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MEASURES TO SUPPORT CREDIT AND THE FINANCIAL SECTOR IN BANKING SYSTEMS CONSIDERED MATERIAL FOR SPAIN

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ABSTRACT

Since March 2020, the world's major economies have approved financial and regulatory measures to limit the impact of the health crisis on both the overall economy and their respective financial systems. This paper summarises the measures implemented by eight countries outside the euro area identified by their materiality for the Spanish banking system (the United Kingdom, the United States, Mexico, Brazil, Turkey, Chile, Peru and Colombia). It focuses particularly on the measures that remain in force, both those attempting to support the most vulnerable sectors affected by the pandemic (moratoria on loans to households, firms and other entities) and those intended to encourage lending and to support the financial system. The former set of measures has already expired in the vast majority of the countries considered, although some temporary easing of certain prudential requirements applicable under normal conditions remains in effect.

Keywords: financial sector, COVID-19, credit, guarantee programmes, regulatory measures.

JEL classification: E58, G28, G32.

MEASURES TO SUPPORT CREDIT AND THE FINANCIAL SECTOR IN BANKING SYSTEMS CONSIDERED MATERIAL FOR SPAIN

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Introduction

Since March 2020, against the backdrop of the COVID-19 health crisis, governments and competent authorities (central banks, regulators and supervisors) in most emerging market and advanced economies have approved many measures to support the financial sector. These share similar traits and are primarily macroprudential, aimed at sustaining the flow of credit to economic agents, providing liquidity to the system and mitigating the potential impact of the crisis on financial institutions' solvency, thereby fostering the stability of the financial system. These support programmes have been gradually withdrawn in step with the economic recovery, but some still remain in effect or have been extended or replaced by similar measures in response to the changing economic and health situation.

In view of the significance of these programmes and the considerable cross-border activity of Spanish banks (around half of the consolidated financial assets of Spanish deposit institutions are held abroad), this paper describes the measures to support credit and the financial system implemented thus far by countries considered material for the Spanish banking system for the purposes of the countercyclical capital buffer (specifically, the United Kingdom, the United States, Mexico, Brazil, Turkey, Chile, Peru and Colombia),[1] focusing particularly on those that remain in force. A non-European Union country's materiality for the Spanish banking system is characterised on the basis of the volume and share of the system's international exposures according to the Banco de España's annual identification exercise (material third countries).[2]

The paper is structured as follows. First, there is an overall description of the various measures to support lending and the financial system, together with their rationale.

1 In order of materiality.

2 This exercise is conducted annually pursuant to the European Systemic Risk Board (ESRB) guidelines set out in Recommendation ESRB/2015/1 on recognising and setting countercyclical buffer rates for exposures to third countries. The countries are identified by virtue of the Banco de España's authority to set a countercyclical capital buffer for Spanish banks on the basis of their credit exposures to material third countries in response to certain financial stability risks. For more details on the operationalisation of the identification methodology, see Box 3.2 of the *Financial Stability Report,* November 2017, which describes the methodology used by the Banco de España. Further, Annex 1 of the recent ESRB report *A Review of Macroprudential Policy in the EU in 2020* summarises the methodology used in the most recent update of the list of material third countries.

Next, the paper describes the common traits of the loan moratoria and forbearance arrangements and the measures adopted by the different countries to encourage lending, such as government-backed lending programmes. And lastly, it sets out the support measures for the financial system.

Measures to support credit and the financial system

Over the course of the past year, the governments and central banks of the above-mentioned countries have eased their monetary and fiscal policies across the board to mitigate the economic impact of the health crisis. The competent authorities have also shown a measure of symmetry in their responsiveness to the crisis in terms of support for the financial system.

First, debtors' reduced ability to pay on account of the health crisis resulted in heightened credit risk for financial institutions. Accordingly, one key measure has been the introduction of moratoria on existing loans to households and firms, coupled with the easing of reclassification and provisioning standards for such loans. These moratoria have often been combined with the renegotiation of payment terms and conditions. Such measures have been introduced in all of the countries analysed in different forms (loan forbearance, looser lending standards or repayment deferrals, among others), although their purpose and duration have varied considerably across the countries considered. Further, in order to maintain lending against a background of great uncertainty, government loan guarantee programmes were launched during the health crisis to fully or partially secure loans extended.

These actions have been broad-based and enhanced by accompanying measures, such as the credit facilities set up by governments and state-owned banks, together with looser lending standards (longer repayment terms, lower interest rates, debt reductions, etc.). A very significant portion of these measures has been structured through lending programmes for firms, especially SMEs. In all of the economies analysed, except for Mexico,[3] government guarantee programmes were approved with a view to facilitating firms' access to credit as activity ground to a halt during the COVID-19 crisis. The main purpose of these measures was to help firms cover their short-term liquidity needs.

The banking sector has played a crucial role during the health crisis in smoothing the flow of credit to the economy, e.g. as an intermediary to channel financial assistance to firms. However, the sector has also been severely affected by the crisis owing, among other factors, to the aforementioned reduced ability to pay of many debtors and the fall-off in economic activity. Accordingly, the competent authorities have

3 Although no guarantee programme has been set up, a direct State lending programme ("Crédito a la palabra"), of limited scope and amount, has been introduced.

adopted multiple regulatory and prudential measures to mitigate the recession's impact on the solvency of financial systems, and likewise to maintain the stability of the banking sector. Cases in point are the reduced capital buffer requirements (with banks encouraged to use the capital released to extend credit), the easing of solvency requirements for banks lending to certain sectors (mainly SMEs) and the ban or restriction on dividend payments. Liquidity coverage ratios have also been eased.

The size and scope of the support policies have varied across the geographical areas. In any event, they appear to have had the appropriate effect,[4] resulting in non-performing loans holding at reasonable levels, credit growth[5] and high levels of capitalisation.

Moratoria and forbearance

Financial institutions in all material countries for the Spanish banking system introduced measures to help pandemic-affected borrowers make repayments, mainly through moratoria or payment deferrals (partial or even in full). In many cases, the characteristics of these measures were uniformly set by the various regulators and/or supervisors, while in others, such as in Brazil and the United States, the institutions were afforded greater flexibility. Moreover, these measures have been accompanied by looser loan classification and provisioning standards. Although some of these measures were extended, most are no longer in effect. In the countries where they remain in force (Peru and the United States), most are due to conclude before end-2021 (see Table 1).

Government programmes to foster lending

In all of the countries, with the exception of the United States, at least one of the guarantee programmes implemented to support lending remains in effect, although most will terminate at the end of 2021. The following programmes will run until December 2021: the Recovery Loan Scheme (RLS) in the United Kingdom, the National Programme for the Support of Micro and Small Enterprises (Pronampe) in Brazil, the Small Enterprise Guarantee Fund (FOGAPE-Reactiva) in Chile, "Garantías Covid-19" (Covid-19 Guarantees) in Peru and "Unidos por Colombia" (United for Colombia) in Colombia. Turkey has not yet set an end date for its current programme, since it was already in place before the pandemic and the authorities simply increased its endowment (see Table 2).

4 See Feyen et al. (2020), *Taking Stock of the Financial Sector Policy Response to COVID-19 around the World,* World Bank Policy Working Paper No 9497.

5 See Casanova et al. (2021), "Covid-19 policy measures to support bank lending", *Quarterly Bulletin,* BIS, September.

Measures to support financial institutions

The restrictions on the distribution of capital (mainly in the form of dividends) imposed in 2020 were gradually lifted over the course of 2021. By contrast, the temporary easing of various capital requirements remains in place. In addition, the temporary easing of liquidity ratios has expired and normal supervisory activity has resumed now that the worst of the epidemic is over. However, the preferential treatment afforded to credit exposures to certain sectors or extended under credit support programmes will broadly remain in place until those loans mature (see Table 3).

21.10.2021.

Table 1
MORATORIA AND FORBEARANCE INTRODUCED SINCE MARCH 2020

	Description of the measures	Deferment period	Period of application
United Kingdom	Moratoria for customers affected by the pandemic with mortgage loans, personal loans and credit cards In addition, the PRA issued guidance on the accounting treatment of these moratoria, stating that they did not automatically entail a significant increase in credit risk or, therefore, a larger loan loss provision	Initial period of 3 months, subsequently extended to 6 months	Following various extensions, the moratoria were in force from March 2020 to July 2021
United States	Suspension of classification of pandemic-related loan modifications as troubled debt restructuring (TDR)	Varies, depending on each financial institution	Initially from March to September 2020. The deadline for such forbearance was subsequently extended to the earlier of 1 January 2022 or 60 days after the national emergency termination date
Mexico	The CNBV established special accounting criteria for moratoria granted to customers whose source of income was affected by the pandemic. That measure was extended to virtually all products: mortgages, consumer loans, credit cards and loans to SMEs and firms	Retail customers: Capital and/or interest for 4-6 months Wholesale customers: Capital and/or interest up to 6 months	From 26 March to 31 July 2020
Brazil	The central bank established an exemption to the accounting classification and loan loss provisioning rules for forborne loans, allowing them to be reclassified to the risk level that they had in February 2020	Varies, depending on each financial institution	From March to December 2020
Turkey	The Turkish supervisory authority (BRSA) approved a regulatory framework for the non-application of accounting criteria for reclassifications and provisions for moratoria on all loan types	3 months for retail customers and 6 months for firms Subsequently, this period could be extended at the customer's request	Initially from 10 March to 31 July 2020 (for retail customers) and to 31 October 2020 (for firms) Several extensions were subsequently introduced for all customers, the most recent until 30 September 2021
Chile	The Financial Market Commission (CMF) temporarily eased the treatment of forborne loan provisions for debtors who are up to date or in arrears for no more than 30 days	Between 3 and 6 months, depending on the loan type	From March to July 2020

SOURCE: Banco de España calculations drawing on domestic and international statistics.
NOTE: The grey shading indicates measures still in force.

Table 1

MORATORIA AND FORBEARANCE INTRODUCED SINCE MARCH 2020 (cont'd)

	Description of the measures	Deferment period	Period of application
Peru	i) The Superintendency of Banking, Insurance and Private Fund Administrators (SBS) allowed institutions to grant joint or individual rescheduling without impairing the borrower's credit rating ii) Subsequently, the Government set up the Garantías COVID-19 programme (to guarantee loans already rescheduled) and Reprogramaciones Reactiva Perú and FAE MYPE (to reschedule loans extended under the framework of both government guarantee programmes)	i) The loan's original maturity can be extended up to a maximum of 12 months ii) Between 6 and 36 months depending on each case	i) In some cases, rescheduling can be performed up to the end date of the State of National Emergency (31 October at the cut-off date for this paper) ii) In force until 31 December 2021 (Garantías COVID-19) and 30 September 2021 (Reprogramaciones Reactiva Perú and FAE MYPE)
Colombia	The Financial Superintendency of Colombia (SFC) established a series of measures in 2 consecutive stages, coupled with the loosening of classification and provisioning standards: i) Moratoria or grace periods: no interest rate increase, no credit rating adjustment or capitalisation of interest ii) Debtor Support Programme (PAD) for loan rescheduling or forbearance	i) Moratoria: 3.5-4 months ii) Variable, as negotiated with the financial institution	i) From mid-March 2020 to the moratoria expiry date ii) Approved on 30 June 2020, in force until 31 August 2021

SOURCE: Banco de España calculations drawing on domestic and international statistics.
NOTE: The grey shading indicates measures still in force.

Table 2
GOVERNMENT GUARANTEE PROGRAMMES AND OTHER MEASURES TO STIMULATE LENDING

	Programme	Beneficiaries	Period of application	Loan maturity	Interest rate	Coverage of State guarantee
United Kingdom	Coronavirus Business Interruption Loan Scheme (CBILS)	Businesses with annual turnover of up to £45 million. The finance can be structured in the form of a loan, overdraft, invoice finance facility or asset finance facility. Maximum loan available: £5 million	From 23 March 2020 to 31 March 2021	6 years for loans and asset finance facilities. 3 years for overdrafts and invoice finance facilities.	To be agreed between the parties	80% of outstanding loan amount (capital and interest). The State pays interest and any fees for the first 12 months
	Coronavirus Large Business Interruption Loan Scheme (CLBILS)	Businesses with annual turnover of over £45 million. The finance can be structured in the form of a loan, overdraft, invoice finance facility or asset finance facility. Maximum loan available: £200 million	From 20 April 2020 to 31 March 2021	3 years	To be agreed between the parties	80% of outstanding loan amount (capital and interest)
	Bounce Back Loans Scheme (BBLS)	SMEs and microenterprises. Loans between £2,000 and £50,000, up to a maximum of 25% of annual turnover	From 4 May 2020 to 31 March 2021	6 years with 12-month interest only period (a)	2.5%	100% of the outstanding loan amount (capital and interest).
	Recovery Loan Scheme (RLS)	Open to all businesses. The finance can be structured in the form of a loan, overdraft, invoice finance facility or asset finance facility. Maximum loan available: £10 million	From 6 April 2021 to 31 December 2021	6 years for loans and asset finance facilities. 3 years for overdrafts and invoice finance facilities.	To be agreed between the parties. Maximum interest rate of 14.99%	80% of outstanding loan amount (capital and interest)
	COVID Corporate Financing Facility (CCFF)	Large firms with investment grade rating. Finance channelled through the purchase of commercial paper by the Bank of England on behalf of the Treasury	From March 2020 to 23 March 2021	Less than 1 year	Market rate prior to COVID-19	—
	Future Fund	Loans convertible into equity. Borrowers must demonstrate having raised at least £250,000 in equity investment in the last 5 years. Loan amount: £125,000 to £5 million	From May 2020 to 31 January 2021	3 years	Minimum interest rate of 8%	—
United States	Paycheck Protection Program (PPP)	SMEs with fewer than 500 employees, to pay up to 8 weeks of payroll costs, interest on mortgages, rent and utilities	From 8 June 2020 to 31 May 2021 (possible extension if a new fiscal stimulus package is approved)	24 months (before 5 June 2020). 60 months (thereafter)	1%	Potential 100% forgiveness under certain conditions
	Main Street Lending Program	Firms with fewer than 15,000 employees or $5 billion in annual revenue. Maximum loan amount: $35-300 million or 4x/6x 2019 EBITDA	From 6 July 2020 to 8 January 2021	5 years	LIBOR + 3%	95%
Brazil	PESE	PESE I: Payroll financing for firms with turnover of up to 10 million reales	April-June 2020	36 months, with initial 6-month grace period	3.75%	85%
		PESE II: Payroll financing for firms with turnover of up to 50 million reales	August-October 2020	36 months, with initial 6-month grace period	1.25% + Selic	8%

SOURCE: Banco de España calculations drawing on domestic and international statistics.
NOTE: The grey shading indicates measures still in force.

a On 24 September 2020, the Government offered distressed borrowers the following options: i) to extend the loan maturity from 6 to 10 years; ii) option to request 3 interest-only periods of 6 months each over the lifetime of the loan; iii) option to pause repayments for 6 months (once only). All 3 options can be used individually or in combination.

Table 2

GOVERNMENT GUARANTEE PROGRAMMES AND OTHER MEASURES TO STIMULATE LENDING (cont'd)

	Programme	Beneficiaries	Period of application	Loan maturity	Interest rate	Coverage of State guarantee
Brazil	Pronampe	Pronampe 2020: financing for no specific purpose (not dividends) for firms with turnover of up to 4.8 million reales	From June 2020 and initially until November 2020, extended to December	36 months, with initial 8-month grace period	1.25% + Selic	85% (100% of loans, limit of 85% per institution)
		Pronampe 2021: financing for no specific purpose (not dividends) for firms with turnover of up to 4.8 million reales	From June to December 2021	Not indicated	6% + Selic	85% (100% of loans, limit of 85% per institution)
	PEAC	PEAC-FGI: firms with turnover of up to 300 million reales	August-December 2020	1-5 years. Minimum 6-month grace period for loans of up to 1 year and 12 months for loans of up to 5 years	12.6%	80% (limit of 30% of the total portfolio per institution)
		PEAC-Maquininhas: advances on accounts receivable relating to machinery sales for firms with turnover of up to 4.8 million reales	August-December 2020	36 months, with initial 6-month grace period	6%	100%
Turkey	Credit Guarantee Fund	SMEs and firms with liquidity needs as a consequence of the pandemic	The fund endowment was increased in March 2020. The programme had already existed for more than 20 years. No expiry date	Depending on the loan type, maturity of up to 5 or 10 years and grace period of 1 or 3 years, respectively		80%
Chile	FOGAPE (a)	FOGAPE-Covid. For SMEs and the self-employed, to cover working capital requirements and any other expenses essential to the functioning of the firm	From April 2020 to 30 April 2021	24-48 months, with a 6-month grace period	TPM + 3%	Up to 85% (depending on the applicant's turnover)
		FOGAPE-Reactiva. To finance working capital, investment and refinancing for micro, small and large enterprises	From February to 31 December 2021	Up to 84 months (not beyond 31 December 2028)	TPM +7.2%	Up to 90% (depending on the applicant's turnover)
Peru	Reactiva Perú	Firms affected by the COVID-19 health emergency (micro, small, medium-sized and large enterprises)	From 6 April 2020 to 30 September 2021	36 months, including a grace period of up to 12 months	Depends on the loan amount and the financial institution. Minimum of 0.50% and maximum of 3.60%. In addition, an annual 0.50% for the guarantee	80-98%, depending on the loan amount
	FAE-Mype	Micro and small enterprises in all sectors affected by the COVID-19 health emergency	From 19 March 2020 to 31 December 2020	36 months, including a grace period of up to 12 months	Depends on the loan amount and the financial institution	90-98%, depending on the loan amount
	Garantías COVID-19	Individuals and MYPE	From 7 October 2020 to 31 December 2021	36 months, including a grace period	Depends on the loan amount and the financial institution. However, financial institutions must reduce the interest rate or rescheduled rate by between 15% and 25%	40-80%, depending on the loan amount
Colombia	FNG-Unidos por Colombia	SMEs, micro and large enterprises, the self-employed and the sectors hardest hit by the COVID-19 crisis. Finance for working capital, payrolls, microfinance, bonds, liability restructuring, etc.	From April 2020 to December 2021			Up to 90%

SOURCE: Banco de España calculations drawing on domestic and international statistics.
NOTE: The grey shading indicates measures still in force.

a A State fund to guarantee a determined percentage of the principal of loans, leasing and other financing arrangements granted by financial institutions to eligible beneficiaries.

Table 2

GOVERNMENT GUARANTEE PROGRAMMES AND OTHER MEASURES TO STIMULATE LENDING (cont'd)

	Programme	Beneficiaries	Period of application	Loan maturity	Interest rate	Coverage of State guarantee
Colombia	Colombia Responde-Bancoldex	All sectors of the economy except agriculture (which has specific support programmes)		6-month grace period and loan maturity of up to 3 years	2% interest rate offered by the private financial intermediary	FNG guarantee for microenterprises and SMEs
	Credit Line-Finagro	Agricultural sector		Up to 95% reduction of debt principal	Up to 100% forgiveness of current and past-due interest	
	Findeter-Compromiso Colombia	Various sectors. Finance for: i) working capital, and ii) investment	i) Until 31 December 2020	i) Working capital finance: loans of up to 7 years, with an interest-only period of up to 2 years, in force until 31 December 2020	Up to 2% on the Findeter rediscount rate: Public Sector: IBR 1M + 2% M.V. or IBR 3M + 2.20% T.V. Private sector: IBR 1 M + 2.20% M.V. or IBR 3M + 2.40% T.V.	
			ii) Until 31 December 2021	ii) Finance for investment: loans of up to 10 years including an interest-only period of up to 2 years	Up to 4% on the Findeter rediscount rate	
	Findeter-Compromiso territorios	Territorial governments: relief for working capital requirements	Until 30 December 2021	Up to 3 years, with an interest-only period of up to 1 year; or until the fiscal year-end of the year after the credit is arranged, with an interest-only period of up to 1 year	Up to 2% on the Findeter rediscount rate: IBR 1M + 1.40% M.V. or IBR 3M + 1.55% T.V.	

SOURCE: Banco de España calculations drawing on domestic and international statistics.
NOTE: The grey shading indicates measures still in force.

Table 3
MAIN SUPPORT MEASURES FOR FINANCIAL INSTITUTIONS

	Dividends and remuneration	Prudential: solvency	Prudential: liquidity	Supervisory and accounting
United Kingdom	From March 2020, the PRA recommended that banks refrain from paying dividends or variable remuneration and from share buybacks until the end of the year Subsequently, in December 2020, dividend payments were allowed subject to temporary amount limits (a), although those restrictions were lifted in full on 13 July 2021	The PRA recommended that banks use capital buffers to prevent an abrupt interruption of the flow of credit Release of the countercyclical capital buffer (lowered from 1% to 0%) until December 2021 at least Structural macroprudential buffers for domestic systemically important banks maintained, until December 2023 at least, at the levels set in December 2019 Amendment of the Pillar 2 calculation requirement Possibility of excluding BBLS loans from the leverage ratio calculation		Cancellation of certain supervisory actions (e.g. 2020 stress tests) Deadlines extended to reduce banks' operational burden
United States	Limit on dividend payments for large banks, which could not exceed those of the previous quarter or the average profit for the four most recent quarters, and ban on share buybacks This limit was initially approved for 2020 Q3 and was extended with some amendments. It ended in June 2021(b)	The Federal Reserve encouraged banks to use their capital and liquidity reserves to extend loans 0% weighting in the regulatory capital calculation allocated to exposures under the PPP Easing of calculation criteria for the supplementary leverage ratio (SLR) until March 2021	Changes in the liquidity ratio calculation for institutions participating in the Money Market Mutual Fund Liquidity Facility and the Paycheck Protection Program Liquidity Facility	Extended deadline to resolve non-critical supervisory shortcomings Postponement of a significant portion of supervisory activity (resumed on 15 June 2020) Postponement of the initial deadline for banks to submit resolution plans

SOURCE: Banco de España calculations drawing on domestic and international statistics.

a The distribution of profit for 2020 was temporary limited to the higher of: (i) 20 bp of risk-weighted assets at end-2020, or (ii) 25% of net attributable profit in the 8 quarters of 2019-2020, after deducting past payouts.
b In principle, for those banks passing the stress tests, which proved to be all of them.

Table 3
MAIN SUPPORT MEASURES FOR FINANCIAL INSTITUTIONS (cont'd)

	Dividends and remuneration	Prudential: solvency	Prudential: liquidity	Supervisory and accounting
Mexico	In March 2020, the CNBV recommended that banks refrain from paying dividends. In April 2021, it limited payouts to 25% of total profit for 2019 and 2020, subject to some additional conditions	Possibility of using, at 31 December 2021, the capital conservation buffer to extend credit, which must be replenished over the subsequent 24 months Reduction of credit risk capital requirements for consumer loans, microcredit and loans for house purchase, to SMEs and other corporates, implementing the Basel revised standardised approach Adjustment allowed to the classification of loan loss reserves for credit risk, permitting a larger portion to be recognised as complementary capital (c)	Easing of local liquidity requirements for 6 months Until 31 March 2021, market volatility waivers were granted to prevent sharp LCR declines	The entry into force of certain international standards was postponed, such as the application of IFRS 9 accounting standards for exposures to corporates and compliance with total loss-absorbing capacity (TLAC) requirements, both until early 2022
Brazil	Limit on the distribution profit for 2020, also restricting increases in directors' remuneration The limit was initially set at the legal minimum (25%) and was subsequently eased to allow the distribution of up to 30% of profit for 2020	Reduction in the capital conservation buffer (from 2.5% to 1.25%), to be progressively reversed until 2022 Change to the risk weight for SMEs (from 100% to 85%) for loans granted between April and December 2020 Authorisation to not deduct from capital deferred tax assets stemming from exchange rate variations in investments abroad until December 2020, allowing them to be deducted through to December 2021	Increased proportion of the reserve ratio that may be considered liquid assets in the short-term liquidity indicator (LCR). Reserve requirement for fixed-term deposits reduced from 31% to 17% until December 2020. In October 2020 this was extended to April 2021 and set at 20% from that date. In March 2021 a further extension was granted, applying 17% until November	Pillar 3 reporting deadline extended (from 60 to 90 days)

SOURCE: Banco de España calculations drawing on domestic and international statistics.

c Increase from 0.6% to 1.25% of assets subject to credit risk, in line with the Basel Committee.

Table 3
MAIN SUPPORT MEASURES FOR FINANCIAL INSTITUTIONS (cont'd)

	Dividends and remuneration	Prudential: solvency	Prudential: liquidity	Supervisory and accounting
Turkey	Banks were recommended not to pay dividends in 2020, while 2021 dividend payments were limited to 10% of profit for the previous year	Weighting of some Government-guaranteed exposures at 0%, along with changes to the percentages applicable to restructured exposures Actions aimed at reducing the adverse impact of market volatility (d) (Some of these measures have been extended to September 2021) In 2020 H1, $3 billion in capital was injected into the 3 State-owned banks through the sovereign wealth fund	Increased limits and number of transactions (bond purchases on the market and broader collateral pool for haircut) Provision of liquidity facilities and intraday and overnight standing facilities Moratoria at the minimum liquidity ratio (LCR) level until December 2020	Changes to loan reclassification criteria until September 2021: - Non-performing (from 90 days past-due to 180) - Stage 2 (e) (from 30 past-due to 90) However, this measure does not affect provisioning requirements, which remain unchanged Easing of TLAC and leverage ratio requirements Extension (60 days) of regulatory reporting deadlines
Chile		Entry into force of Basel III standards postponed until December 2024 Option to use surplus mortgage collateral to guarantee other lending to SMEs	Easing of LCR Suspension of compliance with maturity mismatch requirements (until end-2021)	

SOURCE: Banco de España calculations drawing on domestic and international statistics.

d For instance, using an average exchange rate rather than the end-period rate, or the exclusion of certain unrealised losses.
g Under IFRS 9 accounting standards, an asset is classified as Stage 2 if there has been a significant increase in its credit risk. Stage 2 is the intermediate stage between performing loans (Stage 1) and non-performing loans (Stage 3).

Table 3
MAIN SUPPORT MEASURES FOR FINANCIAL INSTITUTIONS (cont'd)

	Dividends and remuneration	Prudential: solvency	Prudential: liquidity	Supervisory and accounting
Peru	The SBS recommended that shareholder meetings resolve to capitalise earnings for 2019 On an exceptional basis and subject to authorisation, share capital, legal reserves and/or other balance sheet items may be reduced in order to build provisions for the credit portfolio affected by the crisis, provided that certain conditions are satisfied	Financial institutions may use countercyclical provisions to absorb unexpected losses prompted by the pandemic, reschedule loans and extend new credit Easing of capital requirements: Risk weights do not increase when repayment terms are extended on a rescheduled loan On an exceptional basis, a weighting factor of 0% is used to calculate the credit risk requirement under the standardised approach, for the portion of exposures guaranteed by the FAE-MYPE and FAE-Turismo programmes Guarantees granted through the Reactiva Perú and FAE-Agro programmes are not subject to credit concentration limits, while for FAE-MYPE and FAE-Turismo the 50% limit on the effective net assets of financial institutions is applied on a separate basis to the total guarantees granted by each programme to a single financial institution	Temporary suspension of minimum liquidity coverage ratios Reduction of reserves Broadening of counterparty eligibility (lower-rating firms) and expanded list of instruments for use in repos, including factoring and new repos (with other collateral)	Suspension of calculation of administrative deadlines relating to the functions and competencies of the SBS until 31 July 2020 Extension of the deadline to hold shareholder meetings and option to hold them virtually Easing of provisions for rescheduled loans and Government programmes. The SBS established, on an exceptional basis, a loan loss provision of 0% for the portion of loans covered by State guarantee
Colombia	Recommendation to preserve the loss-absorbing capacity of financial institutions through the capitalisation of earnings for 2020 and 2021	The Financial Superintendency (SFC) authorised institutions to: – use the countercyclical buffer to provide consumer and business loans – use general provisions for loans for house purchase and microcredit in 2020 and 2021 H1; thereafter, they will have 2 years to replenish these	Reduction of the minimum reserve requirement: – from 11 % to 8% for current and saving accounts – from 4.5% to 3.5% for CDTs (f) of up to 18 months This reduction was superseded to some extent by the Government-imposed obligation on credit institutions to invest in Government debt securities known as “Títulos de Solidaridad” (g)	The SFC postponed the submission of resolution plans and the results of the stress tests until April and July 2021, respectively

SOURCE: Banco de España calculations drawing on domestic and international statistics.

f The Certificado de Depósito a Término (CDT; term deposit certificate) is a monetary deposit made at a financial institution that generates yield from a specific date agreed with the institution.
g The purpose of the Títulos de Solidaridad (Solidarity Securities) is to raise funds to cover the economic and social needs arising from the COVID-19 pandemic.