

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

State-of-play 8 March 2021



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 since its outbreak to early March 2021.

The table covers, specifically:

1. Budgetary and financial support measures proposed or adopted by EU or EA institutions (Sections 1A and 1B)
2. Decisions taken by the Commission/Council/Eurogroup aiming at coordinating national economic and fiscal policies (Section 2)
3. Monetary policy measures taken by the ECB (Section 3)
4. Measures with impact on banking and macro-prudential policies taken by the SSM, ECB and ESRB (Section 4)
5. Measures pertaining to state aid policies [taken by the European Commission] (Section 5)

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SECTION 1A: ECON related EU budgetary and financial measures (as proposed by the Commission on 27 May 2020) (state-of-play until 08.03.2021)

Contact persons: Cristina Dias and Kajus Hagelstam (EGOV)

Establishing an EU Recovery and Resilience Facility			
Instrument	European Commission Proposal	State of play in Council	State of play in European Parliament
<p>Commission proposal for a European Parliament and Council Regulation on a Recovery and Resilience Facility (RRF)</p> <p>Legal base: 175(3) TFEU¹ (ordinary legislative procedure involving European Parliament and Council)</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>On 18 December 2020 Parliament and Council reached a provisional agreement on the Facility. The Council adopted the text by written procedure. The Regulation was published on 18 February in the Official Journal as Regulation 2021/241. It entered into force on 19 February 2021.</p>	<p>On 18 December 2020 Parliament and Council reached a provisional agreement on the Facility, which Parliament approved in Plenary on 9 February 2021.</p> <p>The Regulation was published on 18 February in the Official Journal as Regulation 2021/241. It entered into force on 19 February 2021.</p> <p>Developments on the legislative file can be followed through the Legislative Observatory (here).</p> <p>See EGOV briefing on the role of the EP in monitoring the RRF.</p>

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.

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
<p>Commission proposal for a European Parliament and Council Regulation on the public sector loan facility under the Just Transition Mechanism²</p> <p>Legal base: Articles 174(1), 175(3) and Article 322(1) of TFEU (ordinary legislative procedure involving the European Parliament and Council)</p>	<p>Objective: Provide means for facing the climate challenge and support public investments in the most affected regions.</p> <p>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.</p> <p>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 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.</p>	<p>The Council negotiating mandate is set out in a document dated of 16 October 2020.</p> <p>On 19 June 2020 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.</p> <p>EUCO conclusions of 17-21 July 2020 refer to a budget allocation of €10 billion for the Just Transition Fund, to which the public sector loan facility relates.</p>	<p>Negotiations (trilogues) between the EU institutions on the proposal are ongoing, after a decision to open interinstitutional negotiations was taken on 21.10.2020 following the Parliament position adopted at Committee level.</p> <p>Amendments to the draft report were published on 03.09.20 and a vote was held on 16.10.2020.</p> <p>Draft BUDG-ECON report was made available 24.07.2020. Developments on the legislative file can be followed through the Legislative Observatory (here).</p>
<p>Commission proposal for a European Parliament and Council Regulation establishing a Solvency Support Instrument</p> <p>Legal base: Articles 172 and 173, the third</p>	<p>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.</p> <p>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.</p>	<p>On 19 June 2020 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 2020</p>	<p>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</p>

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).

<p>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)).</p>	<p>Mechanism: Provisioning of an EU budget guarantee under the EFSI regulation to the European Investment Bank Group in order to mobilise private capital.</p> <p>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.</p>	<p>meeting point to no contribution from EURI.</p>	<p>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).</p>
<p>Commission proposal to strengthen InvestEU programme and Strategic Investment Facility</p> <p>Legal base: Articles 173 and 175(3) of TFEU (ordinary legislative procedure involving European Parliament and Council)</p>	<p>Objective: Mobilising investment to support the recovery and long-term growth, including a new facility to promote investments in strategic European value chains.</p> <p>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.</p> <p>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.</p>	<p>On 16 December 2020 the Council endorsed the provisional agreement reached with Parliament on 8 December.</p>	<p>Parliament and Council reached a political agreement on 8 December 2020. The agreement will be adopted at the first plenary session in March 2021.</p> <p>Developments on the legislative file can be followed through the Legislative Observatory (here).</p>
<p>Commission proposal for a Regulation of the European Parliament and Council establishing</p>	<p>Objective: Promote cohesion through provision of support for administrative capacity and long-term structural reforms, namely those addressing Country Specific Recommendations.</p> <p>Commission to analyse requests for support on the basis of urgency, breadth and depth of</p>	<p>The Council adopted the final position on 2 February 2021 through written procedure. The voted text is available here.</p> <p>The final text was published in the Official Journal on 18 February 2021</p>	<p>The Parliament endorsed the final agreement with Council on 19 January 2021. The final text was published on 18 February 2021 in the Official Journal as Regulation 2021/240. It entered into force on 19 February 2021.</p>

<p>a Technical Support Instrument (TSI)</p> <p>Legal base: Articles 175(3) and 197(2) of TFEU³ (ordinary legislative procedure involving European Parliament and Council)</p>	<p>problems identified, support needs in respect of the policy area concerned, analysis of socioeconomic indicators and general administrative capacity of the Member State.</p> <p>Mechanism: Allows the Commission to provide Union support in the form of (a) grants; (b) public 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.</p> <p>Budget: € 864,4 million (in current prices) for 2021 - 2027, with a possibility of adding further resources transferred by Member States.</p> <p>Replaces the current Structural Reform Support Programme (Commission has redrawn the Support Reform Programme proposed under its 2018 MFF proposal).</p>	<p>as Regulation 2021/240. It entered into force on 19 February 2021.</p>	<p>Developments on the legislative file can be followed through the Legislative Observatory (here).</p>
<p>New EU funding instruments to support the recovery⁴</p>			
<p>Instrument</p>	<p>European Commission Proposal</p>	<p>State of play in Council</p>	<p>State of play in European Parliament</p>
<p>Commission proposal for a</p>	<p>Objective: Support the recovery in the aftermath of the COVID-19 pandemic. The proposed act allows the Commission to finance itself in capital</p>	<p>On 14 December 2020, the Council adopted the Council Regulation. The final text was published in the</p>	<p>On 16 December 2020, the EP finalised agreement on the 2021-2027 MFF, thus sealing the agreement reached with the</p>

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](#) (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](#)).

<p>Council Regulation establishing a European Union Recovery Instrument (EURI)</p>	<p>markets up to € 750 bn and to provide loans and grants, and determines the allocation of funds to different Union programmes⁶ in line with the strategy set out in the European Union Recovery Plan.</p>	<p>Official Journal as Council Regulation 2020/2094.</p>	<p>Council, including a legally binding inter-institutional agreement on the budgetary procedures and roadmap towards the introduction of new own resources.</p>
<p>Legal base: Article 122 of TFEU⁵</p>	<p>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.</p> <p>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).</p> <p>No repayment of the borrowings foreseen before 2028; the Union will bear contingent liability in the form of a guarantees for debt issued until</p>	<p>The Council Legal Service issued on 24 June 2020 an opinion on the Commission proposal.</p>	

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](#)).

	<p>they are repaid (see above amendments to the EU Own Resources Decision).</p>		
<p>Commission proposal for amendments to the Ceilings of the Council decision on Own Resources</p> <p>Legal base: Article 311 of TFEU (special legislative procedure, requiring EP consultation)</p>	<p>Objective: Increase the headroom to allow issuance of debt to finance Next Generation EU (see below), including the EURI (see below). It establishes:</p> <ul style="list-style-type: none"> - 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. <p>The Commission proposal is 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.</p> <p>The Commission will propose additional own resources in the near future (see Commission Communication "Europe's moment: Repair and Prepare for the Next Generation").</p>	<p>On 14 December 2020, Council adopted the Decision.</p> <p>Ratification by national parliaments is still required (a state of play of the ratifications can be found here).</p> <p>Relevant to this outcome are, namely, the 10-11 December 2020 EUCO and the 17-18 July and 19 June 2020 EU Leaders discussions.</p> <p>The Council Legal Service issued on 24 June 2020 an opinion on the Commission proposal.</p>	<p>On 16 December 2020, the EP finalised agreement on the 2021-2027 MFF, thus sealing the agreement reached with the Council, including a legally binding inter-institutional agreement on the budgetary procedures and roadmap towards the introduction of new own resources.</p> <p>The EP adopted its opinion on 16 September 2020, while upholding its 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.</p> <p>The draft report was adopted by the BUDG Committee on 01.09.2020 and Plenary adopted its legislative resolution on 16.09.2020</p> <p>Developments on the legislative file can be followed through the Legislative Observatory (here).</p>

SECTION 1B: Other ECON relevant EU budgetary and financial measures (state-of-play until 08.03.2021)

Contact persons: Cristina Dias and Kajus Hagelstam (EGOV)

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 .
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).	Final act published in the Official Journal on 24 April 2020. 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.	Facilitate the use of 8bn (MS's return) +29bn (still available fund for 2020) = 37 bn euro already earmarked in the MFF 2013-2020.	Final act published in the Official Journal on 31 March 2020. On 30 March 2020 , the Council adopted the measures which are in force since April 1st. On 26 March 2020 , the plenary meeting of European Parliament adopted its position on the new measures.

	- 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.		
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.	Final act published in the Official Journal on 31 March 2020. On 30 March 2020 the Council adopted the measures. On 26 March 2020 , 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 exchanging information under the Directive on Administrative Cooperation (DAC)	Reduce administrative burden: the VAT e-commerce package will apply as of 1 July 2021 instead of 1 January 2021; for 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	The final texts have been published in the Official Journal as follows: - Council Directive (EU) 2020/876 of 24 June 2020 amending Directive 2011/16/EU. - Council Decision (EU) 2020/1109 of 20 July 2020 amending Directives (EU) 2017/2455 and (EU) 2019/1995. - Council Regulation (EU) 2020/1108 of 20 July 2020 amending Regulation (EU) 2017/2454.

			- Council Implementing Regulation (EU) 2020/1112 of 20 July 2020 amending Implementing Regulation (EU) 2019/2026.
Commission (3 April 2020)	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.	Published as Commission Decision 2020/491 of 3 April 2020 (altered various times since - latest consolidated version available here)
European Investment Bank (EIB) (16 March 2020) European Investment Fund (EIF) (6 April 2020)	EIB Group offers loans support to European companies under strain from the coronavirus pandemic and its economic effects. To grant €40 billion potential EIB financing and mobilise additional investment through a new pan-European Guarantee Fund (EGF).	To provide financial support to small and medium-sized companies (SMEs) and others in the real economy.	On 14 December 2020 , the Commission provided a positive state aid assessment on Member States guarantees underpinning the pan-European Guarantee Fund. For more information on the EGF, see here . Recent EIB loans aimed at mitigating the impact of COVID are available here . For information on the EIF financing activities relating to COVID-19, please see here .
European Bank for Reconstruction and Development (EBRD) (13 March 2020)	The EBRD has responded to the pandemic and is now committed to dedicating the entirety of its activities to tackling the economic consequences of the Covid-19 pandemic, with an expected support package of €21 billion in total by the end of 2021. In the first half of this year, the EBRD invested more than €5 billion. The EU is providing the guarantee through its European Fund for Sustainable Development (EFSD) Guarantee Programme, which supports financing and investment operations in partner countries in Africa and the European Neighbourhood.	Providing financial support to the 38 emerging economies to combat the economic impact of COVID-19	For an overview of the latest EBRD actions to mitigate the effects of COVID-19, please see here . 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 until 08.03.2021)

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
<p>Commission</p> <p>Council</p> <p>Eurogroup</p>	<p>Following the adoption and entry into force of the RRF (also see Section 1A), Member States will be expected to submit their Recovery and Resilience Plans (RRPs) during spring 2021. The RRP are also supposed to contribute to addressing the challenges identified in CSRs under the European Semester framework (see a dedicated EGOV briefing).</p> <p>The 2020 Country Specific Recommendations (CSRs) on all Member States' economic and fiscal policies for 2020 were adopted by the Council on 20 July 2021. The 2020 CSRs take account of the pandemic and the need to support economic recovery.</p> <p>Ministers have 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.</p>	<p>To support Member States to take all necessary measures to effectively address the pandemic, sustain the economy and support the recovery.</p> <p>To preserve the European Semester's main milestones, while taking into account the challenging times Member States are facing.</p>	<p>Once the RRP are submitted by the Member States to the Commission, the following EU level steps are foreseen: <i>"The Commission will complete its assessment of RRP within two months of receiving them.</i></p> <p><i>The Council will have up to four weeks to consider the Commission's assessment and adopt an implementing decision by qualified majority."</i></p> <p>For an overview of the European Semester during the pandemic, see separate EGOV document.</p> <p>For an overview of the implementation of the macroeconomic Imbalances Procedures, please see separate EGOV document.</p> <p>For an overview of the 2020 CSRs, please see separate EGOV briefing.</p>
<p>Commission</p> <p>Council</p>	<p>The activation of the general escape clause of the SGP to allow was proposed by the Commission on 20 March, endorsed by the Council on 23 March and welcomed by Leaders on 27 March. Its purpose is to allow Member</p>	<p>The use of the clause will ensure the needed flexibility to take all necessary measures for supporting the</p>	<p>Based on a request of the ECON Committee, four papers by external experts on <i>"How and when to deactivate the general escape clause of the SGP"</i> have</p>

<p>Eurogroup</p>	<p>States to undertake budgetary measures to deal adequately in times of severe economic downturn, within the procedures of the SGP.</p> <p>The general escape clause does not suspend the procedures of the SGP. It allows the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact, while departing from the numerical budgetary requirements that would normally apply.</p> <p>On 3 March 2021, the Commission stated in the Communication <i>“One year since the outbreak of COVID-19: fiscal policy response”</i>: <i>“the decision on whether to deactivate the general escape clause or continue it for 2022 should be taken as an overall assessment of the state of the economy based on quantitative criteria. The level of output in the EU or euro area compared to pre-crisis levels would be the key quantitative criterion. Current preliminary indications would suggest to continue applying the general escape clause in 2022 and to de-activate it as of 2023.”</i></p>	<p>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.</p>	<p>been prepared end of 2020 (and subsequently published). A separate EGOV briefing provides summaries of all the four papers.</p> <p>The Commission Communication of 3 March 2021 serves as an input to the ECOFIN Council and Eurogroup discussions and is announced to be further detailed in the fiscal policy guidance that will be proposed as part of the Commission’s spring European Semester package in late May 2021.</p> <p>For more information on the state of play on the implementation of the Stability and Growth Pact under pandemic, see separate EGOV briefing.</p>
Coordination of Euro Area Member States economic policies			
Institution	Measures	Objective	Further observations and state-of-play
<p>Eurogroup</p> <p>Commission</p>	<p>Since the outbreak of the pandemic, the Eurogroup has focused primarily on the establishment of three safety nets as the immediate response to the crisis: the ESM Pandemic Crisis Support, the instrument for temporary support to mitigate unemployment risks in an emergency (SURE) and the EIB pan-European Guarantee Fund.</p> <p>The Eurogroup (in its regular composition or in an inclusive format, as appropriate) monitors regularly the economic situation, policy response and recovery needs after the COVID19 pandemic</p>	<p>A coordinated approach on budgetary policy and for using the Eurogroup as a forum to reach this understanding.</p>	<p>On 16 November 2020, the Eurogroup agreed that a supportive fiscal stance in the euro area for 2021 is appropriate given the output loss to date and downside risks. Fiscal policies should remain supportive in all euro area Member States throughout 2021. Member States should continue to provide timely, well-targeted and temporary fiscal support, while safeguarding fiscal sustainability in the medium term. The fiscal response going</p>

	<p>See Eurogroup work programmes.</p>		<p>forward should continue to be carefully calibrated and regularly reviewed, in light of the uncertainty associated with the pandemic, changing economic conditions, country specific circumstances and the need to avoid policy cliff edge effects.</p> <p>The Eurogroup stated on 3 November: "Today, we also underlined the importance of rapidly submitting ambitious Recovery and Resilience Plans, charting a consistent set of reform and investment strategies that add up to more than the sum of individual Member State actions. These plans will increase confidence, alleviate uncertainty and support growth in employment and incomes to help make the euro area as a whole stronger and more resilient. The Eurogroup commits to support prioritised and coordinated reforms and investments that enhance the proper functioning of the euro area as a whole."</p>
<p>Eurogroup (24 March 2020)</p> <p>Letter by the President of the Eurogroup</p>	<p><i>(...) 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.</i></p> <p><i>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.</i></p>	<p><i>The Eurogroup is committed to explore all possibilities necessary to support our economies get through these difficult times. This involves all our institutions.</i></p>	<p>EU Leaders (26 March 2020) took note of the progress made by the Eurogroup.</p>

<p>Eurogroup (16 March 2020)</p> <p>Statement</p>	<p>Member States will implement:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>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.</p>	<p>Implementation at national level.</p>
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SECTION 3: Dealing with the coronavirus - ECB monetary policy (state-of-play until 08.03.2021)

Contact persons: Drazen Rakic (Policy Department A)

For a more detailed overview of the ECB' monetary policy response to the COVID-19 crisis, see [separate Policy Department A document](#).

Institution	Measures	Objective	Further observations
Interest rate policy			
ECB Governing Council meeting (12 March 2020)	Key interest rates remain unchanged: <ul style="list-style-type: none"> – 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 Governing Council meeting (10 December 2020)	Pandemic Emergency Purchase Programme (PEPP) increased to EUR 1850 billion	Support favourable financing conditions for the private and public sectors.	<ul style="list-style-type: none"> - Horizon for net purchases under the PEPP extended to at least the end of March 2022. - Reinvestment of principal payments from maturing securities purchased under the PEPP extended to at least the end of 2023. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.
ECB 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.	<ul style="list-style-type: none"> - 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.

<p>ECB Governing Council meeting (18 March 2020)</p>	<p>New Pandemic Emergency Purchase Programme (PEPP) of EUR 750 billion.</p>	<p>Support favourable financing conditions for the private and public sectors.</p>	<ul style="list-style-type: none"> - Purchases to 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.
	<p>Expansion of the range of eligible assets under the corporate sector purchase programme (CSPP).</p>		<ul style="list-style-type: none"> - CSPP eligibility expanded to non-financial commercial paper, making all commercial papers of sufficient credit quality eligible for purchase under CSPP.
	<p>Strengthened forward guidance on the APP.</p>		<ul style="list-style-type: none"> - 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.
<p>ECB Governing Council meeting (12 March 2020)</p>	<p>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).</p>	<p>Support favourable financing conditions for the real economy.</p>	<p><u>Forward guidance:</u> 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.</p>
	<p>Continuing reinvestments of the principal payments from maturing securities purchased under the APP, in full.</p>		<ul style="list-style-type: none"> - 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			
<p>ECB Governing Council meeting (10 December 2020)</p>	<p>ECB prolongs support via targeted lending operations for banks that lend to the real economy (TLTRO III)</p>	<p>Support the continued access of firms and households to bank credit in the face of disruptions and temporary funding shortages associated with the coronavirus outbreak.</p>	<ul style="list-style-type: none"> - Extension by an additional 12 months, to June 2022, of period of favourable interest rates for banks that lend to the real economy. - For counterparties whose eligible net lending between 1 October 2020 and 31 December 2021 reaches the lending performance threshold, the interest rate applied on all TLTRO III operations outstanding over the period from 24 June 2021 to 23 June 2022 will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -1%. - The lending performance threshold that needs to be met in order for a participating counterparty to attain the minimum interest rate on TLTRO III operations over the extended period of reduced interest rates is set at 0% between 1 October 2020 and 31 December 2021. - Three new TLTRO III operations with a maturity of three years will be allotted in June, September and December 2021. - The maximum amount that counterparties will be entitled to borrow is raised from 50% to 55% of their stock of eligible loans as at 28 February 2019 for all future TLTRO III operations, starting from the March 2021 operation.
<p>ECB Governing Council meeting (10 December 2020)</p>	<p>ECB extends pandemic emergency longer-term refinancing operations (PELTRO)</p>	<p>Liquidity support and support smooth functioning of money market funds (by providing liquidity backstop).</p>	<ul style="list-style-type: none"> - Four additional pandemic emergency longer-term refinancing operations (PELTROs) on a quarterly basis during 2021. Each operation will have a tenor of approximately one year. - Conducted as fixed rate tender procedures with full allotment. The operations will be offered at accommodative terms. - The interest rate will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations (currently 0%) over the life of the respective PELTRO.
<p>ECB</p>	<p>Reduced interest rate for TLTRO III outstanding operations from June 2020 to June 2021.</p>	<p>Support bank lending (in particular lending to SMEs).</p>	<ul style="list-style-type: none"> - For the period from 24 June 2020 to 23 June 2021, the interest rate on all TLTRO III operations are 50 basis points

<p>Governing Council meeting (30 April 2020)</p>			<p>below the average rate applied in the Eurosystem's main refinancing operations over the same period.</p> <ul style="list-style-type: none"> - For banks whose eligible net lending reaches the lending performance threshold, the interest rate applied from 24 June 2020 to 23 June 2021 on all TLTRO III operations will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than -1%.
	<p>Introduced a new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs)</p>	<p>Liquidity support and support smooth functioning of money market funds (by providing liquidity backstop).</p>	<ul style="list-style-type: none"> - 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.
<p>ECB Governing Council meeting (12 March 2020)</p>	<p>Additional longer-term refinancing operations (LTROs).</p>	<p>Liquidity support.</p>	<ul style="list-style-type: none"> - 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).
	<p>Reduced interest rate for TLTRO III outstanding operations from June 2020 to June 2021.</p>	<p>Reduced interest rate for TLTRO III outstanding operations from June 2020 to June 2021.</p>	<ul style="list-style-type: none"> - Interest rate on TLTRO III reduced by 25 basis points and can be as low as 25 basis points below average deposit facility rate during period from June 2020 to June 2021 for all TLTRO III operations outstanding during that period.
	<p>Further easing of conditions for TLTRO III.</p>	<p>Support bank lending (in particular lending to SMEs).</p>	<ul style="list-style-type: none"> - 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.

			- Early repayment option available after one year from settlement starting in September 2021.
Collateral framework			
ECB Governing Council decision (10 December 2020)	Extension of temporary collateral easing measures.	To ensure that banks can make full use of the Eurosystem's liquidity operations.	- Extension to June 2022 the duration of the set of collateral easing measures adopted by the Governing Council on 7 and 22 April 2020.
ECB Governing Council decision (22 April 2020)	Further collateral easing measures related to eligibility (rating).	Mitigate impact of possible rating downgrades on collateral availability.	<ul style="list-style-type: none"> - 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+. - These temporary measures were intended to 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.	<ul style="list-style-type: none"> - 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).

<p>ECB Governing Council meeting (18 March 2020)</p>	<p>Adopted a package of temporary collateral easing measures to facilitate the availability of eligible collateral and temporarily increased risk tolerance level.</p>	<p>Ensure that counterparties can continue to make full use of refinancing operations.</p>	<ul style="list-style-type: none"> - 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.
<p>ECB Governing Council meeting (18 March 2020)</p>	<p>Easing collateral standards by adjusting the main risk parameters of the collateral framework.</p>	<p>Ensure that counterparties can continue to make full use of refinancing operations.</p>	<ul style="list-style-type: none"> - Expansion of the scope of Additional Credit Claims (ACC) to include claims related to the financing of the corporate sector.
Swap and repo lines			
<p>ECB Governing Council meeting (10 December)</p>	<p>Extension of EUREP and all temporary swap and repo lines.</p>	<p>FX liquidity support.</p>	<ul style="list-style-type: none"> - Eurosystem repo facility for central banks (EUREP) and all temporary swap and repo lines with non-euro area central banks will be extended until March 2022.
<p>ECB Press release (25 June 2020)</p>	<p>New Eurosystem repo facility (EUREP) to provide euro liquidity to non-euro area central banks</p>	<p>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.</p>	<ul style="list-style-type: none"> - 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.
<p>ECB</p>	<p>Setting up of bilateral swap and repo lines with non-euro area central banks</p>	<p>FX liquidity support.</p>	<ul style="list-style-type: none"> - Repo and swap line arrangements to provide euro liquidity to the following non-euro area central banks: Denmark, Croatia, Bulgaria, Romania, Serbia, Albania, Hungary, North Macedonia, San Marino.
<p>ECB Press release (20 March 2020)</p>	<p>ECB and other major central banks⁷ enhanced the US dollar operations (the previous agreement was announced on 15 March 2020).</p>	<p>FX liquidity support.</p>	<ul style="list-style-type: none"> - 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).

⁷ Bank of Canada, Bank of England, Bank of Japan, Federal Reserve, and Swiss National Bank.

			<ul style="list-style-type: none"> - 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.
<p>ECB Press Release (15 March 2020)</p>	<p>ECB and other major central banks⁸ to offer weekly US dollar operations with 84-day maturity (in addition to existing 1-week operations).</p>	<p>FX liquidity support.</p>	<ul style="list-style-type: none"> - 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.

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 until 08.03.2021)

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

Institution	Measures	Objective	Further observations
Temporary relief measures for banks			
ECB Banking Supervision (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	EP adopted its report on 10 November 2020. The final agreed text is to be voted in the first March 2021 plenary. The legislative procedure can be followed here .

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 .	
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.
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 (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	
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 2 December , EBA reactivated its guidelines On 29 January 2020, the EBA published a report (updating an earlier reports published 7 July and 21 December 2020) 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 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	Ensure regulatory consistency and support	

	additional guidance on how to use flexibility in supervisory reporting and recalled the necessary measures to prevent money laundering and terrorist financing (ML/TF).	lending into the real economy	
ECB Banking Supervision (27/03/2020)	Recommendation to refrain from dividend payments and share buybacks.	Ensure banks retain funds to allow banks to better support the economy	<p>ECON political coordinators issued a statement to that effect on 27 March 2020 that also includes bonuses. The ECB Recommendation (initially extended on 28 July) is to henceforth make no irrevocable commitments for 2019 and 2020 dividends and for institutions faced with mandatory dividend distributions to contact the SSM. It is addressed to significant institutions and to national competent authorities to prevent distributions also by less significant institutions.</p> <p>On 15 December, the ECB further extended its recommendation for all banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. The ECB expects dividends and share buy-backs to remain below 15% of the cumulated profit for 2019-20 and not higher than 20 basis points of the CET1 ratio, whichever is lower. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories, and banks should refrain from distributing interim dividends out of their 2021 profits.</p> <p>The ECB also updated an earlier letter sent to banks asking them to be extremely moderate with regard to variable remuneration payment.</p>

<p>EBA (25/03/2020)</p>	<p>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.</p>	<p>Ensure consistency and comparability in risk metrics</p>	<p>ESMA also published guidance on accounting implications of the economic support.</p>
<p>ECB Banking Supervision (20/03/2020) (directly supervised entities)</p>	<p>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</p>	<p>To support lending to the real economy.</p>	<p>Further details given in ECB FAQs. Letter sent to CEOs of significant institutions on 1 April 2020, providing additional guidance on IFRS 9 in the context of the pandemic. A follow up letter addressing the identification and measurement of credit risk was sent on 4 December.</p>
	<p>Recommendation to avoid procyclical assumptions in provisioning</p>	<p>To mitigate credit risk and avoid excessive procyclicality.</p>	
	<p>Recommendation to adopt transitory regime on IFRS 9</p>		
<p>ECB Banking Supervision (12/03/2020) (directly supervised entities)</p> <p>Majority of national supervisory authorities mirrored the measures to the financial institutions directly under their remit.</p>	<p>Unwind of capital buffers (Banks can fully use capital and liquidity buffers, including Pillar 2 Guidance)¹¹</p>	<p>Capital relief (not to be used in dividends or earnings distribution)</p>	<p>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-2021, without automatically triggering supervisory actions.</p>
	<p>Relief in the composition of capital for Pillar 2 Requirements¹²</p>	<p>Capital relief (not to be used in dividends or earnings distribution)</p>	<p>Brings forward a measure scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRDV)</p>

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).

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).

	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; 29/01/2021)	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 March 2020 EBA extended deadlines to provide data on funding plans and the QIS exercise. On 29 January 2021 EBA decided to launch the 2021 stress test 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) (14/05/2020, 08/06/2020 and 22/06/2020)	The ESRB issued four recommendations: - Recommendation on liquidity risks in investment funds (recommending ESMA to coordinate supervisory 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	Address the challenges stemming from the coronavirus pandemic and its potential impact on the financial system of the EU.	On 12 November, ESMA responded to the Recommendation on liquidity risks, with a report on the preparedness of investment funds to potential adverse shocks. On 15 December, ESRB amended its Recommendation on the restriction of distributions during the COVID-19 pandemic, extending its recommendation to 30 September 2021.

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

	<p>procyclicality in the provision of client clearing services and in securities financing transactions);</p> <ul style="list-style-type: none"> - 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). 		
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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 until 08.03.2021)

Contact persons: Marcel Magnus and Cristina Dias (EGOV)

Institution	Measures	Objective	Further observations
<p>Commission (regular updates)</p>	Dedicated websites	Up-to-date information.	<ul style="list-style-type: none"> - Temporary SA framework - List of SA cases adopted, per country - Updated and consolidated version of the relevant Communication
<p>Commission (28 January 2021) Press release</p> <p>Publication in the OJ on 01.02.2021 (in all official languages)</p>	Extension until 31 December 2021. Further amendments by expanding its scope by increasing ceilings and by allowing the conversion of certain repayable instruments into direct grants until end of 2022	Further amendments to the temporary State Aid framework	
<p>Commission (13 October 2020) Press release</p> <p>Publication in the OJ on 13.10.2020 (in all languages)</p>	Extension of the temporary framework until 30 June 2021 (with section 3.11 applying until 30 September 2021). Addition of a new section dealing with aid in the form of support for uncovered fixed costs and further clarifications	Further amendments to the temporary State Aid framework	
<p>Commission (29 June 2020) Press release</p> <p>Publication in the OJ on 2.07.2020 (in all languages)</p>	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.	<ul style="list-style-type: none"> - 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

<p>Commission (08.05.2020)</p> <p>Communication</p> <p>Publication in the OJ on 13.05.2020 (in all languages)</p>	<p>Aid for subordinated debt and recapitalisation of non-financial corporates</p>	<p>Allow the State to subsidise subordinated debt and capital to companies affected by the coronavirus outbreak</p>	<p>- 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)</p> <p>- 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 (<i>pari passu</i> alongside a private investor) do not amount to state aid (point 10) making reference to <i>strategic undertakings</i> and also notes the existing framework for the foreign direct investment screening mechanisms (point 11).</p>
<p>Commission (08.04.2020)</p> <p>Press release</p> <p>Communication</p> <p>Publication in the OJ on 8.4.2020 (in all languages)</p>	<p>- Guidance on antitrust assessment of business cooperation projects</p> <p>- The Commission is willing to provide “comfort letters” addressing specific cooperation projects</p>	<p>Provide antitrust guidance to companies willing to temporarily cooperate and coordinate their activities to increase production optimise supply of hospital medicines</p>	<p>- A set of criteria to be fulfilled¹⁴</p> <p>- Conditions include, among others, the recording of information flows between cooperating companies and agreements reached</p> <p>- 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.</p>
<p>Commission (03.04.2020)¹⁵</p> <p>Press release</p>	<p>Support for coronavirus related research and development (R&D)</p> <p>Support for the construction and upgrading of testing facilities for products relevant to tackle the coronavirus outbreak</p>		<p>- A number of conditions need to be fulfilled¹⁶</p> <p>- Could cover products such as vaccines, medical equipment or devices, protective material and disinfectants</p>

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.

<p>Communication</p> <p>Publication in the OJ on 4.4.2020 (in all languages)</p>			<ul style="list-style-type: none"> - Member States can also grant no-loss guarantees to provide incentives for companies to invest - A number of conditions need to be fulfilled¹⁷
	Support for the production of products relevant to tackle to coronavirus outbreak		<ul style="list-style-type: none"> - 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 fulfilled¹⁸
	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
<p>Commission Communication</p>	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	Enhance liquidity for companies to keep operating	<ul style="list-style-type: none"> - To be reflected in a "national scheme" and not individual measures - Several conditions to be fulfilled²⁷

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.

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.

<p>(19.3.2020)</p> <p>State aid Temporary Framework (based on Article 107(3)(b) of the Treaty - remedy a serious disturbance across the EU economy)</p> <p><u>General features:</u></p> <ul style="list-style-type: none"> - Requirements on transparency - Available for companies that faced difficulties after 31 December 2019²¹ - suspension of “one time last time” principle - Complementary to current existing state aid instruments²² and to measures outside 	<p>the 03.04.2020 added references to “or other forms such as repayable advances, guarantees, loans and equity”</p>		
	<p>Aid in the form of subsidised State guarantees to loans</p>	<ul style="list-style-type: none"> - 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). 	<ul style="list-style-type: none"> - In the form of individual State guarantees or guarantee schemes - Instrument available to cover both investment and working capital loans - Several conditions to be fulfilled²⁸
	<p>Aid in the form of subsidised interest rates on private or public loans to undertakings (loans granted by banks or other financial institutions).</p>	<p>Facilitate access to liquidity and clarify a number of safeguards for financial institutions that channel support to the real economy.</p>	<ul style="list-style-type: none"> - Aid can be channelled through banks without triggering state aid²⁹; - 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 beneficiaries³⁰; - 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

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).

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 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 granting the guarantees.

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.

<p>the scope of state aid²³; the various measures can apply concomitantly to any undertaking²⁴</p> <p>- framework to apply up to 31 December 2020</p> <p>Publication in the OJ on 20.03.2020 (in all languages)</p>	<p>Short-term export credit insurance.</p>	<p>Allow covering marketable risks by export-credit insurance with the support of Member States.</p>	<p>be considered as extraordinary public support under State aid rules.</p> <ul style="list-style-type: none"> - Member States to demonstrate that private insurance is not available³¹ - On 27 March 2020 the Commission removed all countries from the list of "marketable risk" countries under the Short-term export-credit Communication³². 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.
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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).

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.