1 May 2020

The Big Picture

Global fiscal and monetary responses to COVID-19

- **EU** finance ministers agreed on a EUR540bn (3.2% of EU GDP) emergency support package for countries hit by the coronavirus. The *measures* aim to provide safety nets for workers, businesses and sovereigns and comprise (1) EUR100bn for favourable loans granted under the Commission's short-term unemployment reinsurance scheme (*SURE*), (2) EUR200bn of loan guarantees from the EIB focused on SMEs and (3) EUR240bn of Pandemic Crisis Support through ESM credit lines (up to 2% of countries' GDP). The fourth element constitutes a recovery fund, but significant uncertainty reigns regarding its size, funding and link to the EU budget. The Commission will present a concrete proposal on the details of the recovery fund by mid-May. No official figure was set on the plan but officials believe that EUR1-1.5trn would be needed. Although 'corona bonds' as a financing tool are off the table for now, Commission President Ursula von der Leyen said that the EU would find a 'sound balance' between grants and loans and confirmed that the EU would boost the firepower of the recovery fund by borrowing in the market. Importantly, Chancellor Merkel endorsed the plan, acknowledging this would entail higher EU budget contributions from Germany. We expect EU leaders to take a final decision on the recovery fund in late Q2 at the earliest, making it seem difficult to have the fund fully up and running before 1 January 2021.
- On top of the USD2.2trn fiscal package already enacted in March, the **US** Congress passed another USD484bn (2.2% of GDP) worth of measures, including USD320bn for the Paycheck Protection Program designed to help struggling small businesses keep their workers on the payroll as well as increased funding for hospitals and testing.
- The **Bank of Japan** (BoJ) left its rates guidance unchanged, but opened for unlimited Japanese government bond buying, while raising its ceilings on corporate bonds and commercial paper to JPY20trn (from previously JPY7trn).
- With the negative European rating cycle gathering steam and a rising number of 'fallen-angel' eurozone corporate bonds that lost their investment grade rating, the **ECB** eased its *collateral rules*, now accepting junk-rated bonds as collateral as long as they had at least the lowest investment grade rating on 7 April. The ECB also launched a new series of pandemic emergency longer-term refinancing operations (so-called 'PELTROs') and eased the conditions under which it conducts its existing targeted longer-term refinancing operations (TLTROs). This implies that all relevant ECB policy rates from June 2020 through to June 2021 lie in the range between -0.25% and -1%. We expect the ECB to step up its PEPP by another EUR250bn and extend the APP at the June meeting, but leave policy rates unchanged (see *Flash ECB Research – No PEPP increase, no rate cut but then again,* 30 April*)*.

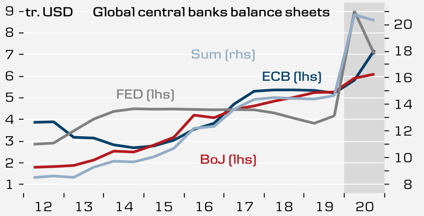
Other reading

Fed Monitor: Fed chair Powell hints more Fed support is coming, 29 April

Riksbank Comment: 'From the Riksbank - nothing', 28 April

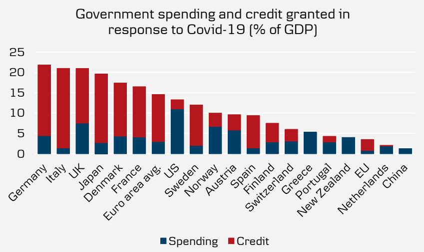
Macro Strategy Views: Fiscal dominance, monetary financing and the next euro crisis, 27 April

Central bank balance sheet expansion



Source: Macrobond Financial, Danske Bank

... and sizable fiscal easing is on its way



Source: Various governments and Danske Bank

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- After the ECB's latest *bank lending survey* pointed to surging loan demand and tightening credit standards amid COVID-19, the EU Commission unveiled a series of new measures to boost credit growth. The proposal consists of two parts, namely an 'interpretive communication' as well as a number of 'quick fixes' to **EU bank prudential regulation.** The former mainly serves to highlight the flexibility already available to banks under current accounting and prudential rules. The second part, which is the most interesting in our view, includes several elements. First, the package extends the implementation of the IFRS 9 transitional rules for two years. This means that banks will potentially be able to add back to their CET1 capital the full amount of expected credit losses in 2020-21 for provisions taken after 1 January 2020, with the benefit set to be phased out in the following years. Second, the package includes more lenient requirements for provisioning on exposures which benefit from a public sector guarantee that has been extended in response to the COVID-19 crisis. Third, on the calculation of the leverage ratio, banks will be given discretion to exclude increases in central bank reserves from the calculations for a period of up to one year, without the offsetting mechanism that would have otherwise applied. The implementation of the leverage ratio buffer that applies to G-SIBs is also pushed back one year. And finally there are several other amendments of forthcoming prudential requirements (CRR2), including bringing forward more favourable treatment of software assets, certain pension and salary backed loans, loans to SMEs and infrastructure projects. The overall package seems significant and may potentially be able to boost lending by up to EUR450bn according to EU officials, although such projections should probably be taken with a pinch of salt due to the immense uncertainty. The package still needs to be approved by EU states and the European Parliament before taking effect.

Global fiscal policy responses to COVID-19

Country	Measures	Size	Funding
EUROPE			
EU	· General escape clause for fiscal rules · Maximum flexibility on state aid rules · 'Pandemic Crisis Support': loan through ESM in the tune of 2% of countries' GDP · 'Corona Response Investment Initiative' to support health care efforts, SMEs & vulnerable sectors · Stepped up EIB lending to SMEs	EUR 580bn (3.5% of GDP)	EIB, EU budget & structural funds, ESM
Italy	· Help for workers facing temporary layoffs · Guarantee fund for SME loans · Moratorium for business and personal mortgage repayments · One-off payment of EUR500 for self-employed and cash bonus for Italians still working, financial support to families	EUR 375bn (21% of GDP)	Government debt
Germany	· Direct cash handouts for self-employed and SMEs (EUR50bn) · Liquidity measures for affected companies (KfW credit & state guarantees incl. equity stakes) · Easier access to short-term work compensation ('Kurzarbeit') · Easier access to unemployment benefits and protection of tenants · Lower VAT rate (7%) for restaurants for 1 year · Deferred tax payments for companies	EUR 750bn (22% of GDP)	EUR 26bn (0.7% of GDP) reserves in Federal Employment Agency + government debt
France	· EUR 4bn package for start-ups · Extended deadlines for social security and tax payments and sick leave payments for caring for children · Short-time working scheme, under which state will cover entirety of lost salaries · EUR 300bn for credit guarantees · Cash handouts of EUR 1500 for affected SMEs	EUR 400bn (16.5% of GDP)	Government debt
Spain	· Public guarantees (EUR 100bn) and deferred tax payments for SMEs · Moratorium on mortgage payments · Specific measures for tourism & transport sectors · Rebates on social security for fixed contracts for February-June	EUR 117bn (9.4% of GDP)	Government debt
Netherlands	· Delayed tax payment and temporary arrangement for compensation of labour costs · (Benefit) assistance scheme for self-employed · Credit guarantee scheme · EUR4000 compensation for firms heavily affected · Child day-care compensation	EUR 16bn (2% of GDP)	Government debt
Austria	· Liquidity measures and loan guarantees as well as tax deferrals · Labour subsidies for companies that have to reduce working hours · Aid for one-person and family-owned enterprises, tourism and cultural sectors	EUR 38bn (9.5% of GDP)	Government debt
Portugal	· Credit lines for affected businesses and tax deferrals · Possible moratorium on capital and interest payments	EUR 9.2bn (4.3% of GDP)	Government debt
Greece	· Suspended tax and social security payments for 4 months for all businesses directly affected by coronavirus outbreak (on pre- · EUR800 bonus for employees unable to work due to outbreak · Sales tax cut to 6% from 24% for products needed to prevent coronavirus transmission · Businesses and workers directly hit by outbreak will be allowed to pay only 60% of their rent in March and April · State to pay all outstanding obligations to citizens	EUR 10bn (5.3% of GDP)	Government account + EU strutural funds
UK	· GBP3K cash grant for SMEs · State pays for 14 sick days · Coronavirus Business Interruption Loan Scheme · Coronavirus Job Retention Scheme · Self-Employed Income Support · Deferring tax payments · Business rates will be abolished for smaller firms · Government-backed loans and guarantees (GBP300bn)	GBP 460bn (21% of GDP)	Government debt
Denmark	· Schemes where government pays up to 90% of wage for 4 months for workers who are sent home, covers income for self-employed, helps to cover fixed costs · Extend deadlines for payroll taxes and VAT, including temporary return of taxes already paid in March in some cases · Local governments will move future investments to 2020 · Public sector will pay suppliers and contractors earlier · Government payment for sick leave from day 1 · Government guarantee for some corporate debt and airlines · Enhanced export credit · Slightly easier access to reduced work time support	Fiscal: DKK 98bn (4.3% of GDP) Credit: Up to DKK 301bn (13.1% of GDP)	Government account, new debt, incentive to pay taxes early

Source: Various government sources, Danske Bank *... continues on next page*

Sweden	· Businesses will be offered the opportunity to have tax payments for the period January to March repaid. Repaid taxes can be kept for a period of a year (SEK 300bn) · Government takes on sick leave expenses for 2 months April-May (SEK 2bn per month) · Shortened work-week where employers costs are reduced by up to 50% while employees keep 90% of wages (SEK 20bn) · Municipalities and regions will be compensated for extraordinary costs due to coronavirus (SEK 3bn) · Government offers credit guarantees worth a maximum SEK5bn to airlines. · Extra support to different Health Agencies (SEK 66m) · Increased loan facilities and credit guarantees for Swedish businesses · Temporary reduction of employers' social security contributions and individual contributions (33bn) · SME that pay annual VAT can postpone 2019 VAT also 4 months, fully used 7bn · Possible to apply for return of 2019 taxes · Temporary discount for rental costs (5bn) · Setting up a intensive care fund for SME's of SEK 100 bn · Temporary reinforcement of unemployment insurance (5.3) · More active labour market policy (2.6) · More places and more distance learning at higher education institutions (1.2) · Removal of income ceiling for student aid (1.7) · Increased general government grants (15bn)	Credit: SEK 565 bn (10% of GDP) Fiscal: SEK 100bn (~ 2% of GDP)	Government debt
Norway	· Government pays for the first 20 days for temporary lay-offs; employer period for sick pay and car allowance is reduced to 3 days; income guarantee of 80 % of (last 3 years) income for self-employed & freelancers ;sickness benefits & care allowance for self-employed & freelancers · Corporate deficits can be written off against tax on surpluses from previous years · Postponement of wealth tax for owners of corporates now running deficits · Temporary tax relief for airlines, drop in both passenger tariffs and airport tariffs · Government loan guarantee specifically aimed at SMEs (NOK50bn) Reintroduction of Government Bond Fund (NOK50bn) · Reduction of employee's tax by 4 pp. for 2 months · VAT reduction (lower bar) reduced from 12 % to 8 % from January 1 · Cash injections directly to corporates, estimated to NOK 10-20 bn. per month · Cash injections directly to Kommunalbanken, NOK 750 mill. Increases lending capacity to municipalities by c. NOK 25 bn. · Various maesures to support start-ups, NOK 5 bn. · NOK 6 bn guarentee to airlines	Fiscal: Open-ended but scheduled NOK 201bn (6.7 % of GDP) Credit: NOK 100.5bn (3.3.% of GDP)	Proceeds from oil fund
Finland	· Additional budgets worth EUR 4.1billion largely to business aid and healthcare · Deferred corporate tax and pension payments (temporary, worth 3-4 billion) · Finnvera gets EUR 10 billion additional loan guarantee limit to help businesses · Emergency aid to companies in worst affected small companies · State Pension Fund will buy EUR 1bn of commercial paper	EUR 18bn (7.5% per GDP)	Government debt
Switzerland	· Short-time work scheme · Additional stimulus including liquidity support + loan guarantees (CHF20bn) · Hardship loans and to support specific sectors	CHF 42bn (6% of GDP)	Government debt
ASIA			
China	· Exemption from social security payments for up to five months (0.7% of GDP). · Postponement of Housing Provision Fund payments for companies affected by COVID-19 worth CNY350bn (0.35% of GDP) · Reduction in VAT for SME's' Special-purpose bond issuance quota lifted and front loaded (for infrastructure projects)	Est. CNY 12.5 trn (12.5% of GDP)	Government debt and special-purpose bonds
New Zealand	· Wage subsidies, permanent lift in welfare payments · Reintroducing depreciation deductions · Lifting the threshold for payment of provisional tax · Note: adds to existing (from Dec) infrastructure package of same size	NZD 12.1bn (4% of GDP)	Government debt
Japan	· Favourable credit lines for SMEs · Delayed tax and social security payments · Cash handout of 100,000 JPY to all citizens	JPY 108 tr (19.6% of GDP) JPY 12 tr	Budget reserve + government debt
AMERICA			
US	· Loan guarantees and assitance for large companies (USD 500bn) · Aid for SMEs (USD 671bn) · Unemployment insurance extension for 4M, bolstered by USD 600/week · More health care spending (USD 225bn) · Direct payments to lower and middle-income Americans of USD 1200 per adult and USD500 for every child	USD2800bn (13% of GDP)	Government debt

Source: various government sources, Danske Bank

Global monetary policy responses to COVID-19

Country	Date	Measures	Rate changes	QE (in national currency)	Liquidity	Initial market impact	Comment	Bank regulation
Fed	30-apr	Liquidity			Fed announces it is expanding the scope and eligibility for the Main Street Lending Program. It also expands access to its Paycheck Protection Program Liquidity Facility to additional lenders.			
ECB	30-apr	Liquidity	Pseudo rate cut between Jun20-Jun21		Seven PELTRO operations (unconditional liquidity) to be conducted this year at MRO-25bp. All with maturity in Q3 2021 Reducing the discount on TLTRO rate from depo-25 to depo-50, in the period between Jun20-Jun21		ECB ensuring bank can access ample liquidityat favourable rates ECB standing ready to act should it be needed	
Fed	29-apr	Ordinary meeting	No rate change but kept flexible fwd guidance	Kept unlimited, open-ended, flexible QE unchanged	Stands ready to expand credit facilities if needed		No major surprises but worth noting that the Fed is ready to do more if necessary	
BoJ	27-apr	QE and liquidity	None	Scrapped 80 trillion yen limit on annual pace of JGB pickup. Trippled the maximum amount of corporate bonds and commercial paper it pledges to buy to an annual 20 trillion yen	Strengthens "Special Funds-Supplying Operations" by expanding the range of eligible collateral to private debt in general, increasing the number of eligible counterparties and applying a 0.1% interest to the outstanding balances of current accounts held by financial institutions at BoJ that correspond to the amounts outstanding of loans provided through this operation.	Slight decline in yields	JGB limit was largely symbolic. BoJ owns more than half of the outstanding JGBs, which means less buying is enough to keep rates in check.	
Fed	27-apr	Liquidity			Fed announces an expansion of the scope and duration of the Municipal Liquidity Facility			
BoE	24-apr	Liquidity			Extension of the Contingent Term Repo Facility (CTRF)		Continue to offer 3-month and 1-month operations on a weekly basis through May 2020	
Fed	23-apr	Liquidity			Fed announces it is working to expanded access to its Paycheck Protection Program Liquidity Facility ASAP Fed announces temporary actions aimed at increasing the availability of intraday credit extended by Federal Reserve banks			
ECB	22-apr	Collateral easing					Mitigating effect on potential rating downgrades to 'junk' bonds by grandfathering the 7 April rating (if investment grade). Measures in place until September 2021	
BoE	22-apr	Liquidity			Increase APF gilt lending limits		More than double the total percentage of the APF's gilt holdings available each day.	
Fed	09-apr	Liquidity			Fed takes additional actions to provide up to USD2.300bn in loans to support the economy			
BoE	09-apr	Liquidity			Temporary extension to Ways and Means facility		Short-term soruce of additional liquidity to the government if needed to smooth its cashflows	
ECB	07-apr	Collateral easing						
Fed	06-apr	Liquidity			Fed establishes a facility to facilitate lending to small businesses via the Paycheck Protection Program by providing term financing backed by PPP loans			
Fed	31-mar	Liquidity			Fed announces establishment of a temporary FIMA Repo Facility to helpt support the smooth functioning of financial markets		Temporary repurchase agreement facility for foreign and itnernational monetary authorities (FIMA Repo Facility) to help support the smooth functioning of financial markets, including the US Treasury market.	
BoE	30-mar	Liquidity			Extension of the Contingent Term Repo Facility (CTRF)		Continue to offer CTRF on a weekly basis through April 2020	
ECB	25-mar	PEPP modalities					Maturity: 70d to 31y ISIN/ ISSUER limits do NOT apply A flexible approach to the capital key ECB still keeps the pari passu as in the other APP Bonds will be made available for repo and sec lending There are no monthly purchase guidelines, so expect front loading	
BoE	24-mar	Contingent Term Repo Facility			Contingent Term Repo Facility - a temporary enhancement to the BoE's sterling liquidity insurance facilities. Designed to help alleviate frictions observed in money markets.			

Source: various central bank sources, Danske Bank ... continues on next page

Fed	23-mar	Credit programmes and QE		Open-ended, unlimited, flexible QE	Primary Market Corporate Credit Facility buying new bon and loan issuance Secondary Market Corporate Credit Facility bying outstanding corporate bonds Term Asset-Backed Securities Loan Facility to enable issuance of ABS backed by student loans, ato loans etc. A Main Street Business Lending Program on its way More attractive pricing of the CPFF including more eligible assets	Positive		Technical change to the "total loss absorbing capacity" buffer requirements
Norges Bank	20-mar	Rate cut F-loans to banks (liquidity)	-125bp/modest easing bias	No QE but NOK50bn credit fund set up funded by the government (oil money)	Unlimited 3M F-loans to banks (1W, 1M, 3M, 6M and 12M). Interest rate is policy rate for up to 3M,+25bp for 6M,+30np for 12M. USD liquidity from central bank.	Lower Nibor fixings	More likely that we see more liquidity and credit measures than more rate cuts in our view.	Counter-cyclical buffer lowered from 2.5% to 1.0%. FSA asking MoF to adopt regulation requiring banks and insurance undertakings not to pay dividends until further notice. MoF have increased the quote of mortgages to 20% that may deviate from the amortisation
BoJ	19-mar	JGB purchase		Unscheduled JPY1trillion JGB purchase		Initially dampened increase in 10-year yields		
Nationalbanken	19-mar	Rate hike 3m repo	+15bp in certificates of deposit rate		new emergency repo facility at -0.35%			
BoE	19-mar		-15bp down to 0.1%	GBP200bn				
SNB	19-mar	Stronger language on CHF valuation.	no chg (but exemption thresholds raised on sight deposits)	Balance sheet to be more actively used to stem CHF appreciation	No new measures but SNb takes part in G6 USD swap lines.	Broadly CHF neutral	Balance-sheet expansion rather than rate cuts to safeguard policy transmission mechanism	Considering lower countercyclical capital buffer
Fed	19-mar				Extends USD swap lines to other central banks outside G6 including Scandi central banks Launches Money Market Mutual Fund Liquidity Facility (MMMFLF)			
Nationalbanken	18-mar	Lending facility at -0.35% and 3M repo	Lending facility at -0.35%		Extraordinary lending facility (-0.35%). The lending facility makes it possible for monetary policy counterparts to take 1-week loans against collateral with an interest rate of -0.50%. EUR and USD liquidity from central bank.	Cap on OIS rates and Cibor fixings		Counter-cyclical buffer lowered to zero
ECB	18-mar	QE (PEPP)	no change	EUR750bn in APP asset classes. Also including GR (non-investment grade) Commercial paper Collateral easing		Strong spread tightening and yields lower	A bold and sizeable move by the ECB to contain the credit risk.	
BoJ	17-mar	USD funding	no change		USD30billion 3-month dollar operation	USD/JPY basis swap eased	Part of agreement between global central banks to offer three-month credit to ease funding constraints	
BoC	17-mar	Rate cut	-100 bp		Various liquidity measures including CAD 500M/week asset purchases, a standing liquidity facility, eased collateral terms and extended term repo operations.	Lower fixings, weaker CAD		
Fed	17-mar				Launches Primary Dealer Credit Facility (PDCF) & Commercial Paper Funding Facility (CPFF) Encourages banks to use capital and liquidity buffers and use the Fed's discount window			

Source: various central bank sources Danske Bank ... *continues on next page*

Riksbank	16-mar 19-mar	QE Long-term repo operations Lowered O/N lending rate Eased collateral rules for covered bonds USD funding	O/N rate lowered from 75 bp above repo rate to 20 bp above.	Expanded QE with up to SEK300bn during 2020, which will include SGB's, municipal bond, covered bonds and commercial papers with rating above Baa3/BBB- or higher. ~6% of GDP	SEK500bn (10 % of GDP) 2y loans to banks for on-lending to NFC's at the repo rate. 20 % must be onward lending. If not, a 20 bp charge is applied. Normal collateral applies. Unlimited amount of weekly 3m loans at 20 bp above repo rate. Share of covered bonds allowed for collateral raised from 80% to 100%. Allow covered bonds issued by own entity. Single name limit raised from 50% to 100%. 3m USD liquidity via FX swap line with Fed	Covered bonds tightening significantly Likely to ease Stibor pressure No impact	SEK300bn in QE means that the QE portfolio will almost double in size. RB also keeping the door open to buy corporate bonds if needed. Liquidity measures will ease upward pressure on Stibor. The RB continues to state that it can use all tools at its disposal (we expect eventual cut). Attractive pricing compared to market (3m USD OIS +min 25bp)	Counter-cyclical buffer lowered to zero. FSA have announces that amortisation requirement may be suspended for borrowers facing loss of income. Temporary relaxation of LCR requirements for individual and total currencies.
BoE	16-mar	Rate cut, liquidity, countercyclical capital buffer cut	-50bp	Unchanged	New term funding scheme, countercyclical capital buffer down to 0%	GBP negative		
BoJ	16-mar	QE and liquidity	no change	Double cap for pace of ETF pick-ups to Y12trillion/year. Also double cap for pace of real estate trust funds and set aside 2 trillion yen for additional purchases of commercial paper and corporate bonds	New loan programme to extend zero-rate loans to financial institutions	Net slightly disappointing. Stock market disappointed as BoJ gives no guarantees. USD/JPY decrease as rate cut was priced in	Much as expected, although four days early. BoJ said rate cut still on the table, but will likely do more harm than good. Still plenty of flexibility to increase JGB purchases within signalled annual pace	
South Korea	16-mar	Rate cut	-50bp					
Fed	15-mar	Rate cut, QE, USD liquidity, 0% reserve requirement ratio	-100bp	USD500bn in Treasuries, USD200bn in MBS, ~3.2% of GDP		Negative Monday morning	Fed went all in in a surprise move on Sunday by emptying the conventional tool box	
RBNZ	15-mar	Rate cut	-75bp			Positive - initial market impact	Significant fiscal package: 4% of GDP +4% infrastructure (from Dec). Also 75bp cut. Clear guidance that next is QE	
Riksbank	13-mar	Long-term repo operations (2Y)	no change	N/A	2Y loans against collateral totalling SEK500bn for liquidity support. Priced at repo rate given that 20% of the volume is lent out to non-financial companies. If not, 20bp is added to the repo rate	No direct market impact	In the press conference, RB said that it is prepared to use all tools available, including buying municipal, covered and corporate bonds.	
PBOC	13-mar	Liquidity, RRR rate cut			Offers discount to bank reserve requirement by 0.5 to 2 percentage points for qualified banks. Can release CNY550bn to banking system.			
ECB	12-mar	QE LTRO and TLTROs	no change	EUR120bn envelope additional by year-end. Additional EUR120bn of QE, favouring private programmes. Flexible implementation ~1.1% of GDP	Bring financing at depo rate (fixed rate full allotment) until June TLTRO TLTRO at MRO-25 to depo-25bp subject to 0% lending growth. Strip off 10% eligibility rule. Lifting of pool eligibility from 30% to 50%. Dual rates	Large impact - as disappointment of no cut	Underwhelming package, in particular in terms of QE size	
Fed	12-mar	Buying further out the US yield curve (reserve management purchases) Longer-term repo operations			Offering a total of USD1,000bn in one-month and three-month repo operations on a weekly basis	Positive intraday on announcement	Fear of lack of liquidity and oversubscribed repo operations made the Fed go all in on liquidity	
Fed	09-mar	Increased the amount offered in repo operations			Overnight repo at least USD150bn (from USD100bn) Two-week repo at least USD45bn (from USD20bn)		Due to fear of lack of liquidity and oversubscribed repo operations	
Fed	03-mar	Rate cut	-50bp				Emergency rate cut due to major sell-off and increased market pressure	
Reserve Bank of Australia	03-mar	Rate cut	-25bp					
PBOC	20-feb	Rate cut	-10bp					
PBOC	10-feb	Loan provision/rate cut			Special re-lending fund set up of CNY300bn for selected companies at rate 100bp below LPR rate. MoF to subsidise half of interest rate cost.			
PBOC	03-feb	Rate cut	-10bp					

Source: various central bank sources, Danske Bank

European bank regulation responses to COVID-19 (Scandi focus)

Country	Date	Measure
EC	28-apr	EC package extending IFRS 9 transitional arrangements for two years, treatment of publicly guaranteed loans more favourable under the 'NPL backstop', banks allowed to exclude central bank reserves from LR calculations and LR buffer requirement postponed, etc.
Norway	20-apr	Lowering of capital requirements for SME lending covered by partial guarantee from Norwegian government.
ECB / SSM	16-apr	ECB provides relief for capital requirements for market risk, to review decision after six months.
Sweden	07-apr	SNDO postponed the MREL subordination principle from 1 January 2022 to 1 January 2024, allowing banks to use preferred senior to meet MREL requirements for another two years.
BIS	03-apr	Basel extends transitional measures for expected credit loss accounting under IFRS 9 by two years.
EBA	02-apr	Guidelines published on definition of default and classification of forbearance in context of payment moratoria launched in response to COVID-19
Sweden	02-apr	S-FSA announces that banks may suspend amortisation requirement for all mortgagors until end-June 2021.
Denmark	02-apr	Statement from D-FSA suggesting a relatively stringent approach to IFRS9, saying that banks should take accurate provisioning.
SRB	01-apr	SRB stating that it will show flexibility on MREL transition periods and interim targets.
ECB / SSM	27-mar	Banks asked not to pay dividends or buy back shares at least until 1 October 2020.
BIS	27-mar	Basel IV implementation (including output floor) postponed by one year to 1 January 2023. Transitional arrangements until 1 January 2028 (previously: 1 January 2027).
EBA	25-mar	EBA calls for flexibility on IFRS9 provisioning, highlights that in case of debt moratoria there is no automatic default recognition.
Norway	25-mar	N-FSA asking MoF to adopt regulation requiring banks and insurance undertakings not to pay dividends. MoF expects banks to hold back payouts, but will not take regulatory steps at this point.
Denmark	24-mar	Common statement from government and banking association saying banks will reassess already planned dividends and buyback plans. Further initiatives include increased lending facilities and credit lines for corporates and a grace period for certain loan types.
Sweden	24-mar	S-FSA urges banks to change dividend proposals and not pay out and dividends in relation to upcoming AGMs.
Norway	23-mar	MoF increases quote of mortgages to 20% that may deviate from the amortisation requirements.
ECB / SSM	20-mar	Further flexibility to banks on classification of non-performing loans allowing banks to benefit from guarantees and moratoriums put in place by public authorities. Banks encouraged to avoid excessive pro-cyclical effects on provisioning when applying IFRS9.
Denmark	19-mar	D-FSA states that financial institutions may apply to make use of LCR buffers. D-FSA instruction states that forbearance to clients as a result of the COVID-19 situation will not automatically increase provisioning needs.
Finland	17-mar	Systemic risk buffer removed, bank-specific requirements lowered, resulting in 1pp lower buffer requirements.
Sweden	17-mar	S-FSA announces that amortisation requirement may be suspended for borrowers facing loss of income.
Sweden	16-mar	Temporary relaxation of LCR requirements for individual and total currencies. Breaches should be reported to S-FSA.
Sweden	13-mar	Counter-cyclical buffer rate lowered from 2.5% to 0.0%.
Norway	13-mar	Counter-cyclical buffer rate lowered from 2.5% to 1.0%.
Norway	13-mar	Temporary relaxation of LCR requirements. Breaches should be reported to N-FSA.
EBA	12-mar	Postponement of EU-wide stress test to 2021. Call for competent authorities to make use of flexibility embedded in current regulation (where appropriate).
ECB / SSM	12-mar	Banks temporarily allowed to operate with capital below levels defined by Pillar 2 Guidance and Capital Conservation Buffer. Temporary relaxation of LCR requirements. Easing of requirements on composition of capital for Pillar 2 Requirement brought forward.
Denmark	12-mar	Counter-cyclical buffer rate lowered from 1.0% (due to reach 2.0%) to 0.0%.

Source: various financial supervisory sources, Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Aila Mihr, Senior Analyst, Piet Haines Christiansen, Chief Strategist, and Sverre Holbek, Senior Analyst.

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