

PRESS RELEASE



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ESRB issues renewed recommendation on dividend restrictions

The European Systemic Risk Board (ESRB), the EU's macroprudential overseer, has issued a recommendation to all member states that financial companies (such as banks, investment firms and insurance companies) shall refrain from or limit dividend payments. This recommendation is in line with the decisions on restricting distributions published by the European Banking Authority (EBA) and the European Central Bank's (ECB) Single Supervisory Mechanism (SSM) on 15 December. Its purpose is that the financial system shall have sufficient capital to counteract risks to stability in the financial system and to contribute to the economic recovery, given how the effects of the pandemic can contribute to a deterioration of the solvency position of corporations and households.

"The ESRB's recommendation emphasises the uncertain economic situation we are still experiencing and that the financial sector, not least the banks, needs to do what it can to supply credit and ensure they have sufficient capital. It is good that we within the EU and the EEA have agreed on a standpoint regarding dividends during a difficult period, which is not over yet. Our assessment has been that the banks should until further notice refrain from dividend payments to shareholders. Now that we have come further down the path, the positive news regarding a vaccine against COVID-19 has helped reduce at least some of the uncertainty stemming from the pandemic. But, at the same time, factors such as the increased spread of infection and tighter restrictions have a negative impact on the economic situation. Given this, the ESRB's recommendation is entirely reasonable," says Governor Stefan Ingves.

The ESRB's Recommendation applies until 30 September 2021, and means that financial companies should refrain from or limit the distribution of capital through, for instance, dividend distributions, buy-back of ordinary shares, or variable remuneration to material risk-takers. Some dividends may be paid out if companies exercise extreme caution and do not exceed a conservative threshold set by the national competent authorities. The Recommendation is largely a revised extension of the existing recommendation on dividend restrictions issued on 8 June 2020, in the sense that it no longer covers central counterparties and opens up for limited dividends given strict criteria.



The ESRB considers the economic recovery path to be highly uncertain. The recommendation regarding how much financial companies should be allowed to distribute is therefore very restrictive. It is based on the necessity of financial companies having sufficient capital to manage problems with non-performing loans and bankruptcies that can come in the wake of the pandemic. This essentially concerns safeguarding financial stability and ensuring that the banks can supply credit and support the economic recovery.

[Link to the ESRB Recommendation](#)