

Informative Note

The European Central Bank recommends suspending dividend distributions during the COVID-19 pandemic

06th April 2020

27th March 2020 ECB Recommendation on dividend distributions during the COVID-19 pandemic and therefore repealing Recommendation ECB/2020/1

In order for credit institutions to preserve their capital and their ability to support the real economy in the current situation of uncertainty, on 27 March 2020 the European Central Bank (**ECB**) issued a recommendation recommending that credit institutions suspend dividend payments and share buybacks to remunerate shareholders during the economic turmoil created by the COVID-19.

The ECB therefore recommends that both significant and less significant credit institutions should refrain from distributing dividends, repurchasing shares or entering irrevocable commitments in respect of the financial years 2019 and 2020 at least until **1st October 2020**.

The purpose of this measure is to address the need for credit institutions to continue to perform their function of financing households and all those enterprises that are most negatively affected in the current situation.

Apart from the above, all those credit institutions that could not assume the recommendations because they understood that they were legally obliged to distribute dividends, must immediately inform their inspection team of the reasons and grounds for doing so.

Over the coming months, the ECB will continuously monitor developments in the economic situation in order to assess whether it is advisable to suspend the distribution of dividends after 1 October 2020.

In this regard, credit institutions such as Banco Santander, Caixabank, Sabadell and Bankia have eliminated or reduced their dividend payments during 2019 and have adjusted their dividend policy for 2020, measures which are expected to be adopted by most institutions in the short term within the euro area.

ECB Recommendation ECB/2020/1 is hereby repealed.

We hope that these comments will be useful and, in any case, the tax team at Andersen Tax & Legal, is at your disposal to clarify any doubts you may have in this regard.



You can consult the European Central Bank's recommendation on dividend distribution during the COVID-19 pandemic [here](#).

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