IN-DEPTH ANALYSIS
FOR THE ATTENTION OF THE ECON COMMITTEE

European Parliament

EU/EA measures to mitigate the economic, financial and social effects of coronavirus

State-of-play 27 April 2020

This document compiles information, obtained from public sources, on the measures proposed and taken at the EU or Euro Area level to mitigate the economic and social effects of Covid19. It will be regularly updated, following new developments.

The table covers, specifically:

1. Budgetary and financial support measures proposed or adopted by EU or EA institutions (Section 1)
2. Decisions taken by the Commission/Council/Eurogroup aiming at coordinating national economic and fiscal policies (Section 2)
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Directorate-General for Internal Policies
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EN

SECTION 1: Budgetary and financial measures proposed or adopted by EU or EA institutions (state-of-play 26.04.2020)

Contact persons: Alice Zoppè and and Cristina Dias (EGOV)

Institution	Measures	Objective	Further observations
Possible additional EU/EA instruments (Eurogroup in inclusive format)			
Eurogroup (9 April) Pandemic Crisis Support, based on the existing ESM Enhanced Conditional Credit Line Report on the comprehensive economic policy response to the COVID-19 pandemic (Point 16)	The Eurogroup agreed to establish a **Pandemic Crisis Support, based on the existing ESM Enhanced Conditional Credit Line**, with standardised terms agreed in advance by the ESM Governing Bodies and prior assessments by the EU institutions. The requiring Member States is requested to use funds to fight coronavirus. The available sum[1], up to 2% of the requiring Member State's 2019 GDP, will be available until the end of the corona crisis. The requiring Member States would remain committed to "*strengthen economic and financial fundamentals, consistent with the EU economic and fiscal coordination and surveillance frameworks, including any flexibility applied by the competent EU institutions*".	Provide loans to euro area MS at favourable conditions. As a consequence of the opening of the ECCL, the ECB may activate its OMT programme for the requiring Member State.	On 23 April, the heads of state or government endorsed the agreement of the Eurogroup They called for the package to be operational by 1 June 2020. On 17 April, the European Parliament adopted a resolution, covering also the ESM credit line.
Eurogroup (9 April) Recovery Fund Report on the comprehensive economic policy response to the COVID-19 pandemic (Point 19)	Agreement on further working on **a Recovery Fund** that would be temporary, targeted and commensurate with costs of the current crisis, making of sources of financing to be discussed. "*Innovative financial instruments*"[2] are referred to in this context.	Prepare and support the recovery, providing funding through the EU budget to programmes designed to kick-start the economy in line with European priorities and ensuring EU solidarity with the most affected Member States.	On 23 April, the heads of state or government agreed to work towards establishing a recovery fund. Leaders tasked the Commission to analyse the exact needs and to urgently come up with a proposal: Charles Michel, President of the European Council

[1] The Eurogroup President, in his remarks at the end of the meeting noted that "*Any euro area country requesting this support remains subject to the EU's economic and fiscal co-ordination and surveillance frameworks. The only requirement to access the credit line will be that the country would commit to using these funds to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID 19.*".

[2] The Eurogroup President, in his remarks at the end of the meeting further noted that "*Some member states expressed the view that this should be achieved via common debt issuance; other member states said that alternative ways should be found.*".

			"This fund shall be of a sufficient magnitude, targeted towards the sectors and geographical parts of Europe most affected (…) We remain committed to giving the necessary impetus to work on the recovery fund as well as the MFF, so that a balanced agreement on both can be found as soon as possible." The Commission is expected to present its proposal on 6 May. On 17 April, the European Parliament adopted a resolution covering also a Recovery Fund.
A European instrument for temporary support to mitigate unemployment risks in an emergency (SURE)			
Commission (2 April) Legislative proposal for SURE	Proposal for a Council Regulation based on art 122 TFEU, setting up a new instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). The SURE fund: - is guaranteed by the EU budget, with additional guarantees provided by all EU MSs; - at least 25 bn euro needed to start; - can borrow on financial markets up to 100 bn euro - provide back-to-back loans to MSs (with no pre-allocated amounts); - these loans must be used by Member States to finance short-time work schemes for employees or similar measures for the self-employed; - Commission will manage the disbursements, after approval by Council.	Establish a fund, with voluntary guarantees by all EU Member States	On 23 April, the heads of state or government endorsed the agreement of the Eurogroup They called for the package to be operational by 1 June 2020. - Eurogroup 9 April welcomed the proposals and will strive to make the instrument available as soon as possible (point 17). Eurogroup also noted the temporary nature of SURE. - The proposed Regulation should be debated and adopted by the Council.
Revision of the next Multiannual Financial Framework (MFF) 2021-2027			
Commission (tbc) Multiannual Financial Framework 2021-2027	*"The European Commission is planning to present an **updated multi-annual financial framework proposal** on 29 April, as part of the recovery strategy to tackle the*	Increase the size and possibly the composition of the next multiannual EU budget.	On 23 April, the heads of state or government agreed to work towards establishing a recovery fund. Leaders tasked the Commission to analyse the

	economic fallout of the coronavirus, according to an internal document seen by [EURACTIV.com](). *"*	Considering the length of procedures to adopt the MFF, a possible "contingency budget" for 2021 might be presented.	exact needs and to urgently come up with a proposal. The Commission is expected to present its proposal on 6 May. A leaked document provides some lines of the possible instruments and amount being explored by the Commission. On 17 April, the European Parliament adopted a resolution covering also a revised MFF. On 2 April, the EP BUDGET Committee stated *"Considering the health crisis and consequent delays to finding a timely agreement on the new long-term EU budget, Budget MEPs reiterate their call for an urgent 2021 contingency plan."* On 16 April, Commission's President Von der Leyen stated at the EP: *"There is only one instrument we have that is trusted by all Member States, which is already in place and can deliver quickly. It is transparent and it is time tested as an instrument for cohesion, convergence and investment. And that instrument is the European budget… And for that reason, the next seven year budget must be different to what we had imagined…We will use the power of the whole European budget to leverage the huge amount of investment we need to rebuild the Single Market after Corona. We will frontload it so we can power that*

			investment in those crucial first years of recovery.
EU Structural and Cohesion Funds			
Commission (2 April) Coronavirus Response Initiative Plus (CRII Plus)	Amendment to the European Regional Development Fund Regulation (Regulation 1301/2013) and the Common Provision Regulation (Regulation 1303/2013).	- Provide flexibility through transfer possibilities across the three cohesion policy funds (the European Regional Development Fund, European Social Fund and Cohesion Fund); transfers between the different categories of regions; and also through flexibility when it comes to thematic concentration; - Allow for a 100% EU co-financing rate for cohesion policy programmes for the accounting year 2020-2021; - Simplifies procedural steps linked to programme implementation, use of financial instruments and audit.	- Complements CRII (adopted 13 March); package also includes SURE (see above) and amendments to the European Fund for EU Aid to the most deprived (FEAD), the EU Maritime and Fisheries Fund (EMFF) and the national Rural Development Programmes - Member States agreed in Council (Coreper) on the proposals on 8 April; in the same day, Council also agreed the Commission proposals on FEAD. - Adopted by the EP at its plenary meeting of 16 and 17 of April . - Council final adoption on 22 April.

Commission (13 March 2020) Proposal for a Regulation on COVID-19 Response Investment Initiative (CRII)	The proposed Regulation amends three Regulations related to the EU Structural funds, namely: - The European Regional Development Fund Regulation (Regulation 1301/2013), by clarifying that the Fund may support SMEs and set Research and Technological Development as priority. - The Common Provision Regulation (Regulation 1303/2013) which sets the general rules for all the EU funds. By changing the rules, the Commission facilitates the use of 37 bn already earmarked for the EU structural funds. - The EU Maritime and Fishery Fund Regulation (Regulation 508/2014), by allowing to use the fund to cover losses due to a public health crisis.	Facilitate the use of 8 (MS's return) +29 (still available fund for 2020) = 37 bn euro already earmarked in the MFF 2013-2020.	On 26 March, the plenary meeting of European Parliament adopted its position on the new measures. On 30 March, the Council adopted the measures which are in force since April 1st.
Amending the EU Solidarity Fund and re-activate the Emergency Support Instrument			
Commission (2 April) New Solidarity Instrument: Emergency Support Instrument	Amendment to the current MFF regulation (linked to a draft amendment to the 2020 EU budget and proposal for mobilisation of the Contingency Margin in 2020)	Mobilisation of special instruments to release funds for an Emergency Support Instrument (in an amount of 2.7 bn euro) that provides grants to MSs	- Eurogroup 9 April welcomed the proposals (point 14) and urged Member States to find ways of reinforcing the firepower of the instrument. - Council adopted its position on 14 April. - Adopted by EP Plenary on 16-17 April). - Council final adoption (tbc).

Commission (13 March 2020) Proposal for a Regulation to provide financial assistance to Member States and countries negotiating their accession to the Union seriously affected by a major public health emergency	The proposed Regulation amends the Regulation governing the EU Solidarity Fund, by enlarging its scope to public health crisis. 800 mn euro are available in 2020. Funds are available also to accession Countries.	Facilitate the provision of up to 100 mn to each MSs as advanced payments within the Fund. Total available amount: 800 mn.	On 26 March, the plenary meeting of European Parliament adopted its position on the new measures. On 30 March, the Council adopted the measures.
Tax measures			
Commission (3 April 2020) Decision	Decision to waive VAT and import duties for goods needed to combat the effects of the COVID-19 outbreak (from 30 January 2020 to 31 July 2020).	Reduce financial burden in acquiring from third countries medical equipment.	Member States need to inform the Commission on: (a) nature and quantities of the various goods admitted free of import duties and VAT, (b) of the organisations approved for the distribution or making available of those goods, (c) of the measures taken to prevent the goods from being used for purposes other than to combat the effects of the outbreak
Measures to support EU companies			
Commission and European Investment Fund (EIF) (6 April)	The European Commission unlocked €1 billion from the European Fund for Strategic Investments that will serve as a guarantee to the European Investment Fund (EIF). This will allow the EIF to issue special guarantees to incentivise banks and other lenders to provide liquidity to at least 100,000 European SMEs and small mid-cap companies hit by the economic impact of the coronavirus pandemic, for an estimated available financing of €8 billion.	Provision of guarantees that would allow banks to provide liquidity to EU Small and Medium Size Enterprises.	SMEs will be able to apply directly to their local banks and lenders participating in the scheme, which will be listed on www.access2finance.eu

European Investment Bank (EIB) (3 April 2020)	The Board of Directors of the EIB discussed the creation of a €25 billion guarantee fund to enable the EIB Group to scale up its support for companies in all 27 EU Member States by an additional up to €200 billion. (…) The pan-European guarantee fund would serve as a protective shield for European firms facing liquidity shortages. It could be set up with contributions provided by the Member States and be open to participation by other EU institutions. (...) The scheme would be implemented by the EIB and the European Investment Fund (EIF), which form the EIB Group, in close partnership with national promotional banks, the European Commission and other financial partners. It would create a level playing field for small and medium-sized companies in all Member States.	Set up a 25 bn euro guarantee fund for all 27 MSs, allowing to provide loans to up 200 bn euros.	Eurogroup welcomed the initiative at its meeting of 9 April (point 15). It also invited "*the EIB to operationalize its proposal as soon as possible*". EU leaders are expected to endorse it on 23 April.
European Investment Bank (16 March 2020)	EIB Group offers support to European companies under strain from the coronavirus pandemic and its economic effects. Potential financing of up to EUR 40 billion can be mobilised at short notice, backed up by guarantees from the European Investment Bank Group and the European Union budget. Extra funding is available for healthcare sector for emergency infrastructure and development of cures and vaccines.	40 bn euro potential financing	Decided by EIB. On 3 April, the EIB Board approved a "multi-beneficiary intermediated loan" of EUR 5bn covering all EU MSs, as part of its emergency response package which aims to rapidly mobilise financing for SMEs and Midcaps in the coming weeks up to EUR 40bn.
European Bank for Reconstruction and Development (EBRD) (13 March 2020)	The EBRD has unveiled an emergency €1 billion "Solidarity Package" of measures to help companies across its regions deal with the impact of the coronavirus pandemic. Under the emergency programme, the EBRD will set up a "resilience framework" to provide financing for existing EBRD clients with strong business fundamentals experiencing temporary credit difficulties. The proposals were approved by shareholders of the EBRD, which invests to support the development especially of the private sector across 38 emerging economies.	1 bn euro	Among countries assisted by the EBRD there are several EU countries (complete list here)

SECTION 2: Dealing with the coronavirus – Surveillance and coordination of national economic and fiscal measures (state-of-play 26.04.2020)

Contact persons: Jost Angerer and Kristina Grigaite (EGOV)

Institution	Measures	Objective	Adoption procedure
Coordination of Euro Area Member States			
Eurogroup (24 March 2020) Letter by the President of the Eurogroup	(...) *We agreed on the imperative to implement and scale up our agreed actions to support our citizens and businesses. This strategy includes further discretionary stimulus and coordinated action, designed, as appropriate, to be timely, temporary and targeted.* *The aggregate amount of Member States' discretionary fiscal measures increased twofold to close to 2% of Euro Area GDP, while liquidity support schemes for firms and workers have been scaled up to more than 13% of Euro Area GDP, up from 10%. This is a clear increase in our fiscal response.*	*The Eurogroup is committed to explore all possibilities necessary to support our economies get through these difficult times. This involves all our institutions.*	EU Leaders (26 March) took note of the progress made by the Eurogroup.
Eurogroup (16 March 2020) Statement	Member States will implement: • Immediate fiscal spending targeted at containment and treatment of the disease. • Liquidity support for firms facing severe disruption and liquidity shortages, especially SMEs and firms in severely affected sectors and regions, including transport and tourism – this can include tax measures, public guarantees to help companies to borrow, export guarantees and waiving of delay penalties in public procurement contracts; • Support for affected workers to avoid employment and income losses, including short-term work support, extension of sick pay and unemployment benefits and deferral of income tax payments.	Member States will be allowed to carry out health care expenditures and targeted relief measures for firms and workers to address the economic impact of the coronavirus. Their impact on public finances will not be considered by the Commission and the Council as breaches of the EU fiscal rules.	Implementation at national level

	• Automatic stabilisers will fully play their role. This means that automatic revenue shortfalls and unemployment benefit increases resulting from the drop in economic activity will not affect compliance with the applicable fiscal rules, targets and requirements.		
The European Semester and the activation of the escape clause of the Stability and Growth Pact (SGP)			
Council (ECOFIN) (23 March and 16 April)	Ministers agreed on the simplification of information requirements for this year's cycle of the European Semester. Given the high degree of uncertainty as a result of the socio-economic fallout of the COVID-19 pandemic, the Commission has put forward a simplified process for this year's European Semester exercise. In particular, there would be a streamlined approach for the submission of national reform and stability or convergence programmes (NRPs and SCPs) by member states. The Commission expects to present its Spring forecast, as well as draft country-specific recommendations in early May 2020.	To preserve the European Semester's main milestones, while taking into account the challenging times Member States are facing.	The Commission states on its website *'On 6 April 2020, the Commission provided guidelines on how the format and content of the 2020 Stability and Convergence Programmes (SCPs) can be streamlined in light of the exceptional circumstances related to the Covid-19 pandemic and the severe constraints under which Member States are working.'* According to the Commission website, only Austria has so far submitted a SCP and Austria, Germany and Ireland have submitted a National Reform Programme.
Commission (20 March) **Council** (23 March)	The general escape clause allows Member States to undertake budgetary measures to deal adequately in times of severe economic downturn, within the procedures of the SGP.	The use of the clause will ensure the needed flexibility to take all necessary measures for supporting the Member States' health and civil protection	Proposed by Commission on 20 March Endorsed by the Council on 23 March

Eurogroup (9 April)	Specifically, for the preventive arm, Articles 5(1) and 9(1) of Regulation (EC) 1466/97 state that "in periods of severe economic downturn for the euro area or the Union as a whole, Member States may be allowed temporarily to depart from the adjustment path towards the medium-term budgetary objective, provided that this does not endanger fiscal sustainability in the medium term". For the corrective arm, Articles 3(5) and 5(2) stipulate that in the case of a severe economic downturn in the euro area or in the Union as a whole, the Council may also decide, on a recommendation from the Commission, to adopt a revised fiscal trajectory	systems and to protect the Member States' economies, including through further discretionary stimulus and coordinated action, designed, as appropriate, to be timely, temporary and targeted, by Member States. Given the expected severe economic downturn, the Commission considers that the conditions to activate the general escape clause are met, for the first time since its inception in 2011. The general escape clause does not suspend the procedures of the SGP. It will allow the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact, while departing from the budgetary requirements that would normally apply.	Leaders welcomed the activation of the clause in their statement of 27 March. On 9 April, the Eurogroup reiterated the flexibility in the EU rules agreed on 23 March 2020 and informed that overall fiscal guidance will be provided within the EU fiscal framework and as part of a streamlined European Semester exercise.

SECTION 3: Dealing with the coronavirus - ECB monetary policy (state-of-play on 26.04.2020)

Contact persons: Drazen Rakic (Policy Department A)

Institution	Measures	Objective	Further observations
		Interest rate policy	
ECB Regular Governing Council meeting (12 March 2020)	Key interest rates remain unchanged: – main refinancing operations: 0.00%; – marginal lending facility: 0.25%; – deposit facility: -0.50%.		Forward guidance: Key ECB interest rates to remain at their present or lower levels until inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.
		Asset purchase programmes	
ECB Extraordinary Governing Council meeting (18 March 2020)	New Pandemic Emergency Purchase Programme (PEPP) of EUR 750 billion.	Support favourable financing conditions for the private and public sectors.	- Together with the additional envelope of EUR 120 billion, this represents 7.3% of euro area GDP or about 32% of cumulative net purchases under the asset purchase programme (APP) since 2015. - Purchases will be conducted until the end of 2020 and will include all the asset categories eligible under the existing APP. A waiver of the eligibility requirements for securities issued by the Greek government will be granted for purchases under PEPP. - For the purchases of public sector securities, the benchmark allocation across jurisdictions will continue to be the capital key of the national central banks. At the same time, PEPP purchases will be conducted in a flexible manner, allowing for fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions. - Issuer limits will not apply to the PEPP. For more specific details on the PEPP see ECB Decision of 24 March 2020.
	Expansion of the range of eligible assets under the corporate sector purchase programme (CSPP).		- CSPP eligibility expanded to non-financial commercial paper, making all commercial papers of sufficient credit quality eligible for purchase under CSPP.
	Strengthened forward guidance on the APP.		- The Governing Council is fully prepared to increase the size of its asset purchase programmes and adjust their composition, by

			as much as necessary and for as long as needed. It will explore all options and all contingencies to support the economy through this shock. - The Governing Council will consider revising some self-imposed limits to the extent necessary.
ECB Regular Governing Council meeting (12 March 2020)	Temporary envelope of additional net asset purchases of EUR 120 billion (until year-end, in addition to the existing net asset purchases of EUR 20 billion per month under the APP).	Support favourable financing conditions for the real economy.	Forward guidance: Net asset purchases to run for as long as necessary to reinforce the accommodative impact of policy rates, and to end shortly before the Governing Council starts raising the key ECB interest rates.
	Continuing reinvestments of the principal payments from maturing securities purchased under the APP, in full.		- To be kept past the date when the ECB starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.
Long-term refinancing programmes			
ECB Regular Governing Council meeting (12 March 2020)	Additional longer-term refinancing operations (LTROs).	Liquidity support.	- Aim to bridge the period until the TLTRO III operation in June 2020. - Carried out through a fixed rate tender procedure with full allotment. - Interest rate that is equal to the average rate on the deposit facility over the life of the operation (all operations mature on 24 June 2020). Specific ECB press release provides additional details and specifically refers that the ECB is ready to provide additional liquidity if needed.
	Reduced interest rate for TLTRO III outstanding operations from June 2020 to June 2021.	Support bank lending (in particular lending to SMEs).	- 25 basis points below the average rate applied in the Eurosystem's main refinancing operations; and - As low as 25 basis points below the average interest rate on the deposit facility to institutions reaching benchmark levels of lending.
	Further easing of conditions for TLTRO III.	Support bank lending (in particular lending to SMEs).	- Increase to 50% (from 30%) of their stock of eligible loans as at 28 February 2019 for all future TLTRO III operations. - Bid limit (10% of the stock of eligible loans) per operation removed on all future operations.

			- Lending performance threshold reduced to 0% (from 2.5%) in the period between 1 April 2020 and 31 March 2021. Additional details can be found in an ECB press release.
Collateral framework			
ECB Governing Council decision (22 April 2020)	Further collateral easing measures related to eligibility (rating)	Mitigate impact of possible rating downgrades on collateral availability	- Collateral eligibility "freeze" - assets meeting minimum credit quality requirements for collateral eligibility on 7 April 2020 (BBB-, except asset-backed securities (ABSs)) will continue to be eligible in case of rating downgrades, as long as their rating remains at or above BB). - ABSs – those eligible under the general framework (rating of A-) will be grandfathered as long as their rating remains at or above BB+. - Measures will remain in place until September 2021.
ECB Governing Council decision (7 April 2020)	Package of temporary collateral easing measures (linked to the duration of the PEPP)	Support the provision of bank lending by easing the conditions at which credit claims are accepted as collateral and increasing the Eurosystem's risk tolerance to support the provision of credit via its refinancing operations.	- Temporary general reduction of collateral valuation haircuts by 20%. - Temporary extension of the ACC framework, composed of i) inclusion of government and public sector guaranteed loans to corporates, SMEs, self-employed individuals and households in the requirements on guarantees; ii) extension of scope of acceptable credit assessment systems; and iii) reduction of the loan level reporting requirements. - Other temporary measures: i) lowering the level of the minimum size threshold for domestic credit claims to EUR 0 (from EUR 25 000); ii) increase in the maximum share of unsecured debt instruments that can be used as collateral to 10% (from 2.5%); and iii) waiver of minimum credit quality requirements for Greek government bonds in order to accept them as collateral.
	Permanent reduction of collateral haircuts on non-marketable assets		For those type of assets, 20% reduction (on top of the temporary general haircut reduction).
ECB Extraordinary Governing Council meeting (18 March 2020)	Adopted a package of temporary collateral easing measures to facilitate the availability of eligible collateral and temporarily increased risk tolerance level.	Ensure that counterparties can continue to make full use of refinancing operations.	- Temporarily increased risk tolerance level and reduced collateral valuation haircuts by a fixed factor of 20%. - Eased the conditions for the use of credit claims as collateral. - Issued waiver to accept Greek sovereign debt instruments as collateral in Eurosystem credit operations.

			- Forward looking guidance: ECB will assess further measures to temporarily mitigate the effect on counterparties' collateral availability from rating downgrades.
ECB Extraordinary Governing Council meeting (18 March 2020)	Easing collateral standards by adjusting the main risk parameters of the collateral framework.	Ensure that counterparties can continue to make full use of refinancing operations.	- Expansion of the scope of Additional Credit Claims (ACC) to include claims related to the financing of the corporate sector.
ECB Regular Governing Council meeting (12 March 2020)	Investigate ways of easing collateral requirements.		
		Swap lines	
ECB Press release (22 April 2020)	ECB and Bulgarian National Bank set up swap line to provide euro liquidity	FX liquidity support.	- Precautionary currency agreement (swap line) to provide euro liquidity. - The Bulgarian National Bank will be able borrow up to EUR 2 billion from the ECB in exchange for Bulgarian levs. - The maximum maturity for each drawing will be 3 months. - To remain in place until 31 December 2020, unless it is extended.
ECB Press release (15 April 2020)	ECB and Hrvatska narodna banka (Croatian National Bank) set up swap line to provide euro liquidity	FX liquidity support	- Precautionary currency agreement (swap line) to provide euro liquidity to Croatian financial institutions in order to address possible market dysfunction. - The Croatian National Bank will be able borrow up to EUR 2 billion from the ECB in exchange for Croatian kuna. - The maximum maturity for each drawing will be 3 months. - To remain in place until 31 December 2020, unless it is extended.
ECB Press release (20 March 2020)	ECB and Denmark's Nationalbank have reactivated a currency swap line.	FX liquidity support.	- Purpose is to provide euro liquidity to Danish financial institutions. - Activated as of 20 March 2020 and to remain in place for as long as needed. - Size of swap line was increased from EUR 12 billion to EUR 24 billion.

ECB Press release (20 March 2020)	ECB and other major central banks[3] enhanced the US dollar operations (the previous agreement was announced on 15 March 2020).	FX liquidity support.	- ECB and other major central banks to increase the frequency of 7-day maturity operations from weekly to daily. - New frequency effective as of 23 March 2020, to remain in place for as long as appropriate to support smooth functioning of US dollar funding markets. - Operations with 84-day maturity continue to be offered weekly.
ECB Press Release (15 March 2020)	ECB and other major central banks[4] to offer weekly US dollar operations with 84-day maturity (in addition to existing 1-week operations).	FX liquidity support.	- Pricing of all US dollar operations to be lowered to USD overnight index swap (OIS) rate plus 25 basis points. - New pricing and additional operations effective as of the week of 16 March, to remain in place for as long as appropriate to support smooth functioning of US dollar funding markets.

[3] Bank of Canada, Bank of England, Bank of Japan, Federal Reserve, and Swiss National Bank.
[4] Bank of Canada, Bank of England, Bank of Japan, Federal Reserve, and Swiss National Bank.

SECTION 4: Dealing with the coronavirus - Banking Union (state-of-play 26.04.2020)

Contact persons: Cristina Dias and Kristina Grigaite (EGOV)

Institution	Measures	Objective	Further observations
ECB Banking Supervision (SSM) (16/04/2020)	- Provided temporary relief for capital requirements for market risk. - ECB to review decision after six months.	Aims to maintain banks' ability to provide market liquidity and to continue market-making activities	Reduced the qualitative market risk multiplier, which is set by supervisors and is used to compensate for the possible underestimation by banks of their capital requirements for market risk.
Single Resolution Board (SRB) (08/04/2020)	Provided additional clarity on the SRB's approach to minimum requirements for own funds and eligible liabilities (MREL)	Ensure regulatory consistency	
European Banking Authority (EBA) (02/04/2020)	Provided more detailed guidance on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020 in order to avoid the classification of exposures under the definition of forbearance or as default under distressed restructuring.	Ensure regulatory consistency	The EBA sees the payment moratoria as effective tool to address short-term liquidity difficulties and clarified that payment moratoria do not trigger classification as forbearance or distressed restructuring.
SRB (01/04/2020)	Postponed less urgent information or data requests related to the upcoming 2020 resolution planning cycle and stand ready to address any further issues in relation to specific requirements on an individual basis. Committed to take into consideration current situation when making the decision on future build-up on MREL.	Reduce operational burden	Letter sent to banks under SRB remit.
EBA (31/03/2020)	Provided additional clarification regarding its expectations in relation to dividend and remuneration policies, provided additional guidance on how to use flexibility in supervisory reporting and recalled the necessary measures to prevent money laundering and terrorist financing (ML/TF)	Ensure regulatory consistency and support lending into the real economy	
ECB Banking Supervision (27/03/2020)	Recommendation to refrain from dividend payments and share buybacks	Retain funds to allow banks to better support the economy	- ECON political coordinators issued a statement to that effect on 27 March 2020 that also includes bonuses, though - ECB Recommendation is to henceforth make no irrevocable commitments for 2019 and 2020 dividends

			- institutions faced with mandatory dividend distributions to contact the SSM - Addressed to significant institutions and to national competent authorities to prevent distributions also by less significant institutions
EBA (25/03/2020)	Provided additional clarification on the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment. EBA also insisted that institutions ensure adequate consumer protection and asked payment institutions to increase availability of contactless payments.	Ensure consistency and comparability in risk metrics	ESMA also published guidance on accounting implications of the economic support.
ECB Banking Supervision (20/03/2020) (directly supervised entities)	Flexibility in addressing NLPs through (a) classification of loans backed by public support measures (b) preferential prudential treatment of NPLs backed by public support measures in terms of supervisory expectations about loss provisioning (c) flexibility on implementation of NPL reduction strategies		Further details given in ECB FAQs
	Recommendation to avoid procyclical assumptions in provisioning		
	Recommendation to adopt transitory regime on IFRS 9		
ECB Banking Supervision (12/03/2020) (directly supervised entities)	Unwind of capital buffers (Banks can fully use capital and liquidity buffers, including Pillar 2 Guidance)[5]	Capital relief (not to be used in dividends or earnings distribution)	Measures to be enhanced by the appropriate relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities
	Relief in the composition of capital for Pillar 2 Requirements[6]	Capital relief (not to be used in dividends or earnings distribution)	Brings forward a measure scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRD V)

[5] Banks allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR).

[6] Banks authorised to use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example, Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R).

Majority of national supervisory authorities mirrored the measures to the financial institutions directly under their remit.	Rescheduling of on-site inspections, 6 month extension of deadlines for remedial actions required by TRIM and SREP inspections	Reduce operational burden	Bilaterally adjusting timetables, processes and deadlines to implement supervisory measures (namely in dealing with NPLs strategies)
EBA (12/03/2020)	Postponement of the stress tests to 2021	Allow banks to concentrate on operational continuity	On 25/03/2020 EBA extended deadlines to provide data on funding plans and the QIS exercise
	National competent authorities to use flexibility already existent in current regulations[7]		
ECB Banking Supervision (03/03/2020) - Majority of national supervisory authorities mirrored the measures to the financial institutions directly under their remit.	Called directly supervised entities to consider and address potential pandemic risk in their contingency strategies (business continuity plans)	Contingency planning recommendations address both banks' own limitations as well as those of outside service providers that may be affected	Joint supervisory teams should be informed about in case significant shortfalls are identified or in case of any significant developments

Additional information: European Systemic Risk Board website on national policy measures (a detailed list of national macroprudential measures adopted).

[7] In particular addressing the issues covered by ECB actions - using capital and liquidity buffers, composition of pillar II requirements, flexibility in dealing with supervisory measures

SECTION 5: Dealing with the coronavirus – EU State aid Temporary Framework (state-of-play 26.04.2020)

Contact persons: Marcel Magnus and Cristina Dias (EGOV)

Institution	Measures	Objective	Further observations
Commission (09.04.2020) Press release (Consultation of Member States ongoing)	Aid for recapitalisation of companies	Allow the State to provide capital to companies affected by the coronavirus outbreak	- Last-resort measure to be subject to clear conditions as regards the State's entry, remuneration and exit from the companies concerned, strict governance provisions and appropriate measures to limit potential distortions of competition - Complements state aid granted at "arms' length" with private investors, which is outside of state aid scope
Commission (08.04.2020) Press release Communication	- Guidance on antitrust assessment of business cooperation projects - The Commission is willing to provide "comfort letters" addressing specific cooperation projects	Provide antitrust guidance to companies willing to temporarily cooperate and coordinate their activities to increase production optimise supply of hospital medicines	- A set of criteria to be fulfilled[8] - Conditions include, among others, the recording of information flows between cooperating companies and agreements reached - Comfort letter issued to "Medicines for Europe", addressing a voluntary cooperation project among pharmaceutical producers targeting the risk of shortage of critical hospital medicines for the treatment of coronavirus patients
Commission (03.04.2020)[9]	Support for coronavirus related research and development (R&D)		- A number of conditions need to be fulfilled[10]
	Support for the construction and upgrading of testing facilities for		- Could cover products such as vaccines, medical equipment or devices, protective material and disinfectants

[8] Criteria include the cooperation being (i) designed and objectively necessary to actually increase output to address or avoid a shortage of supply of essential products or services; (ii) temporary in nature; and (iii) not exceeding what is strictly necessary to achieve the objective.
[9] The Communication clarified a number of aspects of the Temporary Framework, namely that for an undertaking acting in various sectors aid must respect the ceilings applicable to each of the activities.
[10] Conditions include, namely, that (a) the aid is granted in the form of direct grants, repayable advances or tax advantages by 31 December 2020; (b) eligible costs may refer to all the costs necessary for the R&D project during its duration; (c) aid intensity for each beneficiary may cover 100% of eligible costs for fundamental research and shall not exceed 80% of eligible costs for industrial research and experimental development; (d) aid beneficiary shall commit to grant non-exclusive licences under non-discriminatory market conditions to third parties in the EEA.

Press release Communication	products relevant to tackle the coronavirus outbreak		- Member States can also grant no-loss guarantees to provide incentives for companies to invest - A number of conditions need to be fulfilled [11]
	Support for the production of products relevant to tackle to coronavirus outbreak		- Could cover products such as vaccines, medical equipment or devices, protective material and disinfectants - Member States can also grant no-loss guarantees to provide incentives for companies to invest - A number of conditions need to be fulfilled [12]
	Aid in the form of deferral of tax payments and/or suspensions of employers' social security contributions	Help avoid lay-offs in specific regions or sectors	- Two conditions to be fulfilled [13]
	Aid in the form of wage subsidies for employees	Help avoid lay-offs in specific regions or sectors	- A number of conditions to be fulfilled [14]
Commission Communication	Aid in the form of direct grants, repayable advances [19] or tax advantages up to EUR 800 000[20] per undertaking; the	Enhance liquidity for companies to keep operating	- To be reflected in a "national scheme" and not individual measures - Several conditions to be fulfilled [21]

[11] Conditions include, namely, that (a) aid is granted in the form of direct grants, tax advantages or repayable advances by 31 December 2020; (b) the investment project shall be completed within six months after the date of granting the aid; (c) eligible costs are the investment costs necessary for setting up the testing and upscaling infrastructures required to develop the products and the aid intensity shall not exceed 75% of the eligible costs; (d) the price charged for the services provided by the testing and upscaling infrastructure shall correspond to the market price.

[12] Conditions include, namely, (a) aid is granted in the form of direct grants, tax advantages or repayable advances by 31 December 2020; (b) the investment project is completed within six months after the date of granting the aid.

[13] Conditions are that the aid shall be granted before 31 December 2020 and the end date for the deferral shall not be later than 31 December 2022. This type of aid is not covered by the mandatory transparency generally imposed on Member States.

[14] Conditions include namely (a) aid is granted in the form of schemes to undertakings in specific sectors, regions or of a certain size that are particularly affected by the COVID-19 outbreak; (b) wage subsidy is granted over a period of not more than twelve months after the application for aid, for employees that would otherwise have been laid off; (c) the monthly wage subsidy shall not exceed 80% of the monthly gross salary (including employer's social security contributions) of the benefitting personnel; (c) this type of aid may be combined with others such as other generally available or selective employment support measures and tax deferrals. This type of aid is not covered by the mandatory transparency generally imposed on Member States.

[19] Repayable advances was not foreseen in a previous draft of the Communication.

[20] A draft version of the Communication foresaw an amount of EUR 500 000.

[21] Conditions are, in general: (a) the aid does not exceed EUR 800 000 per undertaking (gross amounts); (b) the aid is granted in the form of a scheme with a defined budget; (c) aid available to undertakings which were not in difficulty on 31.12.2019 but entered in difficulty thereafter as a result of the COVID-19 outbreak; (d) the aid is granted no later than 31 December 2020. In addition, for agricultural, fisheries and aquacultural sectors there are specific conditions. A previous draft of the Communication foresaw as additional conditions that (i) the aid is not for export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity; (ii) the aid is not contingent upon the use of domestic over imported goods; (iii) information required in Annex III of the Commission Regulation (EU) No. 651/2014 of 17 June 2014 is published on the comprehensive State aid website for each individual aid within 6 months from the moment of granting. The aid could only be given until 30 September 2020.

(19.3.2020) State aid Temporary Framework (based on Article 107(3)(b) of the Treaty - remedy a serious disturbance across the EU economy) <u>General features</u>: - Requirements on transparency - Available for companies that faced difficulties after 31 December 2019[15] - suspension of "one time last time" principle - Complementary to current existing state aid instruments[16] and to measures outside the scope of state	amendment to the TF adopted on the 03.04.2020 added references to "or other forms such as repayable advances, guarantees, loans and equity"		
	Aid in the form of subsidised State guarantees to loans	- For debtors, it would facilitate liquidity and reduce liquidity constraints due to capital or interests payments on loans already taken up with banks - For creditors, it would alleviate default risks on loans (thus reducing levels of "potential" NPLs)	- In the form of individual State guarantees or guarantee schemes - Instrument available to cover both investment and working capital loans - Several conditions to be fulfilled[22]
	Aid in the form of subsidised interest rates on private or public loans to undertakings (loans granted by banks or other financial institutions)	Facilitate access to liquidity and clarify a number of safeguards for financial institutions that channel support to the real economy	- Aid can be channelled through banks without triggering state aid[23]; - Provide guidance on how to minimise any undue residual aid to banks and to make sure that the aid is passed on, to the largest extent possible, to the final beneficiaries[24]; - When there is a legal obligation to extend the maturity of existing loans for SMEs no guarantee fee may be charged; - Direct (and residual indirect) aid to banks under Article 107(2)(b) TFEU to compensate for damages

[15] The amendment to the Temporary Framework adopted on the 03.04.2020 clarified that aid is not available to companies that were already in difficulties at that relevant date.

[16] Namely, the General Block Exemption Regulation, aid schemes on the basis of Article 107(3)(c) TFEU – under the Rescue and Restructuring State aid Guidelines - to meet acute liquidity needs and support undertakings facing financial difficulties, and individual aid measures as appropriate. The Commission Communication refers in particular that the Commission can analyse under Article 107(2)(b) TFEU Member States' compensation for sectors particularly hit by the outbreak (e.g. transport, tourism, culture, hospitality and retail) and/or organisers of cancelled events for damages suffered due to and directly caused by the outbreak (point 15).

[22] The conditions include namely (a) a range of guarantee premia from 25 to 100 bp to SMEs and 50 to 200 bp for large undertakings for loans ranging from 1 year to 6 years; (b) guarantee to be granted by 31 December 2020 at the latest; (c) loans with maturity beyond 31 December 2020 have a ceiling on capital (that can be overcome); (d) aid available to undertakings which were not in difficulty on 31.12.2019 but entered in difficulty thereafter as a result of the COVID-19 outbreak A previous draft Communication provided for more restrictive conditions, namely setting more stringent guarantee premia, shorter maturities, a fully applicable cap on the amount of the loans and a shorter window for grating the guarantees.

[23] Meaning that if aid referred in the Communication is granted through banks, it will not amount to extraordinary public financial support for the purposes of the BRRD and SRMR

24 In the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates.

aid[17]; the various measures can apply concomitantly to any undertaking[18] - framework to apply up to 31 December 2020			resulting directly from the COVID-19 outbreak not to be considered as extraordinary public support under State aid rules.
	Short-term export credit insurance	Allow covering marketable risks by export-credit insurance with the support of Member States	- Member States to demonstrate that private insurance is not available[25] - On 27 March 2020 the Commission removed all countries from the list of "marketable risk" countries under the Short-term export-credit Communication[26]. Reasoning in the press release reflected in point 18 (a) of the underlying Communication, namely an insufficient capacity of the private insurance market to cover all economically justifiable risks in all countries concerned by the current coronavirus crisis

Additional information: European Commission website on a temporary framework for state aid (the Commission discloses regularly a list of state aid decisions adopted).

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[17] For an overview of possible such measures, please refer to the Commission Communication of 13 March 2020 (i.e., measures applicable to all undertakings regarding wage subsidies, suspension of payments of corporate and value added taxes or social welfare contributions, or financial support directly to consumers for cancelled services or tickets not reimbursed by the concerned operators). Such measures are also referred in point 12 of the Commission Communication.

[18] Point 20 in Commission Communication. The amendment to the Temporary Framework adopted on the 3 April 2020 has, nevertheless, clarified that some measures cannot be combined to a certain extent (see new point 20).

[25] Condition to be considered fulfilled if (a) a large well-known international private export credits insurer and a national credit insurer produce evidence of the unavailability of such cover; or (b) at least four well-established exporters in the Member State produce evidence of refusal of cover from insurers for specific operations. No reference was made to export credit insurance in a draft Commission Communication.

[26] It enables Member States to make available public short-term export credit insurance in light of the increasing insufficiency of private insurance capacity for exports to all countries in the current coronavirus crisis.