

Luxembourg, 30 April 2020

To all credit institutions

**CIRCULAR CSSF 20/741 as  
amended by Circular 20/749**

**Re: Adoption of the Guidelines of the European Banking Authority on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02)**

Ladies and Gentlemen,

The purpose of this circular is to inform you that the CSSF, in its capacity as competent authority, complies with<sup>1</sup> and applies the Guidelines of the European Banking Authority (EBA) on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), as amended by the EBA guidelines EBA/GL/2020/08 (the Guidelines). Consequently, the CSSF has integrated the Guidelines into its administrative practice and regulatory approach with a view to promote supervisory convergence in this field at European level.

All entities that have adhered to general payment moratoria that are effectively in place by 30 September 2020 and that are willing to benefit from the Guidelines shall duly comply with them.

## **1. The Guidelines**

In line with the EBA statement of 25 March 2020, the EBA has published the Guidelines to specify the prudential treatment of legislative and non-legislative moratoria on loan payments introduced in response to the COVID-19 pandemic. These Guidelines apply in relation to the

---

<sup>1</sup> “Significant supervised entities” as defined in Article 2, point 16 of Regulation (EU) No 468/2014 of the European Central Bank (ECB) of 16 April 2014 (SSM Framework Regulation) shall refer to the relevant ECB rules (if any).

application of the definition of default in accordance with Article 178 of Regulation (EU) No 575/2013 (**CRR**) and classification of forbearance in accordance with Article 47b CRR.

The Guidelines aim to clarify the following points in the context of the COVID-19 pandemic: (i) the criteria that payment moratoria have to fulfil not to trigger forbearance classification as defined in Article 47b CRR; (ii) the application of the prudential requirements in the context of these moratoria; and (iii) ensuring the consistent treatment of such measures in the calculation of own funds requirements.

In particular, with regard to the criteria to be fulfilled, paragraph 10 of the Guidelines sets out the following eligibility conditions for general moratoria:

- the moratorium was launched in response to the COVID-19 pandemic;
- the moratorium has to be broadly applied;
- the moratorium has to apply to a broad range of obligors;
- the same moratorium offers the same conditions;
- the moratorium changes only the schedule of payments;
- the moratorium does not apply to new loans granted after the launch of the moratorium;
- the moratorium must be effectively applied by 30 September 2020.

In order to allow an effective monitoring of the effects of the COVID-19 pandemic and the application of response measures, credit institutions are required to collect specific information on exposures where the moratorium has been applied in accordance with paragraph 19 of the Guidelines and to provide relevant information as set out in paragraph 17 of the Guidelines to the CSSF.

Furthermore, credit institutions are expected to make use of general payment moratoria in a transparent manner.

With respect to reporting and disclosure requirements, please refer to Circular 20/748.

## **2. Sound and Prudent Banking Practice**

The CSSF stresses the need for credit institutions to continue identifying and measuring in a timely and accurate manner its credit risk, as general payment moratoria do not remove the obligations for credit institutions to carefully assess the credit quality of exposures benefiting from any moratorium. Credit institutions should in particular continue identifying any situation in which borrowers are unlikely to pay for the purpose of the definition of default. Accordingly, credit institutions should continue to apply their normal policies for the regular reviews of indications of unlikeliness to pay during the time of the general payment moratoria and classify their exposures in accordance with the applicable provisions on default. It is expected that credit institutions will apply these policies in a risk-based manner, paying particular attention to and prioritising the assessment of those obligors who are most likely to experience payment difficulties.

### 3. Practical modalities

Questions with regard to the Guidelines and this circular should be submitted to the CSSF by using the following e-mail address: [covid-moratorium@cssf.lu](mailto:covid-moratorium@cssf.lu).

Information updates as regards the practical implementation of the circular will be made available in the Coronavirus section on the CSSF website ([FAQ Covid-19 #17](#)).

The EBA/GL/2020/02 as amended by the EBA/GL/2020/08 are available on the [EBA's website](#).

#### COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Claude WAMPACH  
Director

Marco ZWICK  
Director

Jean-Pierre FABER  
Director

Françoise KAUTHEN  
Director

Claude MARX  
Director General