EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Press release

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ECB will not extend liquidity relief beyond December 2021

- Liquidity coverage ratio relief to expire on 31 December 2021
- Banks have ample liquidity buffers
- ECB returns to normal supervision of liquidity requirements

The European Central Bank (ECB) sees no need to extend beyond December 2021 the liquidity relief measure that allowed banks to operate with a liquidity coverage ratio below 100%.

In March 2020 the ECB encouraged banks to make use of their liquidity buffers to support the economy. At the time the ECB also committed to allowing banks to operate with a liquidity coverage ratio below 100% until at least the end of 2021 to give them enough time to replenish these buffers.

A bank's liquidity coverage ratio is the relationship between its buffer of high-quality liquid assets and the cash outflows it may face over a 30-day period of liquidity stress. Banks must maintain a liquidity coverage ratio of above 100% during normal times so they can use that buffer in the event of liquidity stress. This means a bank's highly liquid assets must at least match the liquidity it would expect to leave the bank within 30 days in a stress situation.

As the specific relief measure granted at the outset of the pandemic has not been extended, the ECB expects all banks to maintain a liquidity coverage ratio of above 100% as of 1 January 2022. Currently the aggregate liquidity coverage ratio of banks under direct ECB supervision stands at about 170%, up from about 140% before the pandemic.

More details on pandemic-related measures are available in the FAQs.

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