



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

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RECOMMENDATION OF THE EUROPEAN CENTRAL BANK
of 23 July 2021
repealing Recommendation ECB/2020/62
(ECB/2021/31)

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 institutions¹, 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 Bank² 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 Bank³.
- (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 Bank⁴ 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

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 102I, 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).

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,

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