



Press release

9 April 2020

The General Board of the European Systemic Risk Board held its 37th regular meeting on 2 April 2020

At its meeting on 2 April 2020, the General Board of the ESRB focused on the consequences of the coronavirus pandemic for the EU's economy and the financial system. The collective public health emergency caused by the spread of the coronavirus (COVID-19) has resulted in an extreme shock affecting the economy in the EU and globally. Unlike in the global financial crisis of 2008, this shock is exogenous and universal across all countries and sectors, although some sectors are more severely affected. The necessary containment measures are adversely impacting economic activity through a fall in domestic and foreign demand, as well as a decline in production, which is in part due to disrupted supply chains. Since the extent and length of the required containment measures remain unknown, uncertainty around the economic impact is likely to persist for some time.

The General Board highlighted that the EU bodies, as well as governments, central banks, supervisory and resolution authorities, have taken unprecedented actions to mitigate the negative impact on the real economy and to reassure their citizens and firms. The ESRB has today published an [overview of such measures](#) on its website and will regularly update it. The General Board welcomed the prompt decisions by some authorities to release countercyclical¹ and other macroprudential² capital buffers, which increased banks' balance sheet capacity to lend to the real economy in a crisis situation. The General Board also noted that the EU financial system is more resilient now than it was prior to the global financial crisis and – in spite of steep falls in asset prices and spikes in volatility – continues to function, albeit under strain. Nevertheless, the longer the necessary containment measures remain in place, the more likely it becomes that further losses in the real economy will translate into increasing fragilities in the financial system, impairing the latter's

¹ Belgium, Bulgaria, Czech Republic, Denmark, France, Germany, Iceland, Ireland, Lithuania, Norway, Sweden.

² Denmark, Estonia, Finland, Hungary, Netherlands, Poland.

European Systemic Risk Board

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functioning precisely when its role of providing credit to the real economy is most vital. The General Board supported the work of its member institutions in this context to encourage the conservation of financial institutions' capital by restricting dividend distributions, share buybacks and variable remuneration, e.g. the European Central Bank's recommendation³ as well as the European Banking Authority's statement⁴ and the European Insurance and Occupational Pensions Authority's communication⁵. This will boost financial institutions' capacity to absorb losses and provide crucial services to households, small and medium-sized companies and corporates during the coronavirus pandemic.

Against this background the General Board underlined that a timely and coordinated policy response is key, in particular to achieve important synergies between fiscal, monetary and regulatory policies. To this end, the General Board decided to focus its attention on five priority areas, specifically:

- implications for the financial system of guarantee schemes and other fiscal measures to protect the real economy;
- market illiquidity and implications for asset managers and insurers;
- impact of procyclical downgrades of bonds on markets and entities across the financial system;
- system-wide restraints on dividend payments, share buybacks and other payouts;
- liquidity risks arising from margin calls.

The broad membership of the ESRB (which includes all EU national central banks and national supervisory authorities, the ECB, the European Commission, the European Supervisory Authorities, as well as the Economic and Financial Committee and Advisory Scientific Committee of the ESRB) allows it to play a central role in policy coordination as the situation evolves. The General Board also highlighted that some of the responses to the coronavirus pandemic would benefit from a unified solution at the global level and that enhanced cross-institutional cooperation, including within the Financial Stability Board and Basel Committee on Banking Supervision, is key.

Furthermore, the General Board discussed arrangements for the involvement of the relevant authorities from the United Kingdom in the work of the ESRB, specifying their nature, scope and procedural aspects.

Finally, the General Board appointed:

- Loriana Pelizzon as Vice-Chair of the Advisory Scientific Committee. Professor Pelizzon is SAFE Chair of Law and Finance and Program Director of the Systemic Risk Lab, both at the

³ Recommendation of the ECB of 27 March 2020 on dividends distributions during the COVID-19 pandemic.

⁴ EBA statement of 31 March 2020 on dividends distributions, share buybacks and variable remuneration.

⁵ EIOPA statement of 17 March 2020 on actions to mitigate the impact of Coronavirus/COVID-19 on the EU insurance sector.

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Leibniz Institute for Financial Research SAFE at Goethe University Frankfurt, and has been a member of the ASC since October 2018;

- Bo Becker as a new member of the Advisory Scientific Committee. Professor Becker is the Cevian Professor in the Department of Finance at the Stockholm School of Economics.

The decisions listed above were required following the appointment of Isabel Schnabel as a Member of the Executive Board of the ECB. The General Board expressed its sincere gratitude towards Professor Schnabel, who was a driving force behind the work of the Advisory Scientific Committee since 2015.

The ESRB is releasing the [31st issue of its risk dashboard](#) today. The risk dashboard is a set of quantitative and qualitative indicators of systemic risk in the EU financial system.

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