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 7 October 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 (Sections 1A and 1B)
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SECTION 1A: Budgetary and financial measures as proposed by the Commission on 27 May as part of a revised MFF and a new EU Recovery Instrument (state-of-play 7.10.2020)

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Establishing an EU Recovery and Resilience Facility			
Instrument	**European Commission Proposal**	**State of play in Council**	**State of play in European Parliament**
Commission proposal for a European Parliament and Council Regulation on a Recovery and Resilience Facility (RRF) **Legal base**: 175(3) TFEU[1] (ordinary legislative procedure involving European Parliament and Council)	**Objective:** Enhancing cohesion in the EU by providing financial assistance to Member States to implement reforms in areas such as social, employment, skills, education, research and innovation, health, business environment, public administration and the financial sector. **Mechanism:** Provide access to grants and loans to support implementation of Member States' national recovery and resilience plans defined in line with the objectives of the European Semester, including in relation to the green and digital transitions and the resilience of national economies; key performance indicators to monitor implementation; disbursements to follow agreed milestones. **Budget**: €603 billion of which €335 billion for grants and €268 billion in loans (current prices); Financing to be frontloaded by the end of 2024 with at least 60% of grants to be committed by the end of 2022.	On 6 October, ECOFIN reached a political agreement on the RRF proposal. The agreed text is not yet known. On 19 June EU Leaders initiated discussions on the recovery fund and the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team expressed on 10 July its position on President Michel's proposals. EUCO conclusions of 17-21 July refer to: **Budget:** €672.5 billion (loans: €360 billion, grants: €312.5 billion) in current prices. Money goes to the countries and sectors most affected by the crisis. 70% under the grants of the RRF will be committed in 2021 and 2022 and 30% will be committed in 2023.	The Draft BUDG-ECON report (dated 1.09.2020) focuses, inter alia, on establishing a link with the financing under the Facility and compliance with the rule of law and requiring financed projects to be of value added; increasing the amounts available for grants and loans; clarification of the criteria for granting EU funds to national projects; establishing that 30% of the recovery and resilience plans should be dedicated to climate and biodiversity actions and environmental sustainability objectives; reinforcing the scrutiny role and mandate of the European Parliament; amending the criteria of attribution of grants in the period 2023-2024 to reflect the effective GDP loss due to the COVID crisis; adoption of the recovery and resilience plans and the corresponding financial contribution through a delegated act (and not an

[1] Article 175 (third paragraph) TFEU provides that, if specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of Regions. In line with Article 175 (third paragraph) TFEU, the Recovery and Resilience Facility under the regulation is aimed to contribute to enhancing cohesion, through measures that allow the Member States concerned to recover faster and in a more sustainable way from the COVID19 crisis, and become (more) resilient.

		Allocations from the RRF in 2021-2022 will be established according to the Commission's allocation criteria taking into account member states' respective living standards, size and unemployment levels. In years 2023 the unemployment criteria do be replaced by loss in real GDP observed over 2020 and cumulative GPD loss observed in 2020-2021 (calculated in June 2022).	implementing act, as in the Commission proposal) and the setup of a scoreboard to assess implementation of the measures proposed in the recovery and resilience plans; and imposing a specific discharge procedure to evaluate use of the funds. Amendments to the draft report tabled on 22 and 25.09.2020 (available here). Developments on the legislative file can be followed through the Legislative Observatory (here).
Next Generation EU: some spending programmes benefiting from the European Union Recovery Instrument (EURI)			
Instrument	**European Commission Proposal**	**State of play in Council**	**State of play in European Parliament**
Commission proposal for a European Parliament and Council Regulation on the public sector loan facility under the Just Transition Mechanism[2] **Legal base**: Articles 174(1), 175(3) and Article 322(1) of TFEU (ordinary legislative procedure involving	**Objective:** Provide means for facing the climate challenge and support public investments in the most affected regions. **Mechanism:** grants from the EU budget and loans (from financing partners, namely the EIB) to assist Member States in accelerating the transition towards climate neutrality. **Budget:** grant component of € 1525 million (for 2021-2027), of which € 250 million from the 2021-2027 MFF and € 1,275 million from the EURI. The amount of the grant shall not exceed 15% of the amount of the loan provided but for projects located in territories in NUTS level 2 regions with a GDP per capita not exceeding 75% of the	On 19 June EU Leaders initiated discussions on the recovery fund and the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team expressed on 10 July its position on President Michel's proposals. EUCO conclusions of 17-21 July refer to a budget allocation of €10 billion for the Just Transition Fund, to which the public sector loan facility relates.	The Draft BUDG-ECON report (dated 24.07.2020) focus, inter alia, on strengthening the focus on sectors and territories particularly affected by the transition process towards the EU 2030 climate and energy, extending the investments to be supported and excluding sectors excluded under the JTF Regulation, rendering clearer the additionally, reinforcing the participation of the relevant local and regional authorities of the territories concerned in the preparation of the 'territorial just transition plan' and detailing the criteria for project

[2] File linked to the Commission proposal for the Just Transition Fund Regulation where ECON issued an opinion last 24.06.2020. Developments on the regulation can be followed through the Legislative Observatory (here). The public sector loan facility constitutes the third pillar of the Just Transition Mechanism (the two other pillars being the Just Transition Fund and a dedicated Just Transition scheme under InvestEU).

the European Parliament and Council)	average GDP of the EU-27, the amount of the grant shall not exceed 20% of the amount of the loan provided by the finance partner.		selection and for their prioritisation and for the selection of finance partners other than the EIB reflecting the objectives of the Facility; guaranteeing transparency and sufficient oversight by Parliament. Amendments to the draft report were published on 03.09.20. Vote at Committee level foreseen for 15.10.2020. Developments on the legislative file can be followed through the Legislative Observatory (here).
Commission proposal for a European Parliament and Council Regulation establishing a Solvency Support Instrument **Legal base**: Articles 172 and 173, the third paragraph of Article 175 and Article 182(1) of TFEU (ordinary legislative procedure by involving the European Parliament and Council, and amending Regulation 2015/1017 (EFSI regulation)). Financial Regulation to apply,	**Objective:** Supporting key sectors and technologies in Member States and sectors most affected, thus counteracting distortion effects caused by covid-19 national responses and provide solvency support for viable companies. Financing and investment operations should be decided upon until end-2024 with at least 60 % of financing and investment operations to be decided by end-2022. **Mechanism:** Provisioning of an EU budget guarantee under the EFSI regulation to the European Investment Bank Group in order to mobilise private capital. **EU budget provisioning:** €33,2 billion (increasing the EFSI guarantee to €42,3 billion); aim is to mobilise €300 billion in equity financing. Financing to be frontloaded through the amendment to the 2014-2020 MFF; €28bn reserved from EURI.	On 19 June EU Leaders initiated discussions on the recovery fund and the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team expressed on 10 July its position on President Michel's proposals. EUCO conclusions following its July meeting point to no contribution from EURI.	A BUDG-ECON draft report was tabled on 29.07.2020 and calls, inter alia, for an enlarged scope of application, changes in the governance structure of the Instrument, the obligation for the intermediaries channelling the funds to companies to be established in the EU and a restriction on distributions of profits from assisted companies, reinforced scrutiny and accountability of the EIB towards the European Parliament, and obligation of specific reporting from assisted companies (namely on taxable revenues). Amendments to the draft report were published on 27.08.2020. Developments on the legislative file can be followed through the Legislative Observatory (here).

including provisions relating to the protection of the rule of law			
Commission proposal to strengthened InvestEU programme and Strategic Investment Facility **Legal base**: Articles 173 and 175(3) of TFEU (ordinary legislative procedure involving European Parliament and Council)	**Objective:** Mobilising investment to support the recovery and long-term growth, including a new facility to promote investments in strategic European value chains. **Mechanism**: Provisioning of budget guarantee. It is complementary to the Solvency Support Instrument under the EFSI but will focus on long term investments to support EU policy goals and reinforces the 2018 InvestEU proposal. **Budget**: budgetary framework (commitments in current prices) of €33,5 billion, of which €33 billion made available through the EURI. The participation of the Union in a possible forthcoming capital increase (in one or more rounds) of the EIF will need a financial envelope of up to €900 million in the MFF 2021-2027. Financing to be frontloaded through the amendment to the 2014-2020 MFF.	On 19 June EU Leaders initiated discussions on the recovery fund and the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team expressed on 10 July its position on President Michel's proposals. EUCO conclusions of 17-21 July refer to €5.6 billion (current prices) from EURI.	The BUDGT-ECON draft report published on 04.09.2020 proposes, inter alia, a higher overall guarantee of €80,5 billion (current prices); applying time limits to the conclusion of the guarantee agreement; for a greater share of the provisioning for the guarantee to come from the MFF; and for the text to better reflect the agreement reached with Council. Amendments to the draft report tabled on 15.09.2020 (available here). A vote in committee is scheduled for 12.10.2020. Developments on the legislative file can be followed through the Legislative Observatory (here).
Commission proposal for a Regulation of the European Parliament and Council establishing a Technical Support Instrument (TSI) **Legal base**: Articles 175(3) and 197(2) of	**Objective:** Promote cohesion through provision of support for administrative capacity and long-term structural reforms, namely those addressing Country Specific Recommendations. Commission to analyse requests for support on the basis of urgency, breadth and depth of problems identified, support needs in respect of the policy area concerned, analysis of socioeconomic indicators and general administrative capacity of the Member State. **Mechanism:** Allows the Commission to provide Union support in the form of (a) grants; (b) public	On 19 June EU Leaders initiated discussions on the recovery fund and the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team expressed on 10 July its position on President Michel's proposals. EUCO conclusions of 17-21 July refer to a budget of €767 million.	The EP report was adopted on 01.10.2020 at the Committee level (BUDG-ECON) and transmitted to the plenary. Next stage: Negotiations between the EP and the Council. The EP Report proposes, inter alia, a stronger involvement of Parliament in implementing the TSI through delegated acts (instead of implementing acts); reinforced accountability and transparency

TFEU[3] (ordinary legislative procedure involving European Parliament and Council)	procurement contracts; (c) reimbursement of costs incurred by external experts; (d) contributions to trust funds set up by international organisations; and (e) actions carried out through indirect management. **Budget**: € 864,4 million (in current prices) for 2021 - 2027, with a possibility of adding further resources transferred by Member States. Replaces the current Structural Reform Support Programme (Commission has redrawn the Support Reform Programme proposed under its 2018 MFF proposal).	The Council has agreed on a partial negotiating mandate on 22 July, still not including the budgetary aspects.	towards Parliament (bi-annual reports and the establishment of a reform support dialogue); the setting of specific objectives to be pursued by Member States when requesting access to the TSI; for a stronger link between Member States proposals and the EU policy agenda objectives; an increase in the overall envelope available for the TSI (from €864 million to €1450 million) and limit the possibility of Member States topping up additional funds to the Instrument; an obligation of requesting Member States to consult relevant stakeholders on their projects under the Instrument. Amendments to the BUDG-ECON draft report were published on 04.09.2020. Developments on the legislative file can be followed through the Legislative Observatory (here).
New EU funding instruments to support the recovery[4]			
Instrument	**European Commission Proposal**	**State of play in Council**	**State of play in European Parliament**
Commission proposal for	**Objective**: Increase the headroom to allow issuance of debt to finance Next Generation EU	On 19 June EU Leaders initiated discussions on the recovery fund and	The EP adopted its opinion on 16 September 2020, while upholding its

[3] Article 175 (third paragraph) TFEU provides that, if specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of Regions. Article 197(2) TFEU provides that the Union may support the efforts of Member States to improve their administrative capacity to implement Union law, inter alia, through facilitating the exchange of information and supporting training schemes. No Member State shall be obliged to avail itself of such support. The European Parliament and the Council, acting under the ordinary legislative procedure are to establish the necessary measures to this end, excluding any harmonisation of the laws and regulations of the Member States. In view of Articles 175 and 197 TFEU, the regulation is aimed at enhancing cohesion, through measures that allow recovery, resilience and convergence in/of the Member States concerned.

[4] On the financing side, the Commission has put forward a revised Multiannual Financial Framework for 2021-2027, currently being discussed (developments on the legislative file can be followed through the Legislative Observatory (here), and a review of the 2014-2020 Multiannual Financial Framework (developments to be followed here).

amendments to the Ceilings of the Council decision on Own Resources **Legal base**: Article 311 of TFEU (special legislative procedure, requiring EP consultation)	(see below), including the EURI (see below). It establishes: - An Own Resources ceiling of 1.4% of EU gross national income of both the ceiling for appropriations for commitments and the ceiling for appropriations for payments, and - An additional temporary increase of the ceiling of 0.6 percentage points (on top of the above Own Resources ceiling), allowing the Commission to borrow funds on behalf of the Union up to an amount of €750 billion in 2018 prices and assign the proceeds under the proposed EURI (see below); - The increase of 0.6 percentage points will be limited in time and will only be used in the context of the recovery from the coronavirus pandemic. This increase in the Own Resource ceiling will expire when all funds have been repaid and all liabilities have ceased to exist. Commission is proposing an amendment to its 2018 proposal for a EU Own Resources Decision (COM (2018) 325). The 2018 Commission proposal included financing sources by new EU own resources. The Commission will propose additional own resources in the near future (see Commission Communication *"Europe's moment: Repair and Prepare for the Next Generation"*).	the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team expressed on 10 July its position on President Michel's proposals. The EUCO conclusions of 17-21 July 2020 refer to temporarily increasing the ceiling of own resources by 0,6 percentage points to cover EU liabilities resulting from COVID related borrowing and at latest until 2058; to a calendar for introducing new own resources (non-recycled plastic waste by 1 January 2021; Commission proposals for a carbon border adjustment mechanism and a digital levy by the first semester of 2021 for introduction by 1 January 2023; new proposals by Commission a revised ETS (possible extension to maritime and aviation). Other own resources may be introduced in the course of the 2021-2027 MFF, including a financial transaction tax. The Council Legal Service issued on 24 June an opinion (LIMITE) on the Commission proposal.	position on the need to introduce new sources of revenue to the EU budget that should at least cover the costs related to the recovery plan. The Parliament requests a legally binding calendar to introduce these new own resources. The draft report was adopted by the BUDG Committee on 01.09.2020 and Plenary adopted its legislative resolution on 16.09.2020 Developments on the legislative file can be followed through the Legislative Observatory (here).
Commission proposal for a Council Regulation establishing a	**Objective:** Support the recovery in the aftermath of the COVID-19 pandemic. The proposed act allows the Commission to finance itself in capital markets up to € 750 bn and to provide loans and grants, and determines the allocation of funds to	On 19 June EU Leaders initiated discussions on the recovery fund and the MFF. President Michel presented concrete proposals on 10 July ahead of a physical meeting convened on 17-18 July. The EP negotiation team	EP resolution of 23 July on the conclusions of the extraordinary European Council (EUCO) meeting of 17-21 July set out the EP priorities in view of an overall agreement for the MFF and the recovery legislative files

European Union Recovery Instrument (EURI) **Legal base**: Article 122 of TFEU[5]	different Union programmes[6] in line with the strategy set out in the European Union Recovery Plan. **Budget**: €500 billion (in 2018 prices) for non-repayable support, repayable support through financial instruments or for provisioning for budgetary guarantees and related expenditure and €250 billion to provide loans to Member States. The proposed regulation establishes (a) the total amount available (on the basis of the amended own resources decision (see below) and its budgetary classification; (b) the modalities of disbursing (loans and grants) and respective amounts; (c) policies to be financed; (d) time limits; (e) reporting obligations (linked also to a revised Interinstitutional agreement on budgetary discipline). No repayment of the borrowings foreseen before 2028; the Union will bear contingent liability in the form of a guarantees for debt issued until they are repaid (see above amendments to the EU Own Resources Decision).	expressed on 10 July its position on President Michel's proposals. EUCO conclusions of 17-21 July 2020 refer, in particular, to a budget of up to €750 billion (2018 prices), with €360 billion for loans and €390 billion for grants. Net borrowing activity to stop by end 2026. Financial envelope for interests payments for 2021-2027 capped at €12 914 million. Amounts not used will reduce the debt; the ceiling can be raised in new own resources are introduced. Repayments of principal in each given year cannot exceed 7,5% of the amount available for grants. The Council Legal Service issued on 24 June an opinion (LIMITE) on the Commission proposal.	and highlights, in particular, the EP concerns around the rule of law and the constrains posed on future budgets and MFF negotiations by some of EUCO decisions. The resolution also reinforces Parliament's requests for additional own resources to cope with repayments under EURI and for its involvement in assessing and monitoring crisis related spending.

[5] Article 122 of the Treaty on the Functioning of the European Union foresees the possibility of measures, decided in a spirit of solidarity between Member States, appropriate to the economic situation. The present situation is unprecedented. It is characterized by severe difficulties caused by exceptional occurrences beyond the Member States' control. Therefore, it is appropriate to adopt under Article 122 TFEU exceptional temporary measures to support recovery and resilience across the Union.

[6] EU instruments and programmes to be financed include namely:

(a) restore employment and job creation and restore health care systems (namely through EU4Health);

(b) reforms and investments to reinvigorate the potential for growth, to strengthen cohesion among Member States and to increase their resilience (namely through the ReactEU);

(c) support measures for businesses affected by the economic impact of the pandemic, in particular small and medium-sized enterprises, including direct financial investment in those enterprises (namely the InvestEU programme);

(d) support measures for economically viable businesses impacted by COVID-19 pandemic, including direct financial investment in those businesses;

(e) measures to strengthen strategic autonomy of the Union in vital supply chains, including direct financial investment in businesses (namely through the InvestEU programme);

(f) support measures for research and innovation through specific reinforced programmes;

(g) support measures for increasing the level of Union's crisis preparedness and for enabling a quick and effective Union response in the event of major emergencies (namely through the EU4Health and RescEU);

(h) support measures to ensure that a just transition to a climate-neutral economy will not be undermined by the COVID-19 pandemic;

(i) support measures to address the impact of the COVID-19 pandemic on agriculture and rural development (rural development programmes).

SECTION 1B: Budgetary and financial measures adopted before the Commission proposals of 27 May 2020 (state-of-play 7.10.2020)

Institution	Measures	Objective	Further observations and state-of-play
Eurogroup **ESM Pandemic Crisis Support (PCS),** based on the existing ESM Enhanced Conditional Credit Line	Establishment of the **European Stability Mechanism Pandemic Crisis Support.** The available sum, up to 2% of the requiring Member State's 2019 GDP, will be available until December 2022.	Grant a precautionary credit line to euro area MS at favourable conditions. The credit line can be drawn in cash (loan) or by ESM purchase of bonds issued by the Member States on the primary market.	After completion of national procedures, the PCS was made operational on 15 May by the ESM Board of Governors (see ESM explainer). See also EGOV briefing.
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).**	Establish a fund, with guarantees by all EU Member States, to provide loans to Member States.	Published in the Official Journal of 19 May as Council Regulation (EU) 2020/672. See also EGOV briefing.
European Investment Bank (16 April 2020)	Creation of a €25 billion "**Pan-European Guarantee Fund**" to enable the EIB Group to scale up its support for companies in all 27 EU Member States by up to €200 billion.	The 27 EU Member States have been invited to contribute to the Fund, with a share of the €25 billion equal to their share of EIB capital.	The Board of Governors of the EIB agreed on 26 May the structure and the functioning of the Fund. The Fund will become operational as soon as Member States accounting for at least 60% of EIB capital have signed their contribution agreements and a Contributors Committee has been set up.
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)	Council final adoption on 22 April. Adopted by the EP at its plenary meeting of 16 and 17 of April

Commission (13 March 2020) Proposal for a Regulation on COVID-19 Response Investment Initiative (CRII)	The 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 8bn (MS's return) +29bn (still available fund for 2020) = 37 bn euro already earmarked in the MFF 2013-2020.	On 30 March, the Council adopted the measures which are in force since April 1st. On 26 March, the plenary meeting of European Parliament adopted its position on the new measures.
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	Adopted by EP Plenary on 16-17 April. Council adopted its position on 14 April and the final act was published as Council Regulation 2020/521, of 14 April 2020.
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 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 30 March the Council adopted the measures. On 26 March, the plenary meeting of European Parliament adopted its position on the new measures.
Commission (8 May) Press release	Proposal to postpone the entry into force of two EU taxation measures – of **the VAT e-commerce package** by 6 months and certain deadlines for filing and	Reduce administrative burden: the VAT e-commerce package will apply as of 1 July 2021 instead of 1 January 2021; for	Parliament and Council have been informed to proceed discussions

	exchanging information under the Directive on Administrative Cooperation (DAC)	DAC Member States will have 3 additional months to exchange information on financial accounts of which the beneficiaries are tax residents in another Member State and on certain cross-border tax planning arrangements	
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
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. 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 up to €8 billion that would allow banks to provide liquidity to SMEs.	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) (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 billion potential financing	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.	€1 billion (increased to €21 billion on 28 April)	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 7.10.2020)

Contact persons: Jost Angerer and Kristina Grigaite (EGOV)

The European Semester and the activation of the escape clause of the Stability and Growth Pact (SGP)			
Institution	**Measures**	**Objective**	**Further observations and state-of-play**
Commission (20 May 2020) and **Council** (20 July 2020)	The 2020 **Country Specific Recommendations** (CSRs) for all EU Member States and opinions on Member States' economic and fiscal policies for 2020 were adopted by the Council on 20 July. They contain only minor amendments compared to the Commission proposals of 20 May 2020. The 2020 CSRs take account of the pandemic and the need to support economic recovery. In addition to its proposals for 2020 CSRs, the Commission adopted on 20 May **Excessive Deficit Procedure Reports** (under Article 126(3) of the Treaty) for all Member States (except Romania, which is already in the corrective arm of the Pact), in which it identifies that all Member States (except Bulgaria) do not comply with the deficit criterion (and some also not with the debt criterion). At the same time it considered (in light of the pandemic) that at this juncture a decision on whether to place Member States under the EDP should not be taken.	To support Member States to take all necessary measures to effectively address the pandemic, sustain the economy and support the recovery.	The Commission published on 17 September a Communication setting out the Commission's views on the 2021 European Semester priorities and the interlinkages of the Semester with the recovery and resilience plans. The President of the Eurogroup stated on 11.09.2020 that: *'I want to use the Eurogroup to help forge a greater consensus on priority areas, on reforms, to build our path towards recovery.* *I sensed a shared willingness towards a coordinated approach on budgetary policy and for using the Eurogroup as a forum to reach this understanding. Across the euro area some crisis schemes will expire, but others will be extended and improved. Meanwhile, member states are developing new policies to boost the recovery'.*

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 put forward a simplified process for this year's European Semester exercise. In particular, there was a streamlined approach for the submission of national reform and stability or convergence programmes (NRPs and SCPs) by Member States.	To preserve the European Semester's main milestones, while taking into account the challenging times Member States are facing.	For an overview of the 2020 National Reform Programme and Stability or Convergence Programmes, see Commission's website. For an overview of the 2020 CSRs, please see separate EGOV briefing. For an overview on the legal bases of the adopted CSRs, please see additional separate EGOV briefing.
Commission (20 March) **Council** (23 March) **Eurogroup** (9 April)	The activation of the general **escape clause of the SGP to allow** Member States to undertake budgetary measures to deal adequately in times of severe economic downturn, within the procedures of the SGP. 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. While the general escape clause is of temporary nature, no specific indication on the timing and criteria for the deactivation has been provided by Commission and Council.	The use of the clause will ensure the needed flexibility to take all necessary measures for supporting the Member States' health and civil protection 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.	Proposed by Commission on 20 March. Endorsed by the Council on 23 March. 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. On 1 July, the European Fiscal Board stated: *"For greater effectiveness and credibility, the activation should have provided indications on the timing of and conditions for exit or review. Clarifications should be offered in spring 2021 at the latest. In the current context it would not be advisable to use the growth rate of real GDP when considering the end of a severe economic*

			downturn; using a pre-crisis level of real GDP of the euro area and the EU as a reference would make more sense".
Coordination of Euro Area Member States economic policies			
Institution	**Measures**	**Objective**	**Further observations and state-of-play**
Eurogroup (11 September 2020)	Ministers exchanged views on the current economic situation in the euro area, reviewed the policy action at national and European level and looked at the recovery needs economies may face after the COVID-19 crisis. The Eurogroup held a thematic discussion on the political economy factors that facilitate the introduction of reforms, maximise their impact and ensure efficient deployment of public resources in the context of the recovery. The discussion was based on a technical note prepared by the Commission.	A coordinated approach on budgetary policy and for using the Eurogroup as a forum to reach this understanding.	
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	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	Implementation at national level.

	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. 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 Council as breaches of the EU fiscal rules.	

SECTION 3: Dealing with the coronavirus - ECB monetary policy (state-of-play on 7.10.2020)

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 (4 June 2020)	Pandemic Emergency Purchase Programme (PEPP) increased to EUR 1350 billion.	Support favourable financing conditions for the private and public sectors.	- The purchases will continue to be conducted in a flexible manner over time, across asset classes and among jurisdictions. This allows the Governing Council to effectively stave off risks to the smooth transmission of monetary policy. - The horizon for net purchases under the PEPP will be extended to at least the end of June 2021. In any case, the Governing Council will conduct net asset purchases under the PEPP until it judges that the coronavirus crisis phase is over. - The maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2022.
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. - The Governing Council is fully prepared to increase the size of the PEPP and adjust its composition, by as much as necessary and for as long as needed, as was announced by the ECB on 30 April 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 (30 April 2020)	Reduced interest rate for TLTRO III outstanding operations from June 2020 to June 2021.	Support bank lending (in particular lending to SMEs).	- 50 basis points below the average rate applied in the Eurosystem's main refinancing operations; and - As low as 50 basis points below the average interest rate on the deposit facility to institutions reaching benchmark levels of lending. - For more details, please refer to a dedicated press release.
	Introduced a new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs)	Liquidity support and support smooth functioning of money market funds (by providing liquidity backstop).	- Will consist of seven additional refinancing operations commencing in May 2020 and maturing in a staggered sequence between July and September 2021 in line with the duration of the collateral easing measures. - Carried out as fixed rate tender procedures with full allotment. - Interest rate that is 25 basis points below the average rate on the main refinancing operations prevailing over the life of each PELTRO. - For more details, please refer to a dedicated press release.
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.	Reduced interest rate for TLTRO III outstanding operations from June 2020 to June 2021.	Support bank lending (in particular lending to SMEs). - 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 and repo lines			
ECB Press release (18 August 2020)	ECB and Central Bank of the Republic of San Marino set up repo line to provide euro liquidity	FX liquidity support.	- Repo line arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs. - Size of repo line set at EUR 100 million. - Maximum maturity of each drawing will be three months. - Repo line to remain in place until June 2021, or as long as needed.
ECB Press release (18 August 2020)	ECB and National Bank of the Republic of North Macedonia set up repo line to provide euro liquidity	FX liquidity support.	- Repo line arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs. - Size of repo line set at EUR 400 million. - Maximum maturity of each drawing will be three months. - Repo line to remain in place until June 2021, or as long as needed.
ECB Press release (23 July 2020)	ECB and Magyar Nemzeti Bank set up repo line to provide euro liquidity	FX liquidity support.	- Repo line arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs. - Size of repo line set at EUR 4 billion. - Maximum maturity of each drawing will be three months. - Repo line to remain in place until June 2021, or as long as needed.
ECB Press release (17 July 2020)	ECB and Bank of Albania set up repo line to provide euro liquidity	FX liquidity support.	- Repo line arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs. - Size of repo line set at EUR 400 million. - Maximum maturity of each drawing will be three months. - Repo line to remain in place until June 2021, or as long as needed.
ECB Press release (17 July 2020)	ECB and National Bank of Serbia set up repo line to provide euro liquidity	FX liquidity support.	- Repo line arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs. - Size of repo line set at EUR 1 billion.

			- Maximum maturity of each drawing will be three months. - Repo line to remain in place until June 2021, or as long as needed.
ECB Press release (25 June 2020)	New Eurosystem repo facility to provide euro liquidity to non-euro area central banks	Addresses possible euro liquidity needs in case of market dysfunction resulting from the COVID-19 shock that might adversely impact the smooth transmission of ECB monetary policy.	- New backstop facility to allow non-euro area central banks to borrow euro against euro-denominated debt issued by euro area central governments and supranational institutions. - Available until June 2021.
ECB Press release (5 June 2020)	ECB and National Bank of Romania (BNR) set up repo line to provide euro liquidity	FX liquidity support.	- Repo line arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs. - Size of repo line set at EUR 4.5 billion. - Maximum maturity of each drawing will be three months. - Repo line to remain in place until end-2020, or as long as needed. The repo line was later extended to end-June 2021.
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. The repo line was later extended to end-June 2021.
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[7] 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. (As of 1 July 2020, the frequency was reduced from daily to three times per week, Press Release, 19 June 2020; As of 1 September 2020, the frequency was further reduced from three times per week to once per week, Press Release 20 August 2020). - 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[8] 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.

[7] Bank of Canada, Bank of England, Bank of Japan, Federal Reserve, and Swiss National Bank.
[8] 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 7.10.2020)

Contact persons: Cristina Dias, Kristina Grigaite and Rebecca Segall (EGOV)

Institution	Measures	Objective	Further observations
Temporary relief measures for banks			
ECB Banking Supervision (SSM) (17/09/2020)	ECB Banking Supervision decided to allow euro area banks under its direct supervision to exclude certain central bank exposures from the leverage ratio, as permitted under Article 500b of Regulation (EU) No 575/2013 (CRR "quick fix"). The relief measure will apply until 27 June 2021.	To facilitate the implementation of monetary policy.	The exclusion under Article 500b(2) Regulation (EU) No 575/2013 requires the determination of "exceptional circumstances", in consultation with the ECB Governing Council. The Governing Council confirmed that COVID-19 qualifies as exceptional circumstances on 17 September 2017. According to the SSM, based on end-March 2020 data, this exclusion would raise the aggregate leverage ratio of 5.36% by about 0.3 percentage points.
European Banking Authority[9] (EBA) (11/08/2020)	The EBA published guidance on the impact of the CRR adjustments ("quick fix") in response to the COVID-19 pandemic. This includes a revised final draft of its Implementing Technical Standard on supervisory reporting for v3.0, and two set of guidelines on disclosure and supervisory reporting requirements	Ensure regulatory consistency.	
European Commission (24/07/2020)	Amendments to CRR creating a new framework for securitising non performing exposures (article 269a), a preferential treatment of the senior tranche of STS on-balance-sheet securitisation (article 270), recognition of credit risk mitigation for securitisation positions (article 456).	The Commission proposed targeted amendments to the CRR (and a number of other existing legal acts on financial markets) as part of a package aiming at	

[9] On 22 April 2020, the EBA released a statement on the application of the prudential framework on targeted aspects in the area of market risk. The EBA proposes amendments to Delegated Regulation (EU) No 101/2016 on prudent valuation, and clarified aspects related the postponement of the FRTB-SA reporting requirement under the CRR2 and of the final two implementation phases of the margin requirement for non-centrally cleared derivatives. The statement also addressed back-testing breaches on Internal Models Approach (IMA) models for market risk.

		maximise the capacity of institutions to lend and to absorb losses related to the COVID-19 pandemic[10].	
European Banking Authority (EBA) 23/07/2020	The EBA published guidelines establishing a special procedure for the 2020 supervisory review and evaluation process (SREP), applying a risk-drive approach to current exceptional circumstances, allowing for the exercise of supervisory judgement to the greatest possible extent.	To allow for sufficient flexibility in adapting supervisory practices while preserving convergent supervisory practices and outcomes.	Follows previous communication on SREP published on 22 April 2020.
European Banking Authority (EBA) 02/06/2020	Guidelines on reporting and disclosure regarding the application of the payment moratoria to existing loans and public guarantees to new lending in response to COVID-19.	Ensure regulatory consistency.	On 7 August 2020, the EBA published a report on the implementation of COVID-19 policies and the application of existing policies under these exceptional circumstances as well as sets out common criteria that aim at providing clarity on the supervisory and regulatory expectations regarding the treatment of COVID-19 operational risk losses in the capital requirement calculations (see below).
European Commission (28/04/2020)	The Commission proposed exceptional temporary measures to alleviate the immediate impact of Coronavirus-related developments, by adapting the timeline of the application of international accounting standards (IFRS9) on banks' capital, by treating more favourably public guarantees granted during this crisis, by postponing the date of application of the leverage ratio buffer (previously envisaged to come into force 27 June 2021) and by modifying the way of excluding certain exposures from the calculation of the leverage ratio. The Commission also proposes to advance the date of application of several agreed measures that incentivise banks to finance employees, SMEs and infrastructure projects (related to implementation of Basel III).	Proposed banking package changes are aimed at facilitating bank lending to support the economy and help mitigate the economic impact of the Coronavirus.	Final act published as Regulation 2020/873, of 24 June. Applicable since 27 June 2020. The package is composed of an interpretative communication and proposal for a regulation amending Regulations (EU) No 575/2013 and (EU) 2019/876 More information is provided in Commission Q&A section.

[10] As explained by the Commission, the package contains targeted adjustments to the Prospectus Regulation, MiFID II and securitisation rules. All of the amendments are at the heart of the Capital Markets Union project aimed at better integrating national capital markets and ensuring equal access to investments and funding opportunities across the EU.

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. On 18 June 2020, EBA decided to extend the application date of its Guidelines on legislative and non-legislative moratoria to 30 September 2020. On 21 September, the EBA reiterated that it would phase out its guidelines by end-September. On 7 August 2020, the EBA published a report (updating an earlier report published on 7 July) on the implementation of COVID-19 policies and the application of existing policies under these exceptional circumstances as well as sets out common criteria that aim at providing clarity on the supervisory and regulatory expectations regarding the treatment of COVID-19 operational risk losses in the capital requirement calculations.
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	Reduce operational burden	Letter sent to banks under SRB remit.

	consideration current situation when making the decision on future build-up on MREL.		
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. On 28 July 2020, the ECB extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021, and issued a letter to banks asking them to be extremely moderate with regard to variable remuneration payment. extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021, and a letter to banks asking them to be extremely moderate with regard to variable remuneration payment. extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021, and a letter to banks asking them to be extremely moderate with regard to variable remuneration payment. extended its recommendation to banks on dividend distributions and share buy-backs

			until 1 January 2021, and a letter to banks asking them to be extremely moderate with regard to variable remuneration payment.
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 Recommendation to avoid procyclical assumptions in provisioning Recommendation to adopt transitory regime on IFRS 9		Further details given in ECB FAQs
ECB Banking Supervision (12/03/2020) (directly supervised entities) Majority of national supervisory authorities	Unwind of capital buffers (Banks can fully use capital and liquidity buffers, including Pillar 2 Guidance) [11]	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. In a 28 July 2020 press statement, the ECB clarified the expected pace for banks to restore capital and liquidity positions, allowing to allow banks to operate below the Pillar 2 Guidance and the combined buffer requirement until at least end-2022, and below the Liquidity Coverage Ratio until at least end-

[11] 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).

mirrored the measures to the financial institutions directly under their remit.			2021, without automatically triggering supervisory actions.
	Relief in the composition of capital for Pillar 2 Requirements[12]	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)
	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 Advised national competent authorities to use flexibility already existing in current regulations[13]	Allow banks to concentrate on operational continuity	On 25/03/2020 EBA extended deadlines to provide data on funding plans and the QIS exercise
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
Macro-prudential recommendations			
European Systemic Risk Board (ESRB)	The ESRB issued four recommendations: - Recommendation on liquidity risks in investment funds (recommending ESMA to coordinate supervisory	Address the challenges stemming from the coronavirus pandemic and its potential impact	

[12] 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).

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

(14/05/2020, 08/06/2020 and 22/06/2020)	engagement with investment funds to assess their preparedness); - Recommendation on liquidity risks arising from margin calls (recommending CCPs to limit cliff effects in relation to the demand for collateral, to review stress scenario for the assessment of future liquidity needs, limiting liquidity constraints related to margin collection, and mitigating procyclicality in the provision of client clearing services and in securities financing transactions); - Recommendation on restriction of distributions during the COVID-19 pandemic (recommending to restrict dividend distribution, share buy-backs and pay variable remuneration); - Recommendation on monitoring the financial stability implications of debt moratoria and public guarantee schemes and other measures of a financial nature taken to protect the real economy in response to the COVID-19 pandemic (recommending to monitor national financial stability implications of measures taken to protect the real economy in response to the COVID-19 pandemic, and to report information needed to assess the implications of the national measures). - Recommendation on the postponement of certain reports on actions and measures taken (Member States as no longer requested to submit their second reports under Recommendations ESRB/2014/1 on guidance for setting countercyclical buffer rates and ESRB/2015/2 on the assessment of cross-border effects of a voluntary reciprocity for macroprudential policy measures).	on the financial system of the EU.	

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

SECTION 5: Dealing with the coronavirus – EU State aid Temporary Framework (state-of-play 7.10.2020)

Contact persons: Marcel Magnus and Cristina Dias (EGOV)

Institution	Measures	Objective	Further observations
Commission (regular updates)	Dedicated websites	Up-to-date information.	- Temporary SA framework - List of SA cases adopted, per country - Updated and consolidated version of the relevant Communication
Commission (2 October 2020) Press releasePress release	Consultation with Member States to prolong and amend the temporary framework until 30 June 2021	Further amendments to the temporary State Aid framework	
Commission (29 June 2020) Press release Publication in the OJ on 2.07.2020 (in all languages)	Aid to micro and small companies, even if they were already in financial difficulty on 31 December 2019 (including start-ups); aid for recapitalisation (providing incentives for private investors to capitalise companies alongside the State).	Further amendment to the temporary State Aid framework.	- Amendments allow Member States (i) to support certain micro and small enterprises, including start-ups that were already in difficulty before 31 December 2019, and (ii) to provide incentives for private investors to participate in coronavirus-related recapitalisation measures. - Specific conditions apply - Commission also clarified that aid should not be conditioned on the relocation to the territory of the Member State granting the aid
Commission (08.05.2020) Communication Publication in the OJ on 13.05.2020 (in all languages)	Aid for subordinated debt and recapitalisation of non-financial corporates	Allow the State to subsidise subordinated debt and capital to companies affected by the coronavirus outbreak	- The Communication combines two amendments previously consulted with the Member States (aid for subordinated debt of 24.04.2020 and aid for recapitalisation of non-financial corporates of 9.04.2020) - The Commission recognises that aid given at EU level would have a lesser disruptive effect (point 8), invites Member States to consider the digital and green agendas when setting their schemes (point 9), recalls that investments at arm lengths (*pari passu* alongside

			a private investor) do not amount to state aid (point 10) making reference to *strategic undertakings* and also notes the existing framework for the foreign direct investment screening mechanisms (point 11).
Commission (08.04.2020) Press release Communication Publication in the OJ on 8.4.2020 (in all languages)	- 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 [14] - 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) [15] Press release Communication Publication in the OJ on 4.4.2020 (in all languages)	Support for coronavirus related research and development (R&D)		- A number of conditions need to be fulfilled [16]
	Support for the construction and upgrading of testing facilities for products relevant to tackle the 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 [17]
	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

[14] 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.

[15] 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.

[16] 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.

[17] 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.

			- A number of conditions need to be fulfilled[18]
	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[19]
	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[20]
Commission Communication (19.3.2020) State aid Temporary Framework (based on Article 107(3)(b) of the Treaty - remedy a serious disturbance across the EU economy)	Aid in the form of direct grants, repayable advances[25] or tax advantages up to EUR 800 000[26] per undertaking; the amendment to the TF adopted on the 03.04.2020 added references to "or other forms such as repayable advances, guarantees, loans and equity"	Enhance liquidity for companies to keep operating	- To be reflected in a "national scheme" and not individual measures - Several conditions to be fulfilled[27]
	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	- 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[28]

[18] 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.

[19] 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.

[20] 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.

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

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

[27] 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.

[28] 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

General features: - Requirements on transparency - Available for companies that faced difficulties after 31 December 2019[21] - suspension of "one time last time" principle - Complementary to current existing state aid instruments[22] and to measures outside the scope of state aid[23]; the various measures can apply concomitantly to any undertaking[24] - framework to apply up to 31 December 2020		- For creditors, it would alleviate default risks on loans (thus reducing levels of "potential" NPLs) .	
	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[29]; - 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[30]; - 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 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[31] - On 27 March 2020 the Commission removed all countries from the list of "marketable risk" countries under the Short-term export-credit Communication[32].

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.

[21] 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.

[22] 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).

[23] 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.

[24] 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).

[29] 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

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

[31] 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.

[32] 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.

Publication in the OJ on 20.03.2020 (in all languages)			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. - On 30.09.2020 the Commission released a public consultation aiming at assessing whether the current market situation might again justify the removal of all countries from the list of marketable risk countries. The consultation will close on 7.10.2020.

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