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ECB to Tweak Bank Capital Demands to Boost Link to Stress Test

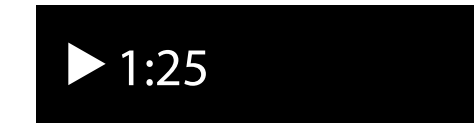
By [Nicholas Comfort](#) and [Sonia Sirletti](#)

7 luglio 2021, 14:03 CEST



ECB headquarters beside the River Main in Frankfurt Photographer: Alex Kraus/Bloomberg

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The [European Central Bank](#) will take greater account of stress tests when setting buffers that lenders should hold on top of the minimum requirements for financial strength.

Starting this year, the regulator will split banks into four groups based on how hard they were hit in upcoming tests when calculating the buffer known as Pillar 2 Guidance, ECB Supervisory Board Chair Andrea Enria said on Wednesday. Supervisors will then make adjustments to ensure the measure reflects the riskiness of individual banks, he said.

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The ECB's Pillar 2 Guidance is designed to safeguard institutions in the event of losses. Many banks don't disclose that figure, yet it's of interest to investors who want to know how much capital lenders can return via dividends and share buybacks.

The ECB is making the change in response to new European banking regulations and input from a fellow authority on how it determines capital demands. The changes have come into focus for lenders as they brace for results this month of what's expected to be Europe's toughest stress test yet.

"We received a lot of questions from banks because the adverse scenario of stress tests this year is very heavy and challenging for banks," Enria said at a conference on Wednesday.

The ECB will also scrap its minimum "floor" of 1% for Pillar 2 Guidance, Enria said.

While the tweaks take effect this year, Enria reiterated that banks can dive into their capital buffers until at least the end of 2022 to swallow losses and keep lending in the pandemic.

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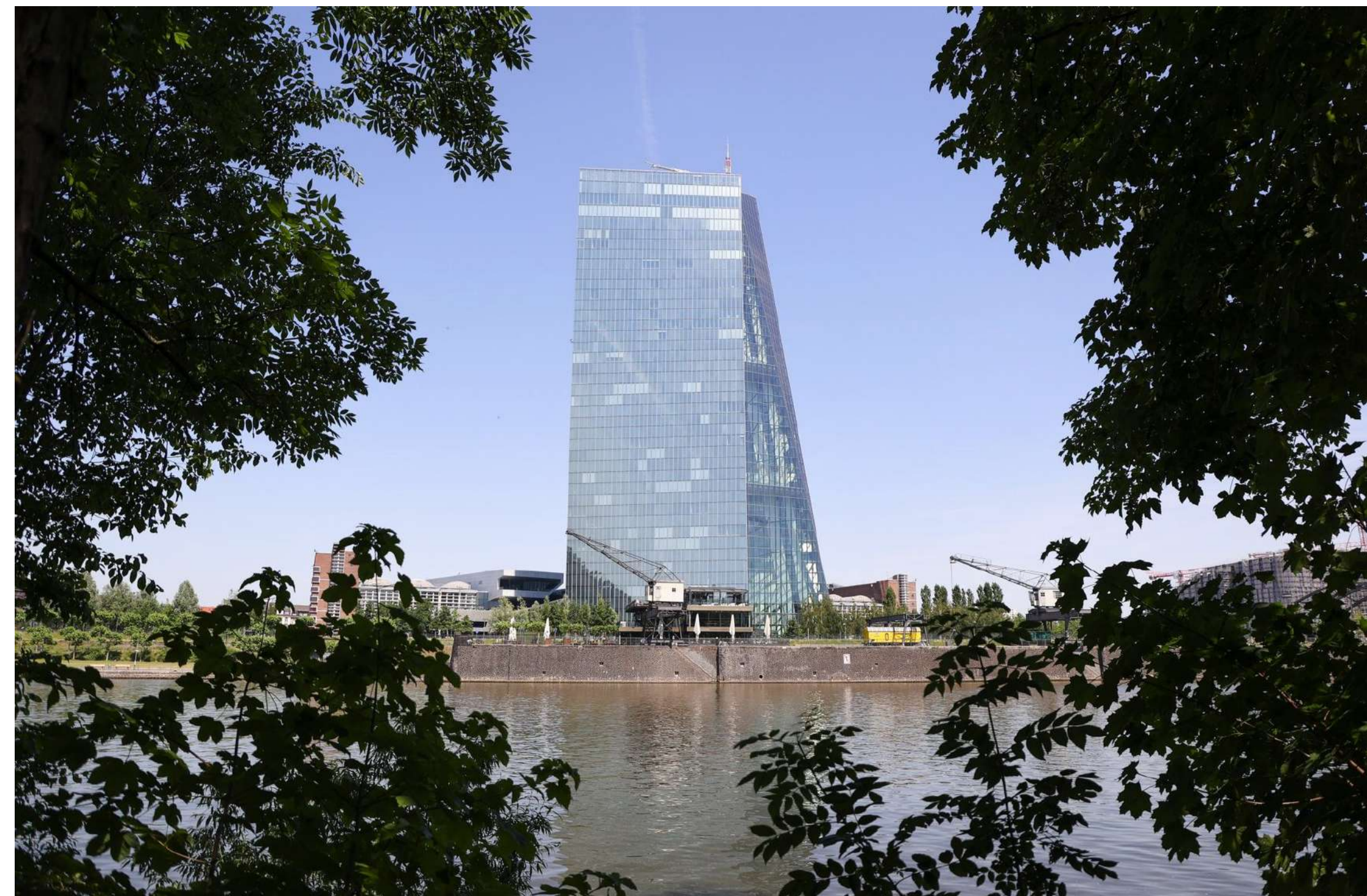
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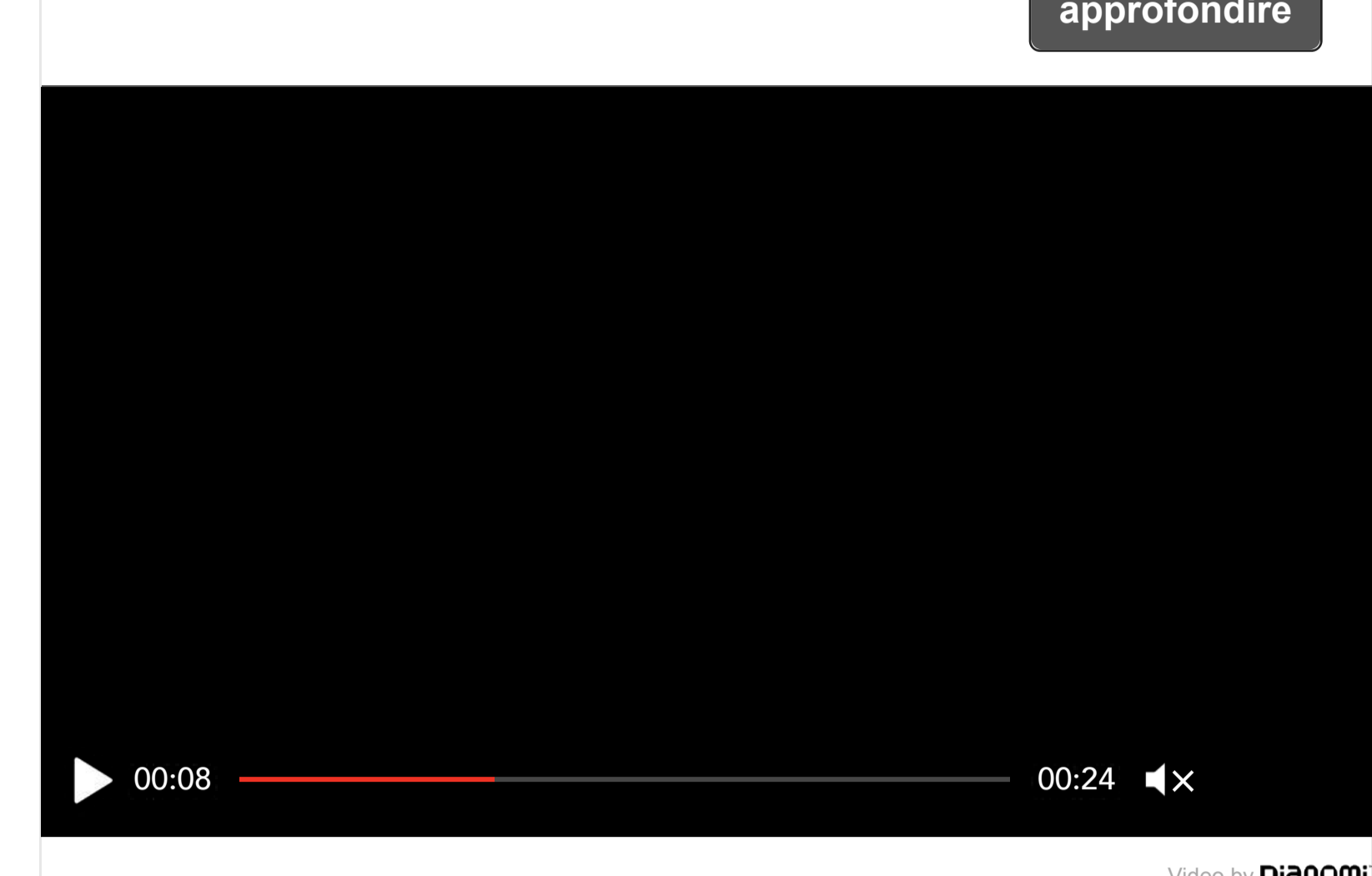
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NAME	YIELD %	CHANGE
US 3 Month	0.04	↑ 0.01
US 6 Month	0.05	↑ 0.01
US 2 Year	0.20	↑ 0.01
US 5 Year	0.68	↑ 0.01
US 10 Year	1.18	↑ 0.01
US 30 Year	1.83	↑ 0.01

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