

31 March 2020

**Position of the Polish Financial Supervision Authority
on bank financing of corporate customers in the face of the COVID-19 pandemic
as part of the Supervisory Stimulus Package**

(A) In order to enable banks to maintain or change the terms of bank financing (e.g. to extend repayment deadlines or to increase amounts) of corporate customers (not subject to the special statutory rules introduced for micro-, small- and medium-sized enterprises as part of the Anti-Crisis Shield) in the face of the COVID-19 pandemic, the Polish Financial Supervision Authority (UKNF), in agreement with the banking industry, hereby presents its position on the interpretation and application of Article 70(2) of the Banking Law:


1. In the UKNF's opinion, the statutory definition of creditworthiness should not be changed.
2. Considering the COVID-19 pandemic and its economic impact, the UKNF accepts a situation in which banks – in relation to their existing customers affected by the COVID-19 pandemic that were assigned a full credit assessment not earlier than on 31 March 2019 and were the subject of a quarterly review not earlier than on 30 September 2019 – will be maintaining or changing in the customer's favour the terms of financing (e.g. by extending the financing period) pursuant to Article 70(2) point 2 of the Banking Law, including where due to COVID-19 the customer experiences a loss of creditworthiness defined as a temporary threat to liquidity, in particular due to the discontinuation of financing and where it is not possible to fully assess creditworthiness or draw up a full recovery plan (Article 70(2) point 2 of the Banking Law) due to the lack of reliable data. The renewal of financing on the terms of 31 December 2019 should not be done for a period exceeding 1 year. As regards cases of increasing amounts of financing for the existing customers above the level of 31 December 2019, banks may make their decisions on the basis of simplified positive liquidity forecasts. Such exposures should be identifiable and subject to the monitoring process, especially in terms of liquidity, at a frequency greater than the standard quarterly review.
3. The UKNF accepts a situation where when making credit decisions on the matters referred to in point 2 above, the credit decision-makers – having at their disposal positive liquidity forecasts that meet the requirements referred to in point 2 above – will not require the borrowers referred to in point 2 to provide 'special security', and the UKNF expects the credit decision-makers to adopt a reasonable approach when accepting collateral in such situations.

4. Where credit exposures are covered by a BGK guarantee (both the existing exposures referred to in point 2 and where an exposure is increased to neutralise the impact of the pandemic, as well as the new financing schemes for entities that have been granted a BGK guarantee) in the amount of 80% of the amount of credit, the UKNF accepts that such a guarantee will be treated as a guarantee that meets the requirement of special security.⁷ In such cases the bank will use its best efforts to obtain collateral for at least the remaining 20% of the credit and, where that is not possible, the portion of the credit which is not covered by a BGK guarantee will be included in the calculation of risk-weighted assets with a weight of 150%.
5. The UKNF inspections conducted at banks and examining the period following the development of the threat of the COVID-19 pandemic will be in line with the above approach in the course of inspection activities, especially with regard to the credit granting process.

(B) In order to allow banks to focus on the operations related to customer service and processes that are critical in view of the challenges posed by the COVID-19 pandemic, and recognising the need to re-allocate resources, the UKNF is taking actions to postpone the entry into force of certain KNF Recommendations:

1. The UKNF is planning to apply to the KNF Board for postponement of the implementation of Recommendation S until 30 June 2021.
2. Implementation of Recommendation R will also be postponed.

(C) Additionally, considering the requests from banks concerning certain EBA guidelines, the UKNF – as part of the work within EBA and as a participant in that work – is going to forward to EBA, for consideration, the requests agreed upon with banks in the name of the Polish banking sector.



Jacek Jastrzębski

Chair of the Board

Polish Financial Supervision Authority