

## I

*(Resolutions, recommendations and opinions)*

## RECOMMENDATIONS

## EUROPEAN CENTRAL BANK

## RECOMMENDATION OF THE EUROPEAN CENTRAL BANK

of 27 March 2020

on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/1

(ECB/2020/19)

(2020/C 102 I/01)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions <sup>(1)</sup>, and in particular Article 4 (3) thereof,

Whereas:

- (1) The European Central Bank (ECB) considers it crucial that credit institutions can continue to fulfil their role to fund households, small and medium businesses and corporations amid the coronavirus disease 2019 (COVID 19)-related economic shock. For this purpose, it is therefore essential that credit institutions conserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID 19. To this end capital resources to support the real economy and absorb losses should take priority at present over discretionary dividend distributions and share buy-backs.
- (2) Therefore, the ECB considers it appropriate that the significant credit institutions refrain from making dividend distributions and performing share buy-backs aimed at remunerating shareholders during the period of the COVID-19-related economic shock. Given the exceptional circumstances Recommendation (ECB/2020/1) of the European Central Bank <sup>(2)</sup> should be repealed.
- (3) In order to maximize the support to the real economy, it is also considered appropriate that discretionary dividend distributions should also not be made by less significant credit institutions,

<sup>(1)</sup> OJ L 287, 29.10.2013, p. 63.

<sup>(2)</sup> Recommendation ECB/2020/1 of the European Central Bank of 17 January 2020 on dividend distribution policies (OJ C 30, 29.1.2020, p. 1).

HAS ADOPTED THIS RECOMMENDATION:

**I.**

1. The ECB recommends that at least until 1 October 2020 no dividends <sup>(3)</sup> are paid out and no irrevocable commitment to pay out dividends is undertaken by the credit institutions for the financial year 2019 and 2020 and that credit institutions refrain from share buy-backs aimed at remunerating shareholders.
2. Credit institutions that are unable to comply with this Recommendation because they consider themselves legally required to pay-out dividends should immediately explain the underlying reasons to their joint supervisory team.
3. This Recommendation applies on a consolidated level of a significant supervised group as defined in point (22) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17) <sup>(4)</sup> and on an individual level of a significant supervised entity as defined in point (16) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17), if such significant supervised entity is not part of a significant supervised group.

**II.**

This Recommendation is addressed to significant supervised entities and significant supervised groups as defined in points (16) and (22) of Article 2 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17).

**III.**

This Recommendation is also addressed to the national competent authorities and designated authorities with regard to less significant supervised entities and less significant supervised groups as defined in points (7) and (23) of Article 2 of Regulation (EU) No 468/2014 (ECB/2014/17). The national competent and designated authorities are expected to apply this Recommendation to such entities and groups, as deemed appropriate.

**IV.**

The ECB will further evaluate the economic situation and consider whether further suspension of dividends is advisable after 1 October 2020.

**V.**

Recommendation ECB/2020/1 of the European Central Bank is hereby repealed.

Done at Frankfurt am Main, 27 March 2020.

*The President of the ECB*  
Christine LAGARDE

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<sup>(3)</sup> Credit institutions may have various legal forms, e.g. listed companies and non-joint stock companies such as mutuals, cooperatives or savings institutions. The term 'dividend' as used in this Recommendation refers to any type of cash pay-out that is subject to the approval of the general assembly.

<sup>(4)</sup> Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17).