COVID-19 Weekly Report

11 April 2020

European Union

European coordinated response

- Economic Measures: EU finance ministers agreed a €540 billion package to support member states, companies and workers in the coronavirus crisis, the Commission's SURE instrument to protect jobs provides funding to Member States of up to €100 billion. The Commission has unlocked €1 billion in an EU budget guarantee to the European Investment Fund, so it can provide liquidity to businesses, mobilising €8 billion in all to help at least 100,000 companies. The EIB Group will aim to invest an additional €20 billion in small and medium-sized businesses, partly using its own capital and partly backed by the EU budget.

- An overview of measures that are being taken to advance a European coordinated approach can be found here.

European Central Bank

- The ECB published a recommendation to refrain from dividend payments and share buybacks. EBA, EIOPA and ESMA issues statements following up to the ECB recommendation.
- The ECB announced a package of temporary collateral easing measures, with the aim of facilitating banks' access to liquidity instruments made available by the ECB.
- The ECB extended the timeline of the review of its monetary policy strategy due to the Covid-19 outbreak, from end of 2020, to mid-2021.

European Commission

- The European Commission adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under the State aid rules to support the economy in the context of the COVID-19 outbreak. The Temporary Framework enables Member States to ensure that sufficient liquidity remains available to businesses of all types and to preserve the continuity of economic activity during and after the COVID-19 outbreak. The focus is to allow Member States to act quickly to support affected businesses.
- Supporting the public short-term export credit market. As enterprises are facing a severe lack of liquidity and their trading conditions are increasingly exposed to financial risks, private insurers are withdrawing from the short-term export-credit market. As a result, all economically justifiable risks for exports to all countries in the world, including all Member States can no longer be sufficiently covered. The European Commission therefore decided to temporarily remove all countries from the list of "marketable risk" countries under the Short-term export-credit insurance Communication. This will make public short-term export credit insurance more widely available in light of the current crisis. The amendment further expands on the flexibility introduced by the recent Commission's temporary state aid framework with respect to the possibility by State insurers to provide insurance for short-term export-credit.
- Before the COVID-19 outbreak, the EU set ambitious targets to reduce carbon emissions. In the midst of the pandemic, the EU has temporarily lifted state-aid rules allowing governments to steer companies through the crisis and to minimise job losses using public money. European thinktank Bruegel suggests combining these policies by attaching green conditions to state aid. In that way, we can aim for a green recovery.
- The Commission also intends to propose changes to the Multiannual Financial Framework 2021-2027 proposal to address the crisis, which will include a stimulus package.
- The Commission is discussing the possibility for Member States to intervene in the shareholding capital of companies. The considered scheme would facilitate companies to face liquidity problems and the

measures would end once the COVID-19 crisis is over. The scheme would also prevent third countries from acquiring shares of the company in question. More details on the point will be provided once announcements of measures are made.

- The Commission proposed a Coronavirus Response Investment Initiative Plus (CRII+), which complements the first CRII by introducing further flexibility to allow that all non-utilised support from the European Structural and Investment Funds can be mobilised.
- The Commission unlocked €1 billion from the European Fund for Strategic Investments that will serve as a guarantee to the European Investment Fund (EIF). This will allow the EIF to issue special guarantees to incentivise banks and other lenders to provide liquidity to at least 100,000 European SMEs and small mid-cap companies, for an estimated available financing of €8 billion.

Council of the EU

- The Council adopted the Coronavirus Response Investment Initiative, which will give Member States access to €37 billion of cohesion money to strengthen healthcare systems, as well as support SMEs, short-term working schemes, and community-based services. It also amended the scope of the EU Solidarity Fund to include public health emergencies in addition to natural disasters.
- Eurogroup agreed on group agreed on €540 billion corona-package. On 9 April EU finance ministers agreed a €540 billion package of measures to support Member States, companies and workers in the coronavirus crisis. Discussions on the recovery plan will continue next week and there is a possibility that coronabonds will be issued. Eurogroup President Mário Centeno said the deal will be operational "*within two weeks*."
- Council Presidency – Priorities redefined. The Council presidency rotates every six months and Germany is set to take over from Croatia in July. Germany planned to focus on Brexit, climate protection, migration, rule of law and relations with China and Africa during that period. The COVID-19 pandemic has reshaped the presidency's agenda and the main focus will be on the ability of the European institutions to act, on crisis management, on the exit and reconstruction, and on maintaining EU integration. It is also likely that there will be a slowdown of the legislative process since the Commission, Council presidency and Parliament cannot meet in the usual format to reach compromises on bills but will have to make use of videoconferences in the foreseeable future.
- Financial Counsellors Working Party Meeting, 14 April. There will be an exchange of views and examination article by article of the proposal on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE). View Agenda.
- On 16 April, Foreign affairs ministers from the EU Members States will hold a video conference on the impact the COVID-19 outbreak has had on trade relations and global value chains. View Agenda Highlights.

European Parliament

- The EU Parliament will hold an extraordinary plenary on 16 and 17 April in Brussels, to continue with parliamentary work on the special measures to fight the pandemic. View Agenda.
- Renew Europe political group has called for a recovery and reconstruction package that is part of the new Multiannual Financial framework. The investment would be financed by an increased MFF, the existing EU funds and financial instruments, and recovery bonds guaranteed by the EU budget.
- The European People's Party adopted European Solidarity Pact, which adds up to over 1 trillion Euros to relaunch the economy.
- European Greens call for the establishment Coronabonds to help raise the necessary funds during the health crisis as well as afterwards for the recovery. These Bonds would allow the EU to issue common public debt for which the risks are jointly assumed by all the countries of the eurozone.
- The Greens/EFA Group proposes an EU coronavirus fund and calls for the rapid issuance of Coronabonds to cover immediate costs, to stabilize and restart economies.

- Socialists and Democrats political group call for coronabonds to finance the recovery, building on the SURE, and introducing a temporary European minimum income scheme to protect workers and the self-employed in precarious forms of work and low-income families.

European Supervisory Authorities (ESAs)

- Following its call for flexibility in the prudential framework and supervisory approaches to support lending into the real economy, on 31 March, **EBA** clarified 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.
- On 2 April, following its statement on the application of the prudential framework regarding default, forbearance and International Financial Reporting Standard 9, **EBA** has published guidelines clarifying the treatment of public and private moratoria on loan repayments granted in light of the COVID-19 crisis. The guidelines set out the criteria to be fulfilled by public or private moratoria applied (before 30 June 2020) in order to avoid such exposures being classified under the definition of forbearance or as defaulted under distressed restructuring. The EBA reminds institutions that they must continue to identify situations where borrowers may face longer-term financial difficulties and classify exposures in accordance with the existing requirements.
- On 1 April, **EIOPA** issued a statement in which it urges insurers to continue to provide access to insurance services, as they are considered to be essential in the current environment. Also, it particularly asks the following of insurers: to provide clear and timely information to consumers on contractual rights; to treat consumers fairly and be explicit in all communications; to inform consumers about contingency measures; to continue applying product oversight and governance (POG) requirements; to consider the interests of consumers and exercise flexibility in how they are treated, where reasonable and practicable.
- On 2 April, **EIOPA** published a statement in which it urges all (re)insurers to temporarily suspend all discretionary dividend distributions and share buy backs aimed at remunerating shareholders. This suspension will be reviewed with more clarity on the Covid-19 financial and economic impact.
- On 2 April, **EIOPA** published an update on some measures impacted by COVID-19.
- On 27 March, **ESMA** issued guidance on financial reporting deadlines in light of COVID-19.
- On 2 April, **ESMA** updated its risk assessment to account for the impact of the COVID-19 pandemic.

Brexit

We understand that John Berrigan, Director-General of DG FISMA made the following comments:

COVID-19 response

- Berrigan highlighted that the measures adopted in the UK in response to COVID-19 are broadly aligned with those adopted in EU Member States, consisting largely of injecting liquidity into the system, easing capital requirements for banks and offering support for businesses that were commercially sound before the crisis.
- At present, the Commission lacks adequate data to assess the full extent of business disruption and the drop in economic activity in the worst affected countries. In addition, the Commission is unable to reliably measure the success of economic measures taken in response to the crisis. There have been several policy responses but there is little indication as to how they are working in practice.
- The UK has been involved directly in the EU's crisis response. The UK's involvement would have been assured regardless of the state-of-play of Brexit due to the close interdependence between the EU and the UK.
- The UK is currently continuing to participate in the ESAs, SRB and other EU fora. The UK and EU have cooperated closely on health issues and the Commission hopes that close coordination will continue in future in order to address the long-term economic ramifications of the crisis.

Impact on Brexit

- The response to the COVID-19 pandemic has diverted resources and political attention away from Brexit negotiations. They are no longer a priority for either the UK or the EU.

- Nevertheless, as stated, the Commission will start equivalence assessments shortly although the June deadline is very tight.
- With regard to equivalence, Berrigan stressed that there are unrealistic expectations with regard to what the equivalence regime offers in terms of access. Equivalence is scarcely an adequate replacement for full EU membership. Nevertheless, the regime is more stable and reliable than its detractors recognise. He provided the very stable equivalence regime with the US as a clear example.
- The challenge with UK equivalence is attempting to understand the tolerance for long-term divergences occurring on both sides and how flexible any UK equivalence decision would be in this regard.

Aftermath of COVID-19

- The Commission is attempting to conceive exit strategies from the crisis measures. However, it is difficult to forecast the situation in 3 to 6 months. Accordingly, DG FISMA is currently engaged in scenario-building rather than forecasting. The Commission is anxious to hear how banks are preparing for the aftermath of the crisis. At this juncture it is apparent that banks will have to deal with heavily indebted clients that have suffered from major cash-flow disruption.
- DG FISMA recognises that this situation is far from ideal for banks but the Commission is working hard to find possible remedies.

International Developments

Basel Committee for Banking Supervision

- On 27 March, the Group of Central Bank Governors and Heads of Supervision (GHOS), endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the COVID-19 on the global banking system. The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards: The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028. The implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023. The implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.
- On 3 April, additional measures were set out by BCBS to alleviate the impact of COVID-19 on the global banking system. These measures support the provision of lending by banks to the real economy and provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities.

International Organization of Securities Commissions (IOSCO)

- In reaction to the industry letter from 25 March, IOSCO announced on 3 April that the respective compliance dates related to uncleared margin rules would be extend by 12 months.
- In the statement published on 3 April, IOSCO supported materials prepared by the International Accounting Standards Board (IASB) and called for coordinated approach on global level and professional judgement when applying IFRS 9.
- IOSCO has agreed to reprioritise some of its planned 2020 work programme in order to redirect its resources to focus on the challenges securities markets regulators are facing as a result of the COVID-19 outbreak. In particular, substantial resources are being devoted to addressing areas of market-based finance which are most exposed to heightened volatility, constrained liquidity and the potential for pro-cyclicality; including examining investment funds, as well as margin and other risk management aspects of central clearing for financial derivatives and other securities. The work being delayed or paused includes IOSCO's analysis of the use of artificial intelligence and machine learning by market intermediaries and asset managers; the impact of the growth of passive investing and potential conduct-related issues in index provision; and issues around market data, outsourcing and implementation monitoring.

International Association of Insurance Supervisors (IAIS)

- The IAIS has published a press release in which it clarified that it would provide relief to its member supervisors, insurers and other stakeholders, such as: undertake a targeted assessment of the impact of COVID-19 on the global insurance sector; review the 2020 timeline for implementing the holistic framework; extend the deadline for collecting data for the Insurance Capital Standard confidential reporting to 31 October 2020; delay consultations generally by at least six months.

Financial Stability Board (FSB)

- Following up to the FSB plenary call on 30 March, The FSB has published a press release to explain the FSB members' actions to ensure continuity of critical financial services functions throughout the pandemic.

Monetary Authority of Singapore (MAS)

- The MAS, together with other together with the Association of Banks in Singapore (ABS), the Life Insurance Association (LIA), the General Insurance Association (GIA), and the Finance Houses Association of Singapore (FHAS), announced on 31 March a package of measures to help ease the financial strain on individuals and SMEs caused by the COVID-19 pandemic. The package of financial measures complements the initiatives in the Government's Unity Budget and Resilience Budget to preserve jobs and support enterprises and households.
- The MAS published on 2 April its comments on the COVID-19 (Temporary Measures) Bill. The proposed Bill will provide needed temporary protection for SMEs while being carefully scoped to avoid impairing the interests of banks and Singapore's role in international financial transactions.
- The MAS announced on 8 April a S$125 million support package to sustain and strengthen capabilities in the financial services and FinTech sectors amid the current economic slump. The support package will help to position financial institutions and FinTech firms for stronger growth when the threat of COVID-19 recedes and economic activity normalises. The support package, funded by the Financial Sector Development Fund, has three main components: (i)supporting workforce training and manpower costs; (ii)strengthening digitalisation and operational resilience; and (iii)enhancing FinTech firms' access to digital platforms and tools.

International Chamber of Commerce

- On 6 April, the ICC issued two guidance publications to help governments and regulators deal with trade finance market disruptions caused by COVID-19.

International Trade Centre

- ITC published temporary trade measures enacted by government authorities in relation to COVID-19.

The Federal Reserve System

- On 7 April, the federal financial institution regulatory agencies, in consultation with state financial regulators, issued a revised interagency statement encouraging financial institutions to work constructively with borrowers affected by COVID-19 and providing additional information regarding loan modifications. The revised statement also provides the agencies' views on consumer protection considerations.
- On 9 April, the Federal Reserve took additional actions to provide up to $2.3 trillion in loans to support the economy. This funding will assist households and employers of all sizes and bolster the ability of state and local governments to deliver critical services during the coronavirus pandemic.

EU Member States

Austria

- State aid: A budget of €38 billion (10% of GDP) is gradually being implemented and operationalised:
  - EUR 15 bn for hard-hit industries: This instrument will provide direct liquidity provision and transfers for running costs in accordance with the temporary State-Aid framework;
  - EUR 10 bn for tax deferrals: for corporate and income tax, VAT-deferrals possible until end of September. Firms affected can claim a deferral of social contributions for the months February to April;
  - EUR 9 bn for credit and loans;
  - Short-time work: up to EUR 1 bn budgeted for the Public Employment Service Austria budget for short-time work;
  - EUR 4 bn for immediate help;
  - Income and corporate tax deferrals may amount to 10 bn €.

Belgium

- State aid: The government announced a fiscal package of €8-10 bn (about 2 percent of GDP) and €50 bn (about 10 percent of GDP) of guarantees for new bank loans to companies and self-employed.
  - Replacement income is granted to self-employed individuals whose activity is interrupted due to coronavirus. With modified law, an interruption of 7 days is enough to claim the full monthly benefit amounting to EUR 1.266 (without family burden) EUR 1.582 (with family burden).
  - A Federal provision to cover additional costs (healthcare, repatriation of Belgian citizens, etc.) has been announced (EUR 1 bn).
  - A scheme on temporary unemployment due to force majeure has been activated and remains in place up to 30/06/2020.
  - The federal government, the National Bank and the major banks convened EUR 50 bn of loan guarantee for companies, self-employed and households in financial difficulties.
  - In Flanders, guarantees will be provided for bridge loans and/or loans amounting to EUR 1.7 bn through Flemish promotional bank PMV.
  - Brussels capital region: guarantees for bridge loans and/or loans amounting to EUR 20 mn. Possibility of reduced interest rate loans from Finance&Invest Brussel.

Bulgaria

- State aid: Liquidity support measures to businesses suffering because of the measures imposed under the State of Emergency.
  - Businesses can apply through the Employment Agency for aid in the form of 60% of the remuneration of their employees. Additional expenditure in the amount up to BGN 7 mln (EUR 3.5 mn) was approved under the budget of the Ministry of Health for 2020.
  - The government increased from 15% to 30% the available limit from the reserve fund for dealing with disasters (totaling BGN 80 mln or EUR 40 mn). The limit could be subject to future change.
  - The European Commission has approved a Bulgarian BGN 500 million (approx. €255 million) public guarantee scheme to support small and medium-sized enterprises (SMEs) (so-called "Intermediated SME Loan Guarantee Program"). The guarantees will be provided by the state-owned Bulgarian Development Bank to commercial banks for state guarantees and conversion from non-performing loans to capital as of Monday, 16/03.

Croatia

- State aid: A new package of measures to boost the economy has become effective from 6th of April 2020. The government will increase the amount of the net minimum wage per employee from HRK 3,250 to 4,000 in April and May as part of the existing minimum wage payment scheme used by 65,000 companies for 400,000 workers. The second measure is aimed at companies that either cannot do business, or it is very difficult for them to do business. They will be partially or completely exempt from their tax liabilities for April, May, and July, namely from paying profit tax, income tax and contributions.

Cyprus

- State aid: An economic support package will amount to at least €1.5 billion, approximately 7% of GDP for employees, small and medium-sized enterprises. Measures approved under a supplementary budget of EUR 369 bn:
    - Strengthening of the public health sector (buffer of up to EUR 100 mn). This provision aims to strengthen health services by supporting spending and investment in: (i) employment of additional medical staff, (ii) enhancing of equipment and infrastructure, (iii) enhancing ambulance services, (iv): centre of testings (Institute of Neurology and Genetics) and (v) helpdesk services. Some of this could be requested under CRII.
    - Income support to affected workers 'Operational suspension scheme' (EUR 182mn). The scheme aims at avoiding layoffs by providing unemployment benefits to support businesses that suspend their operations and experience a turnover decrease of more than 25%. It provides a subsidy equivalent to 70% of its employees' salary. The scheme will cover an estimated 220,000 employees of the private sector.
    - Small Businesses Support Scheme (EUR €20mn). Support to businesses that employ up to 5 people, provided they keep their employees and experience turnover decrease by more than 25%. The Scheme provides for a subsidy of 70% of employees' salary.
    - Special Absence Leave (EUR 20 mn). Subsidised leave to parents working in the private sector, when schools, private or public, nurseries, childcare or other educational institutions are suspend their operations. Estimates is based under the authorities working assumption of 50.000 recipients during one month. It is possible that this measure will last for more than 1 month – as schools could stay closed for longer.
    - Subsidised sick leave related to the coronavirus measures (EUR 15mn). This measure will compensate individuals in quarantine and vulnerable workers by an average support of 800 euros.
    - Guarantees for new lending (discussed in parliament on 3 April/not approved yet – expected EUR 2bn). A key bill is pending in Parliament for the granting of government guarantees for new loans (€1.75 billion) and interest subsidisation (€0.25 billion). The design and conditionality of the new lending is under discussion by the political parties.
    - Forbearance of calling in guarantees under public and private contracts for the supply of services or products that will be delayed by the crisis. The freezing on the calling of guarantees would also benefit the government when it is a guarantor.

Czech Republic

- State aid: The entire government stimulus package is currently foreseen to reach 100 billion CZK in direct aid (1.8 % of GDP) and another 900 billion CZK (16 % of GDP) in guarantees. The Parliament approved on 26 March a revision of the state budget, increasing the deficit from 40 bn CZK to 200 bn CZK (3.6% of GDP). On 19 March the government adopted the "Antivirus" programme to compensate both employers and employees for the wage costs for periods of quarantine or emergency measures (original costs estimated at 1.2 billion CZK). On 23 March, the government significantly expanded the programme.
  The government will provide up to 10 billion CZK in deferred-interest loans to companies. The first 5 billion come from ČMZRB (national promotional bank), and the rest to be provided by commercial banks with an interest-rate subsidy from ČMZRB (COVID I Programme). The government also announced it will use 10 billion from the EU funds to boost the programme.
  Authorities will launch a loan guarantee programme for large enterprises (+250 staff) of up to 330 billion CZK (5.9 % of GDP).

Denmark

- State aid: The European Commission has approved under EU State aid rules a DKK 40 bn (approximately €5.4 bn) Danish scheme that compensates companies particularly affected by the coronavirus outbreak, up to a maximum of DKK 60 mn (approximately €8 mn) per company. Under the scheme, private companies registered in the Danish Central Business Register (CVR), which have a proven decline in revenues of more than 40 % because of the coronavirus outbreak in the period from 9 March to 9 June 2020, will be entitled to compensation for the damages suffered.

Denmark's government has also allocated DKK 2.6 billion to support businesses. Under the three-month aid period that will last until June 9, the state offers to pay 75% of employees' salaries at a maximum of DKK 23,000 ($3,418) per month, while the companies pay the remaining 25%.
EKF (the Danish export credit agency) will be providing liquidity guarantees.

Estonia

- State aid: The European Commission has approved two Estonian State aid schemes to support the Estonian economy in the context of the coronavirus outbreak, with a total estimated budget of €1.75 bn. The state guarantees to companies having loans and other credit obligations will be administered via state agency Kredex: state guarantees for existing bank loans of companies (EUR 1 billion); working loans to overcome the liquidity problems (EUR 500 million); investment loans to take advantage of the new business opportunities (EUR 50 million); farmers and rural businesses can apply for a guarantee (total amount EUR 50 million); working loan (total amount EUR 100 million) or land capital (total amount EUR 50 million).

Finland

- State aid: A comprehensive package to safeguard jobs and livelihoods and ease the economic pressure on businesses. The overall scale of the measures will be approximately EUR 15 billion. Companies' financing will be secured through a number of billion-euro measures. New direct payments will also be introduced. The purpose of these measures is to ensure the liquidity of companies during the crisis and to prevent bankruptcies. The measures will be in place in all sectors.
  State guaranteed loans: increasing Finnvera SME corporate financing from EUR 2bn to EUR 12bn EUR; accelerating financing decisions to be taken in 3-4 days; increasing the ratio of public compensation for potential Finnvera credit losses from 50% to 80%.

France

- State aid: The European Commission on 21 March approved France's plan to guarantee up to €300 billion in state aid to ease the economic burden of the coronavirus:
  - State-guaranteed treasury loan of up to 25% of annual turnover or 2 years of payroll for newly created or innovative companies. No repayment will be required in the first year; the company may choose to amortize the loan over a maximum period of five years. Scheme enabling the State to guarantee 300 billion in cash loans. The guarantee may cover 70 to 90% of the amount of the loan, depending on the size of the company. State-guaranteed loans will be prohibited for large companies paying dividends. Share buy-backs are also not compatible with state support. Granting by BPI France of (i) unsecured loans over 3 to 5 years up to €5 million for SMEs, and €30 million for small and medium enterprises, with a significant deferral of repayment (ii) loans from €10,000 to €300,000, subsidised over 7 years with a 2-year grace period.
  - Public reinsurance on outstanding credit insurance for companies to maintain their activity up to €10bn.
  - Reinsurance of short-term export credits has been doubled to €2bn.
  - Special € 4 bn plan for start-ups announced on 25th March, with treasury measures, bridges financing, early repayment of tax claims (Research tax credit, innovation aids)
- A plan of short-time work ("chômage partiel") is in place to support employment: conditions eased (automatic upon request by firms) and extended to other categories of beneficiaries (e.g. childcare workers and domestic workers). Cost entirely supported by the State (70% of gross wages ensured, entirely covered by the government, while only 1 SMIC was ensured by the government before). This amounts to a ceiling of 4.5 times the minimum wage, the obligation to use reduction of normal working schedule. Latest estimated cost € 11 bn (according to press).
- Market issues: The French Financial Markets Authority (AMF) stated its expectations for market activity continuity.

Germany

- State aid: The German government measures to fight the current crisis (among others):
  - EUR 1.6 bn indemnities for guarantees above all national.
  - The measures without a budgetary impact in 2020 are mainly in form of guarantees to banks for providing loans to companies in liquidity difficulties. The German government has announced to provide liquidity support to an unlimited amount and for this purpose has established a guarantee framework totalling more than 1 trillion euro. The main guarantees provided are the following:
    - EUR 820 bn (23.9% of GDP) guarantees by the state-owned development bank KfW. The existing framework of EUR 463 bn was increased by another EUR 357 bn in order to provide liquidity to companies via various KfW programmes.
    - EUR 400 bn (11.6% of GDP) foundation of an "economic stabilisation fund" for providing guarantees to commercial banks for providing liquidity support to companies.
    - EUR 100 bn (2.9% of GDP) further funds for refinancing KfW programmes.
    - EUR 100 bn (2.9% of GDP) for buying shares and participation in ailing companies
    - EUR 63 bn (1.8% of GDP) increase of the guarantee framework of the Länder
  - Among the measures with a likely budgetary impact in 2020 the main ones are:
    - EUR 55.0 bn (1.6% of GDP) for various measures for fighting the corona virus pandemic
    - EUR 50.0 bn (1.5% of GDP) support in form of grants for self-employed and small companies
    - EUR 18.5 bn (0.5% of GDP) liquidity and other support measures by Länder
    - EUR 10.1 bn (0.3% of GDP) short-time work scheme to prevent lay-offs of people
    - EUR 7.5 bn (0.2% of GDP) social assistance for self-employed
    - EUR 5.2 bn (0.2% of GDP) additional costs for health insurances and long-term care
    - EUR 3.9 bn (0.1% of GDP) medical support for hospitals, purchase of protective gear
    - EUR 2.1 bn (0.1% of GDP) social assistance on the level of municipalities
- Capital issues: BaFin reduced the countercyclical capital buffer rate to 0%.

Greece

- State aid: Following the approval of a €2 billion Greek guarantee measure on 3 April 2020 and a second scheme providing €1 billion in repayable advances to support companies affected by the coronavirus outbreak on 7 April 2020, the Commission approved on April 8 a scheme to support small and medium-sized enterprises (SMEs) affected by the coronavirus outbreak. The support takes the form of grants and the scheme has an estimated budget of €1.2 billion. The scheme is intended to cover interest up to €800 000 per company on existing debt obligations (fixed-maturity loans, bonds or bank overdrafts) for a period of 3 months, with an option for extension for another 2 months. The scheme will apply to the whole territory of Greece and will be open to SMEs from sectors affected by the coronavirus outbreak.

Hungary

- State aid: Until 01 April, the government allocated HUF 315.4 bn emergency defence expenditure for purchasing additional medical equipment, supply and investments related to the pandemic. If necessary, the government will provide additional resources.
  On 4 April, the authorities announced the creation of two funds, for a total of HUF 2,000 bn (4.3% of GDP):
  1. an Economic Recovery Fund to the restart the economy and support the job market, amounting to HUF 1,345 bn (2.9% of GDP). It will be financed from (reshuffling of) existing budgetary chapters: HUF 922 bn from the ministries, and HUF 423 bn from the employment fund. The Economic Recovery Fund will partly finance stimulus measures.
  2. an Epidemic Prevention Fund, amounting to HUF 663 bn (1.4% of GDP). It will be financed from: (i) budgetary reserves, (ii) extraordinary taxes of HUF 91 bn on taxes levied on multinational companies (HUF 36 bn) and the financial sector (HUF 55 bn), (iii) partial shift of car taxes for HUF 34 bn from municipalities/local governments to the central budget, and (iv) the compulsory repayment of half of the budgetary support to political parties (it will be cut by 50% from April 15 - the full amount for this year is HUF 1.2 bn). According to the authoritis, so far, more than HUF 660 bn has been transferred into the epidemiological fund. This Fund

finances health-related expenditures, such as purchasing medical equipment, building temporary emergency hospitals (a container hospital), etc., of which HUF 380 bn (0.8% of GDP) has already been committed and partly paid. It will also finance the salary increase of medical staff.

The European Commission has approved a HUF 50 000 million (approximately €140 million) Hungarian aid scheme. The public support, which will take the form of direct grants, will be accessible to medium and large enterprises.

Ireland

- State aid: On 9 March, the caretaker government agreed an aid package of €3 billion to deal with the public health and economic impact of the coronavirus. On March 24th, the Government announced a suite of additional measures that will cost approximately €3.7 billion over the coming 12 week period. People affected by coronavirus will receive sick pay of €350 per week (up from the weekly payment of €305 originally announced on 9th March) from their first day of illness under a new initiative announced by the Government. Existing conditions surrounding the sick payments, such as having a specific number of contributions are waived. Payments will also be available to the self-employed. This measure is estimated to cost €2.4bn.
  The Temporary COVID 19 Wage Subsidy Scheme provides 70% of net pay to companies affected by COVID- 19, i.e. those suffering a 25% fall in revenues or able to show an inability to pay wages. Payments are capped at €38,000 gross pay, or €410 per week (net terms). There is no obligation on employers to top up the 70% payment and it is available to employers from all sectors.
  A €200m in liquidity support for struggling firms made available by Enterprise Ireland.

Italy

- State aid: On Monday, April 6, Italy's government has approved a new emergency decree that will offer more than €400 billion worth of liquidity and bank loans to companies adversely affected by the Coronavirus crisis. The decree follows a previous one called "Cura Italia" (Heal Italy), which was aimed at providing support to workers and families, schools and the health system. Specifically, the new measures announced yesterday foresee the allocation of €200 billion ($217 billion) to guarantee liquidity to firms, and another €200 billion ($217 billion) to sustain foreign trade.

A Credit guarantee scheme will be provided by the pillar banks to affected firms. Loans of up to €1 million will be available. State guarantees on credit. The Fund for SMEs, aimed to provide guarantees, has strengthened, with a priority to firms operating in the most affected areas o State guarantee, worth around 3.5 billion EUR or 0.2% of GDP on:

1. up to one third of the total financing received by SMEs (or 1500 EUR per SME) in case of their extension/suspension under specific conditions (e.g. both for bullet-loans and for loans reimbursed in instalments, the payment of the principal or any instalment is suspended until end-September 2020 at the same conditions), as well as (through additional EUR 1.2 billion for "Fondo Centrale di Garanzia PMI") up to 5 million EUR on loans to SMEs in distress for the nine months following the decree;
2. up to 80% on the liquidity granted, via banks and other financial intermediaries, to firms facing a sharp decline in turnover by Italy's national promotional institution CDP (Cassa Depositi e Presititi SpA), also in the form of guarantees o Firms' credits with respect to debtors who do not pay can be transformed in tax credits

Latvia

- State aid: The Commission has approved Latvian subsidised loan scheme and a loan guarantee scheme for companies. Expenditure measures: Healthcare: EUR 20.1m (0.06% of GDP) granted for purchases of protective gear, laboratory equipment, medical supplies, premium for medical personnel. Salary subsidies for employees during down time (75% of prior wage, capped at EUR 700 per month). Cost estimated at EUR 130m; Sick leave payments from the 2nd day of leave are covered by state if related to COVID (first 10 days paid by companies so far). Cost estimated at EUR 34.5m.

Through the financial institution ALTUM, companies will be provided with working capital loans, credit guarantees, and portfolio guarantees (up to EUR 915m). EU Funds will be reallocated from other projects for COVID response (EUR 400m). EIB stand-by loan arrangement for EU funds will be used for COVID response (co- financing of EUR 400m); National airline AirBaltic ceased most of the operations and dismissed 700 employees, while received EUR 150m from the government as increased share capital.

Lithuania

- State aid: The European Commission has approved a €110 million Lithuanian aid scheme to support the Lithuanian economy in the context of the coronavirus outbreak. The support under the Lithuanian scheme will be open to small and medium-sized enterprises (SMEs) and large companies facing difficulties. Unemployment benefits and other social benefits (max EUR 500 million, implementation will be based on actual needs; entered into force on 18 March): contribution to the efforts of employers to safeguard jobs by covering part of the salary to employees for downtime or partial downtime (it is planned that the share of public resources is 70 % or 90 % of the salary, depending on commitments taken to retain jobs for 3 or 6 months after support, however not higher than the minimum monthly salary (MMS) in case of 90% public support or 1,5 MMS in case of 70 % public support (the latter to be approved)); ensure payments of EUR 257 per month for 3 upcoming months for affected self- employed as well as enhance social protection of the artists; ensure payment of sickness benefits to persons taking care of children, elderly people and people with disabilities. Government's borrowing limit is set to be increased by EUR 5 billion (entered into force on 18 March). 50 to 100% offset for SMEs on the amounts of interest actually paid has been foreseen.

Luxembourg

- State aid: The European Commission has approved a €30 million Luxembourg aid scheme to support coronavirus related research and development (R&D) and investments in the production of products relevant to the coronavirus outbreak. The scheme is open to small, medium-sized and large enterprises of all sectors. Aid will be granted in the form of direct grants to enhance and accelerate research and production.

  Expenditure measures:
  - Additional expenditures in the context of health and crisis management, notably for the procurement of medical equipment and infrastructure (up top 150m). Medical teleconsultations to be reimbursed. In order to ease the burden on general practitioners, upstaffing of "maisons médicales" and establishment of four regional centers designated specifically for COVID-19 patients).
  - Wide range of available direct aid schemes to companies remains fully available.
  - New aid scheme introduced to support SMEs in temporary financial difficulties due to exceptional and unpredictable events (such as the current COVID-19 outbreak), providing repayable advances of up to €500 000 (estimated impact: €300m).
  - Companies with less than 10 employees, forced to cease their activities under the "state of crisis", to receive tax-free lump-sum grants of up to €5000 (estimated impact: €50m).

  Set up of a new loan guarantee facility of €2.5bn, with the State providing a guarantee of 85% on credit lines granted by select banks between 18 March and 31 December 2020. Companies with cash flow difficulties can request guarantees from "mutualités de cautionnement". Use of "export guarantees" provided by the Office du Ducroire to support companies to develop their activities on international markets has been extended.

Malta

- State aid: The Maltese government has communicated so far 3 packages to counter negative impacts of COVID-19. The first was announced on 14 March with little specification of the extent of fiscal support. On 18 March the government announced a financial package of EUR 1.81 billion containing mainly guarantees and tax deferrals. On 24 March the government announced a third package of measures, which an estimated fiscal impact of some 2.2% of GDP. The latest package includes:

- Full time employees of enterprises operating in sectors that suffered drastically due to the COVID-19 pandemic or had to temporarily suspend operations on the order of the Superintendent of Public Health will be entitled to up to five days' salary per week based on a monthly wage of EUR 800. This includes all self-employed. Employers agreed to fork out an additional EUR 400 per worker to ensure a monthly salary of EUR 1200. Part- time employees will be eligible up to EUR 500 per month.
- Full time employees of enterprises in other adversely affected sectors, including wholesale, manufacturing and warehousing will be entitled to one day's salary per week, equivalent to EUR 160 per month. Part-time employees will be eligible to one day's salary per week, equivalent to EUR 100 per month.
- Financial assistance towards the healthcare spending to combat COVID-19 is supposedly unlimited. Nevertheless, the Finance Minister mentioned that it could reach EUR 100 million.

Provision of bank guarantees of up to EUR 900 million (7% of GDP). The bank guarantees will be made available to entities in order to open new lines of credits and loans that would give companies additional liquidity (up to €4.5 billion in total). The Malta Development Bank will be giving the necessary guarantees for commercial banks to give loans to the business entities. A 3-month moratorium can be requested from banks in relation to both personal and business loans.

Netherlands

- State aid: The Dutch government have announced a temporary salary compensation programme for employees for reduced businesses up to 90% of salary costs. All private companies are eligible, but have to prove they have a significant reduction in expected business of at least 20%. For self-employed employees (ZZP) and 0-hour based contracts, a minimum 3-month allowance can be claimed. Small business can get a EUR 4,000 allowance directly.
  The Commission approved a €23 million scheme to support the economy under the temporary State Aid framework.
  From 16 March 2020 to 1 April 2021, the SME credit guarantee (BMKB) scheme will be extended to help SMEs that are affected by the coronavirus secure bank guarantees and bridge financing. The budget for guarantees will be extended from 400 million euro to 1.5 billion euro. A specific scheme for farmers is put in place. All tax payments can be postponed by three months.

Poland

- State aid: The European Commission has approved a PLN 3.5 billion (approximately €700 million) Polish aid scheme to support the economy in the context of the coronavirus outbreak. The new scheme will be co-financed by European Union funds under shared management, notably the European Regional Development Fund and the European Social Fund. Under the scheme approved on April 8, the Polish authorities will be able to grant aid to support Polish companies affected by the coronavirus outbreak by providing liquidity support in the form of guarantees on loans and subsidised interest rates for loans. On April 6, the Commission has also approved a guarantee scheme on existing or new loans which will enable the provision of public guarantees amounting to up to PLN 100 billion (€22 billion).

Portugal

- State aid: The European Commission has approved on April 6 two Portuguese State aid schemes to support the Portuguese economy in the context of the coronavirus outbreak, with a total estimated budget of €13 billion, to support companies affected by the coronavirus outbreak under the Temporary Framework, namely:
  1. A direct grant scheme; and

2. A State guarantee scheme for investment and working capital loans granted by commercial banks. The support under both schemes will be accessible to small and medium-sized enterprises (SMEs) and large companies

Credit lines guaranteed by the State and made available through the banking system (€3.000 mn), restaurants (€600 mn, €270 mn for SME), tourism (€200 mn, €75 mn for SME), tourism accommodation (€900 mn, €300 mn for SME), industry (€ 1.300 mn, €400 mn for SME).

Credit line (subsidized) aimed at operators in the fishing and aquiculture sectors (€20 mn).

Increased ceilings for export credit insurance schemes for metallurgic, mould, metal and mechanical industries (+€100 mn), construction abroad (+€100 mn), short-term exports (+€50 mn).

Romania

- State aid: The authorities adopted a benefit of 75% of wage but no more than 75% of the average wage to parents who cannot work remotely and have to stay home with kids younger than 12 years. The government adopted on 18 March and published on 21 March an emergency ordinance (OUG) 29/2020 on supporting local businesses in the context of the crisis caused by the new coronavirus, along with OUG 30/2020 that amends existing regulations to bring them in line with the current conditions. According to the Finance Minister (Facebook post on 19 March), the package of measures presented on 18 March (including technical unemployment and Intervention Fund) represents a budgetary effort of 2% of GDP. The package of measures adopted on 18 March also provide for an Intervention Fund of 10 bn RON to offer guarantees to SMEs for contracting loans for financing investment and working capital. The Ministry of Finance will guarantee 80% of loans for SMEs and 90% of loans for microenterprises. The Ministry of Finance will subsidise 100% of the interest associated with the guaranteed loans. On 19 March the authorities stated that the Fund might be increased by additional 5bn RON, if needed. Rough estimate of fiscal cost (subsidised interest): 250 mln RON.

Slovakia

- State aid: The government negotiates with banks to postpone loan repayments without a negative entry in the debtors register and freeze the repayment of principals and interests for both natural and legal persons. State would forgive the bank levy for this (total revenue from bank levy is ca EUR 800 million, capital transfer). The government will discuss the possibility of drawing part of EU funds to cover the effects of the crisis and stabilize the economy.

  Government will reimburse 80% of employees´ wages in companies, which were closed based on the government´s decision. The subsidy will be capped by EUR 200 ths. for an individual firm and EUR 1100 of gross wage per employee. The support will be provided on condition that employees are not on notice and will not be fired.

  The Prime Minister estimated costs of measures of EUR 1.5 bn a month, expecting a general government deficit of EUR 5-10 bn.

Slovenia

- State aid: The Slovenian parliament approved measures worth about €3 billion, or 6% of GDP, to help companies and individuals overcome the coronavirus epidemic. Under the new measures, the state will pay compensation and obligatory taxation for the national pension and health systems for businessmen and farmers hit by the virus, as well as to those who are temporarily laid off. For temporary lay-offs, the state would cover the entire pay compensation, meaning 80% of the average full-time wage in previous month, and social security contributions. The National Assembly adopted a bill pushing back companies' deadlines for tax from 31 March to 31 May. Companies will be able to ask for a deferral of corporate income tax of up to two years or for paying tax in up to 24 instalments within two years.

  Roughly EUR 600m (1.3% of GDP) will be injected into the economy with revised conditions from existing financial mechanisms available at SID Bank, the state-owned export and development bank. It will also provide EUR 200m for new measures. The Slovenian Enterprise Fund will have EUR 115m available for small and medium-sized companies (EUR 80m of which as guarantees), while the Slovenian Regional Development Fund will offer a scheme under which companies will be able to roll over debt. The

purchase of trade debt from Slovenian businesses will be provided (companies will be able to sell unenforceable claims to a public institution).
Under the loan guarantee scheme, for those who have been temporarily banned from pursuing an activity due to the Government or municipal decree, a state guarantee of 50 percent of the sum of 12 deferred instalments of credit is envisaged. The same applies to borrowers who are natural persons. In all other cases, the guarantee amounts to 25 percent of the sum of the 12 deferred monthly instalments of credit that would mature in the period for which the deferral was agreed. (estimated EUR 200m)

Spain

- State aid: SMEs and self-employed workers can defer tax payments for six months, and benefit from interest rate subsidies (relief of up to EUR 14,000 million estimated). Exemption of Social Security contributions directed to maintain employment in temporary employment adjustment schemes (ERTEs) due to COVID -19. The measures will be applied retroactively from 14 March, when Spain declared a state of emergency, a government source said.

  Spain notified to the Commission a new "umbrella" scheme to support companies affected by the coronavirus outbreak under the Temporary Framework.
  - The Government will open a new line of guarantees via the national development bank (Instituto de Crédito Oficial) of up to EUR 100 billion so that the financial sector provides liquidity to firms and self-employed workers to fund working capital, payment of bills and other needs to maintain operations and protect economic activity and employment. The main features of the first tranche of guarantees amounting to EUR 20 billion are the following: (i) 50% of the tranche will cover loans to SMEs and self-employed workers, and (ii) the guarantee will cover 80% of new loans and loan renewals to SMEs and self-employed workers, whereas for the rest of companies the guarantee will cover 70% of new loans and 60% of loan renewals.
  - The Instituto de Crédito Oficial is allowed to increase its funding by EUR 10 billion to extend its existing lines of credit to companies and self-employed workers.
  - Additional guarantees of up to EUR 2 billion through the Spanish Export Insurance
  - Credit Company (CESCE), for financial institutions to provide new working capital credit to companies.

Sweden

- State aid: The measure on short-term layoffs is to enter into force on 7 April and will be in effect throughout 2020, but be applied from 16 March. Employers' wage costs can be reduced by one half and the government will cover a larger share of the costs. Employees can have reduced working hours and still receive some 90% of their wage. The government assumes sick pay responsibility for April and May.

  The Swedish Export Credit Corporation's credit framework of SEK 200 billion provides both state-supported and commercial credit to Swedish export companies.
  The European Commission has approved a SEK 100 billion (approximately €9.1 billion) Swedish aid scheme to support the economy in the context of the coronavirus outbreak. The scheme aims at limiting the risk associated with issuing loans to those companies that are most severely affected by the economic impact of the current crisis.
  State credit guarantees for Swedish airlines amounting to a maximum of 5 bn SEK.
  Extension of credit and credit guaranties via the Swedish Export Credit Agency's (EKN) to encompass sea shipping; guarantees via the Swedish Export Credit Corporation. All in all, SEK 130 bn.
  A central government loan guarantee to make it easier for companies to access bank financing, targeting primarily SMEs. The guarantee could amount to up to SEK 100 billion. The risk is shared between the government and banks

UK

- State aid: The UK has initiated two state aid schemes to support SMEs that have been approved by the European Commission. The schemes include a GBP 600 million budget (€654 million) direct grants to

support SMEs affected by the coronavirus outbreak. The Chancellor of the Exchequer, Rishi Sunak, introduced unprecedented employment support package.
The Commission approved a £50 billion UK "umbrella" scheme to support the economy under the temporary State Aid framework.

- Macroeconomic issues: The U.K. government will be able to borrow directly from the Bank of England to temporarily fund its operations during the coronavirus pandemic. The British Treasury and the central bank said in a statement they agreed to extend the government's overdraft account, known as the Ways and Means facility. The move aims to make sure the U.K. government is not forced to tap bond or money markets to raise emergency cash during the crisis. The joint statement said use of the facility would be "temporary and short-term," with any drawings repaid as soon as possible by the end of the year.
- Market Issues
  - The Association of British Insurers (ABI) responded to the letter of the Chair of the Treasury Select Committee Mel Stride, in which it addresses a number of issues, such as travel insurance payouts and commitments, home and motor insurance commitments, and business interruption, among others.
  - The FCA published guidance for pension providers and advisors.
  - The Prudential Regulation Authority (PRA) published a statement to outline its approach to regulatory reporting and Pillar 3 disclosures for UK banks, building societies, designated investment firms and credit unions in response to Covid-19 and the EBA's statement on supervisory reporting.
  - The PRA published a statement in which it welcomes the decision by some insurance companies to pause dividend payments in view of Covid-19.
  - The FCA has proposed a range of targeted temporary measures designed as a stop-gap to support users of certain consumer credit products who are facing a financial impact because of the exceptional circumstances.
  - The FCA published a webpage which summarizes some of the queries it received on client assets (CASS) rules compliance related to the disruption caused by Covid-19.
  - The FCA published a webpage setting out its expectations for funds in light of the COVID-19 pandemic.
- Capital Issues
  - HM Treasury and the PRA have published a statement welcoming the announcement made on 27 March by the Group of Central Bank Governors and Heads of Supervision (GHOS), delaying the implementation of the Basel 3.1 standards by one year. It is envisaged that the delay will provide operational capacity for banks and supervisors to respond to the immediate financial stability priorities from the impact of COVID-19.
  - The PRA published a statement outlining that the minimum deferment rate parameter to be used in the Solvency II effective value test (EVT), has been reviewed and updated.
  - The PRA published an occasional consultation paper to propose amendments with regards to liquidity, Solvency II and regulatory reporting, among others, which is open for feedback until 26 June.
  - FCA has issued a statement offering flexibility to regulated firms to ensure they are able to continue operating, and recommends that firms should contact their FCA supervisor if concerned they will not be able to meet their capital requirements or pay their debts when due.

Corona response team

The Commission has established a dedicated webpage with relevant information and links as well as a Coronavirus Response Team of five Commissioners taking a cross-sectoral approach to limit the impacts of the virus. The members are:

- Ursula von der Leyen, President
  ec-president-vdl@ec.europa.eu
- Margrethe Vestager, Executive Vice-President, in charge of a Europe fit for the digital age
  margrethe-vestager-contact@ec.europa.eu
- Valdis Dombrovskis, Executive Vice-President, in charge of an economy that works for people
  cab-dombrovskis-contact@ec.europa.eu
- Thierry Breton, in charge of the internal market
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- Janez Lenarčič, in charge of crisis management
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- Stella Kyriakides, in charge of all health issues
  cab-kyriakides-contact@ec.europa.eu
- Ylva Johansson, in charge of border-related issues
  cab-johansson-contact@ec.europa.eu
- Adina Vălean, in charge of mobility
  cab-valean-contact@ec.europa.eu
- Paolo Gentiloni, in charge of macroeconomic aspects
  cab-gentiloni-contact@ec.europa.eu

Useful links/resources

- European Commission Coronavirus Response Team
- European Centre for Disease Prevention and Control
- Center for Disease Control and Prevention
- World Health Organisation Corona Virus disease outbreak