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(Resolutions, recommendations and opinions)

RECOMMENDATIONS

EUROPEAN CENTRAL BANK

RECOMMENDATION OF THE EUROPEAN CENTRAL BANK

of 23 July 2021

repealing Recommendation ECB/2020/62

(ECB/2021/31)

(2021/C 303/01)

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 ⁽¹⁾, and in particular Article 4(3) thereof,

Whereas:

- (1) On 27 March 2020, the European Central Bank (ECB) adopted Recommendation ECB/2020/19 of the European Central Bank ⁽²⁾ which recommended that at least until 1 October 2020 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by credit institutions and that credit institutions refrain from share buy-backs aimed at remunerating shareholders. On 27 July 2020, the ECB prolonged this recommendation until 1 January 2021 by adopting Recommendation ECB/2020/35 of the European Central Bank ⁽³⁾.
- (2) Even with the improvement in macroeconomic conditions and the reduction of economic uncertainty due to the COVID-19 pandemic, the level of uncertainty remained elevated at the end of 2020 with a continued impact on banks' ability to forecast their medium-term capital needs. In view of this persisting uncertainty the ECB adopted Recommendation ECB/2020/62 of the European Central Bank ⁽⁴⁾ repealing Recommendation ECB/2020/35 but recommending extreme prudence when credit institutions decide on or pay out dividends or perform share buy-backs aimed at remunerating shareholders.
- (3) The latest macroeconomic projections indicate the start of the economic recovery and a further reduction in the level of economic uncertainty. Accordingly, the ECB considers that the reasons underpinning Recommendation ECB/2020/62 are no longer present. The reduced economic uncertainty allows the thorough supervisory assessment of the prudence of banks' plans to distribute dividends and conduct share buybacks on an individual basis with a careful forward-looking assessment of capital plans in the context of the normal supervisory cycle,

⁽¹⁾ OJ L 287, 29.10.2013, p. 63.

⁽²⁾ Recommendation ECB/2020/19 of the European Central Bank of 27 March 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/1 (OJ C 1021, 30.3.2020, p. 1).

⁽³⁾ Recommendation ECB/2020/35 of the European Central Bank of 27 July 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/19 (OJ C 251, 31.7.2020, p. 1).

⁽⁴⁾ Recommendation ECB/2020/62 of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 (OJ C 437, 18.12.2020, p. 1).

HAS ADOPTED THIS RECOMMENDATION:

This Recommendation repeals Recommendation ECB/2020/62 from 30 September 2021.

Done at Frankfurt am Main, 23 July 2021.

The President of the ECB
Christine LAGARDE
