Question for written answer Z-046/2021
to the Chair of the Single Supervisory Mechanism Board
Rule 141
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Subject: Impact of banking rules on Coronavirus bankruptcies

Despite the rebound in economic indicators in recent months, some sectors are still living in uncertainty owing to the gradual return to pre-pandemic normality.

During the emergency, loan moratoria and regulatory relief for lending allowed the banking system to support many struggling businesses and households.

The recent return to regulatory normality in the identification of bankruptcies, supported by the supervisory authorities, is forcing all creditors to pay interest on bank loans and, unfortunately, we have recently been seeing an increase in defaults.

For the time being, the phenomenon is limited, but there is a real risk that these defaults might noticeably increase after the moratoria have expired. This would have an impact both on financial institutions, in accordance with the rules laid down in the ‘calendar provisioning’ for the treatment of NPLs, and on the public purse.

In view of this, can the SSM answer the following questions:

1. What will be the estimated impact on the credit quality of European banks, in particular Italian banks, with the possible forthcoming removal of loan moratoria, and what will be the estimated impact of applying the calendar provisioning rules?

2. Does it not think that credit valuations should be facilitated for those economic sectors that are still experiencing uncertainties due to the gradual return to normality?