a more recent one. The [National Bank of Ukraine](#) reduced the number of scenarios it required banks to submit as part of their annual stress testing, but added COVID-19 risk assessments to those scenarios.

[The Financial Action Task Force \(FATF\)](#), which acts as an international standard-setter for illicit financing, money laundering and financing of terrorist groups, simplified due diligence and emphasized flexibility in using their risk-based approach in combating these illegal activities (see [here](#)).

Delays in Implementing New Laws and Rules

Many countries have also deferred the effective dates of recently passed regulation or even suspended ongoing discussions about potential regulatory improvements.

The [European Central Bank](#) said it would consider “extending deadlines for certain non-critical supervisory measures and data requests.” The Bank for International Settlements (BIS) pushed back for one year the [implementation](#) of the final phases of its [framework](#) for margin requirements for non-centrally cleared derivatives. These requirements were put in place to reduce systemic risk and promote central clearing by imposing higher costs on market participants holding non-standard derivatives, which make up a sizable portion of the market (see [here](#), pp. 2 – 4). The effective implementation date is now September 1, 2021, for entities with non-centrally cleared derivatives totaling more than €50 billion outstanding, and a year later for smaller market participants (see [here](#)).

The Fed postponed for six months the implementation of policies regarding the [provision of intraday credit](#), as well as its [revised control framework](#). The changes to the intraday credit provision would modify how the Fed evaluated net debit caps, which are the maximum amounts of overdrafts institutions could incur in their Federal Reserve accounts (see [here](#), sec. 2). The revised control framework “simplifies and increases the transparency of [the Board’s] rules for determining when one company controls another company,” so that if a company has control over any banking organization, it would generally be subject to Fed regulations (see [here](#)).

[New Zealand](#) has deferred several new initiatives and programs. These include reviews of existing supervisory and stress testing policies and increases in capital requirements (see [here](#)). [Russia](#) is delaying certain compliance requirements for non-governmental funds that will be participating in stress tests until January 2021, and [Canada](#) has suspended “all consultations on regulatory matters,” including the publication of its new benchmark rate for qualifying uninsured mortgages. [Australia](#) has “suspended the majority of its planned policy and supervision initiatives” and [deferred](#) the implementation of new reporting standards for fee

structures and derivatives until April 2021. [Peru](#) has deferred new reporting standards for parallel credit lines, or secondary lines of credit, until January 2021.

Regulators have also taken steps to reduce the operational burden on regulatory staff. Australian regulators, for example, [suspended](#) issuing new banking, insurance, and superannuation fund licenses for at least six months.

Reduced Reporting Requirements

Many of the more substantial measures outlined above have also been accompanied by reductions or complete moratoriums on the required publication of financial data, such as annual and quarterly reports. According to our tracker, at least 15 countries, as well as EU regulators and the BIS, have reduced reporting requirements.

The European Securities and Markets Authority (ESMA) has provided substantial guidance to member states on how to approach reporting during the crisis. On March 27, it [recommended](#) that all National Competent Authorities (NCAs), which are government institutions designated by their individual nations to be points of contact with the ESMA about specific policy areas, defer publication of all financial reports. The ESMA also [delayed](#) reporting obligations for [Securities Financing Transactions](#), which involve the use of securities to borrow cash or other investment-grade securities, for all transactions settled until July 13. However, ESMA said it expects reporting for these activities to resume by July 13.

In the U.S., the Securities and Exchange Commission (SEC), Commodities Futures Trading Commission (CFTC), and Fed have all either reduced requirements or extended deadlines for reporting financial information. The SEC [provided](#) a 45-day extension for publicly traded companies to file disclosure reports that would have been due between March 1 and July 1, so long as they file a form explaining “why the relief is needed in their particular circumstances for each periodic report that is delayed.” The CFTC has [granted](#) 30-day forbearance for furnishing compliance reports, exempted dealers and brokers from recording oral communication and timestamping, and provided longer-term [forbearance](#) from periodic reporting for [commodity pool operators](#). The U.S. federal banking agencies [indicated](#) they would not take supervisory action against financial institutions that needed additional time to file their quarterly Call Reports, so long as these reports are submitted within 30 days of the official filing deadline.

The BIS has [reduced](#) reporting requirements for its 2020 global systemically important bank (G-SIB) assessment exercise. The exercise instead will be based on 2019 data, and the BIS will not collect memorandum data, which are used to “assess if changes should be made to the overall G-SIB framework” (see [here](#), pp. 23). Memorandum data include items that measure interconnectedness, complexity, foreign exposures, and short-term funding (see [here](#), pp. 23 – 28). There are 30 G-SIBs.

Several other countries have implemented similar measures. [Italy](#) (60 - 150 days), [Malaysia](#) (30 days), [Sri Lanka](#) (14 – 30 days), [Denmark](#) (90 days), [South Africa](#) (60 – 120 days), [New Zealand](#) (60 days) and [Russia](#) all have provided some form of deferral or lessening of reporting requirements. On March 21, the U.K. [requested](#) an immediate moratorium on the publication of any preliminary financial statements for at least two weeks. The [Bank of Russia](#) indicated that it would not apply its supervisory measures to companies violating reporting requirements and also reduced supervisory reporting requirements for the second quarter of 2020

(see [here](#)). [Brazil](#) has temporarily prohibited both reporting and increases in remuneration for managers and executives of financial institutions until September 30.

Regulatory Relief Category	Jurisdictions
Reducing supervision	Bank for International Settlements , Denmark , European Union (1) (2) (3) , Egypt , Hungary , Korea (1) (2) , Romania , Russia , Sri Lanka , Ukraine , United Kingdom , United States (1) (2) (3)
Delaying Implementation of new regulation	Australia , Bank for International Settlements , Brazil (1) (2) , Canada , New Zealand , Peru , Russia , United States
Reducing reporting requirements	Australia , Bank for International Settlements , Brazil (1) (2) , Denmark , European Union (1) (2) , Indonesia (1) (2) , Italy , Malaysia (1) (2) , Romania , Russia , South Africa , Sri Lanka (1) (2) , Sweden , Ukraine , United Kingdom (1) (2) (3) (4) (5) , United States (1) (2) (3) (4) , Vietnam