

Press release

18 June 2021

ECB extends leverage ratio relief for banks until March 2022

- Banks may exclude central bank exposures from leverage ratio as exceptional macroeconomic circumstances continue
- Banks to benefit from relief measure until end-March 2022
- Banks to recalibrate their 3% leverage ratio requirement

The European Central Bank announced today that euro area banks it directly supervises may continue to exclude certain central bank exposures from the leverage ratio, as exceptional macroeconomic circumstances due to the coronavirus (COVID-19) pandemic continue. The move extends until March 2022 the leverage ratio relief [granted in September 2020](#), which was set to expire on 27 June 2021.

EU law allows banking supervisors, after consulting the relevant central bank, to temporarily allow banks to exclude central bank exposures from their leverage ratio in exceptional macroeconomic circumstances. Such assets include coins and banknotes as well as deposits banks hold at the central bank.

This [decision](#) by ECB Banking Supervision came after the Governing Council of the ECB, as monetary authority of the euro area, [confirmed](#) that there are exceptional circumstances due to the coronavirus (COVID-19) pandemic.

The 3% leverage ratio requirement becomes binding on 28 June 2021. Banks which decide to exclude central bank exposures must recalibrate this 3% leverage ratio requirement in such a way that only the central bank exposures newly accumulated since the beginning of the pandemic effectively benefit from the leverage ratio relief. In other words, only the increase in banks' central bank exposures since end-2019 would in practice lead to leverage ratio relief: this maintains the level of resilience provided by the leverage ratio before the pandemic. More details are available in the [FAQs](#).

Based on end-December 2020 data of the 39 significant banks already excluding central bank exposures from their leverage ratio, the measure announced today would increase headroom over

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leverage ratio requirement on average by 0.5 percentage point (about €70 billion Tier 1 capital). This is the result of two effects in opposite directions: a continued 0.7 percentage point increase of the leverage ratio due to the exclusion of central bank exposures, partially offset by a 0.2 percentage point increase of the 3%-leverage ratio requirement due to the recalibration.

This extension applies until 31 March 2022. Banks that elect to use this extension should nevertheless plan to timely maintain sufficient capital in view of the expiry of the prudential exemption.

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Notes

- The leverage ratio shows the relationship between a bank's capital and its assets and off-balance-sheet items irrespective of how risky these are. The 3% leverage ratio requirement becomes binding as of 28 June 2021. Because the leverage ratio doesn't depend on risks, the leverage ratio requirement serves as a backstop to risk-weighted capital requirements.
- Since October 2020, the ECB supervises banks not only in the euro area but also in Bulgaria and in Croatia following the establishment of [close cooperation](#). Bulgarian and Croatian significant banks are not included in the scope of the relief owing to the specific monetary policy arrangements in these two countries.

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