



PRESS RELEASE

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ECB publishes guidance to banks on leveraged transactions

- Guidance aims to establish sound origination and risk management practices to facilitate a smooth financing of the real economy
- Guidance seeks to facilitate the identification of leveraged transactions so as to give senior management a comprehensive overview of banks' leveraged lending activities
- Publication marks the end of a public consultation process

The ECB today published its guidance on leveraged transactions. The publication of the guidance marks the end of a public consultation process.

The guidance seeks to facilitate the identification of leveraged transactions by means of an overarching definition encompassing all business units and geographical areas, so as to give a bank's senior management a comprehensive overview of the bank's leveraged lending activities. It also outlines expectations regarding the risk management and reporting requirements for leveraged transactions. This should result in more stringent risk management of these exposures, strengthen banks' ability to operate during an economic downturn and ultimately facilitate lending to leveraged borrowers through the business cycle. Safe and sound origination practices enable banks to contribute to a smooth financing of the real economy.

The supervisory expectations expressed in this guidance should be implemented in line with the size and risk profile of banks' leveraged transaction activities relative to their assets, earnings and capital.

The guidance neither aims to prevent leveraged borrowers from accessing financing solutions, nor does it stipulate non-pass thresholds regarding the origination of transactions. Instead, the supervisory expectations seek to ensure sound and consistent risk management practices and to harmonise the definition of leveraged transactions.

The implementation of the guidance will be part of the day-to-day supervisory dialogue with individual banks. The ECB will apply the principle of proportionality and adjust its level of intrusiveness depending on the risk profile of banks' leveraged transaction activities. In this vein, the ECB will monitor leveraged lending activities and may ask selected banks to regularly report their exposures to leveraged transactions as well as the evolution and riskiness of these exposures.

A feedback statement published on the ECB's website reflects the comments received during the public consultation and indicates the changes to the draft guidance.

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