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Press and Communications

Press Release

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

Following the publication of its statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures, the European Banking Authority (EBA) published today more detailed guidance on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020. The aim of these Guidelines is to clarify the requirements for public and private moratoria, which if fulfilled, will help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring.

The EBA sees the payment moratoria as effective tools to address short-term liquidity difficulties caused by the limited or suspended operation of many businesses and individuals resulting from the impact of COVID-19.

In this context, the Guidelines clarify that payment moratoria do not trigger classification as forbearance or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions.

In addition, the Guidelines recall that institutions must continue to adequately identify those situations where borrowers may face longer-term financial difficulties and classify exposures in accordance with the existing regulation. The requirements for identification of forborne exposures and defaulted obligors remain in place.

Legal basis

These Guidelines have been drafted in accordance with Article 16 of Regulation (EU) No 1093/2010 (EBA Founding Regulation), which mandates the Authority to issue guidelines addressed to all competent authorities or all financial institutions and issue recommendations to one or more competent authorities or to one or more financial institutions, with a view to establishing consistent, efficient and effective supervisory practices within the ESFS, and to ensuring the common, uniform and consistent application of Union law.