

Update from EACT re COVID-19 & Update on Political Responses - 4 June

EACT Covid-19 section [here](#).

KEY HIGHLIGHTS

- The ECB has increased the size of the Pandemic Emergency Purchase Programme (PEPP) by €600 billion to reach a total of €1,350 billion and to extend the horizon for net purchases under this program to the end of June 2021.

POLITICAL RESPONSES

European Commission

- **The European Commission [announced](#) 2235 new partnerships for scaling up innovative projects to tackle COVID-19 challenges.** Building on the success of the previous EUvsVirus Pan-European Hackathon, the Commission hosted a Matchathon from 21 to 28 May under the patronage of Commissioner Gabriel and the European Innovation Council. It brought together the 120 [winning solutions](#) from the Hackathon with over 458 partners including investors, corporates, public authorities, academia and research institutions from 40 countries.
- **On Thursday (04/6), the European Commission [announced](#) it will provide €300 million in funding to Gavi, the Vaccine Alliance, for the period 2021–2025.** The pledge has been made under the assumption that the EU's new Multiannual Financial Framework and in particular the Neighbourhood, Development and International Cooperation Instrument (NDICI), where the funds pledged for Gavi, the Vaccine Alliance, would come from, are adopted broadly along the lines proposed by the European Commission. On 2 June, the Commission proposed to increase NDICI funding for 2021-2027 to €86 billion in 2018 prices (€96.4 billion in current prices), including €10.5 billion from the new 'Next Generation EU'.
- The European Commission has approved (04/6) Irish ([here](#) and [here](#)) and [Czech](#) schemes under the State aid Temporary Framework in order to tackle the consequences of the COVID-19 crisis. The measures mainly include direct grants and repayable advances.
- The European Commission has put forward a [proposal](#) to amend the current EU budget and make available an additional €11.5 billion for crisis repair and recovery in order to support businesses and the regions most affected by the COVID-19 crisis.
- The Eurostat statistics office has released its unemployment [numbers](#) for April, indicating that unemployment rose to 6.6 percent across the EU and to 7.3 percent in the 19 euro countries.

European Council

- The EU-China Summit planned for September will be [postponed](#) due to the COVID-19 pandemic according to German officials. The summit was an initiative led by the upcoming German presidency and aimed at concluding an investment protection agreement between China and the EU. Officials from both sides have agreed to find an alternative date for the meeting.
- Following Wednesday (03/6) evening's G7 Finance Minister call, Mario Centeno, President of the Eurogroup, [highlighted](#) that the EU will use its recovery plan to build upon its green and digital priorities and underlined the need to support to strategic value chains.

European Parliament

- Sven Giegold (DE), ECON coordinator for the Greens, has [called](#) (03/6) the largest EU Member States to address both the COVID-19 crisis and the climate crisis at the same time,

so the climate issue is not left behind. He also [called](#) for more action on climate change from the ECB.

UPDATES FROM EU AGENCIES AND INTERNATIONAL ORGANISATIONS

European Central Bank (ECB)

- The Governing Council of the ECB [has decided](#) (04/6) to increase the Pandemic Emergency Purchase Programme (PEPP) by €600 billion to reach a total of €1,350 billion and to extend the horizon for net purchases under this program to the end of June 2021. The Asset Purchase Programme (APP) will continue as planned. The interest rate on the main refinancing operations, on the marginal lending facility and on the deposit facility will remain unchanged.

European Centre for Disease Prevention and Control

- The ECDC published a [report](#) on the implementation of after-action reviews (AARs) and in-action reviews (IARs) focused on the public health response to COVID-19. Given that the COVID-19 pandemic is not expected to end for at least several more months, there is a need to assess what has happened so far, to identify strategic priorities, and to exchange lessons learned. This report will help to optimise the response to the next phases of the COVID-19 pandemic, by providing an evidence-based approach to identifying and implementing new actions based on the lessons learned thus far.

European Data Protection Board (EDPB)

- The EDPB adopted a [statement](#) on data subject rights in connection to the state of emergency in Member States. The Board indicated that even in exceptional times, the protection of personal data must be upheld in all emergency measure to support values of democracy, rule of law and fundamental rights on which the EU is founded.

G7

- On Wednesday (03/6) evening, G7 Finance Ministers participated in a call in which they [discussed](#) further coordinated actions to tackle the consequences of the COVID-19 crisis. Following the meeting, they released a [joint statement](#) in which they highlighted the importance of debt sustainability and transparency to long-term financing for development, especially for low-income countries. In addition, G7 Finance Ministers endorsed the G20 Operational Guidelines for Sustainable Financing and called on all creditors to take lending decisions consistent with the borrower's debt sustainability.

KEY MEMBER STATE UPDATES

Belgium

- On Wednesday (03/6), the Belgian National Security Council [gave its approval](#) to the launch of the third phase of the government's exit strategy.
 - From 8 June, hotels, cafes, bars and restaurants will be allowed to reopen under strict sanitary conditions. Cultural activities will resume without a public audience and mass gatherings of up to 20 people will be authorized. Indoor and outdoor sports activities that do not require physical contact will be permitted and gyms and fitness centers will reopen provided they comply with hygiene guidelines. Religious ceremonies and domestic tourism will resume.
 - From 15 June, Belgium will reopen its borders to EU countries and the United Kingdom.
 - From 1 July, cinemas will reopen and cultural activities will resume with a public audience. Events of up to 200 people will be permitted again. Sports activities that

require a contact could resume and swimming pools might reopen, provided the epidemiological conditions allow.

- The Phases 4 and 5 of the exit strategy will be launched in July and August, should the epidemiological conditions be favorable.

Croatia

- Finance Minister Zdravko Maric, [announced](#) (03/6) that tax revenue has fallen by 50% in May, in comparison to May 2019, namely due to decreases in economic activity in the tourism and hospitality sectors. He also announced that on Thursday (04/6), the government would present further steps regarding the functioning of the labour market.

Czech Republic

- As of Thursday (04/6), travel restrictions between Slovakia and Czech Republic will be [lifted](#).

Denmark

- The Central Bank of Denmark, Danmarks Nationalbank, made several announcements (04/6):
- The Bank has [assessed](#) the liquidity reserves of Danish companies in light of Covid-19, concluding that the median firm has internal liquidity reserves to cover approximately one month of fixed costs, while one third have virtually no reserves. The Bank also states that sectors impacted by social distance measures tend to be worse and state the importance of companies having access to liquidity.
- The Bank has [reviewed](#) past worker flows in Covid-19 to assess past flows of workers between firms and transport, entertainment and food and accommodation sector to make conjectures about the human capital of workers across sectors, concluding that workers from the Transportation sector may take longer and reduce aggregate productivity to a larger extent than other sectors.
- The Bank [concluded](#) (in Danish) that during Q1 in 2020 the insurance and pension sector lost DKK 258 billion (approx. € 34,5 billion) on their investments equivalent of 6% loss.
- Finally, the Bank [announced](#) in Danish (03/6) that the foreign exchange reserve increased by DKK 4.9 billion (approx. €657 million) in May 2020.
- The Danish Financial Supervisory Authority (FSA) has [conducted](#) (03/6) a so-called ‘theme-inspection’ assessing the calculation method of own funds in all Danish systemically important institutions to assess whether they comply with CRR.
- The Government [announced](#) (03/6) it will establish an expert group to assess additional support for the travel industry, the expert group is expected to give recommendations next week.

Estonia

- The Central Bank of Estonia [announced](#) (04/6) that following lower card payments in March and April compared to previous years, the figures of the first half of May showed recovery.
- The Government [announced](#) (03/6) that there was high interest in its ten-year bond issuances, with 280 international investors requesting to subscribe for €7.7 billion.
- The Estonian Financial Supervisory Authority (FSA) [announced](#) (03/6) that the number of applications for payment holidays to banks were declining, amounting to 5.2% of the loan portfolios for individuals while the number was 21% for companies.

France

- On Wednesday (03/6), President Emmanuel Macron [asked](#) to the Presidents of the French National Assembly, Senate and Economic, Social and Environmental Council to submit proposals for the post-Coronavirus recovery period.
- Finance Minister Bruno Le Maire has [announced](#) (03/6) that the government is currently working a plan to support the aircraft manufacturing industry, including three priorities: employment, innovation and decarbonisation.
- The anti-money laundering intelligence service Tracfin has [published](#) (03/6) an analysis of the main fraud and money-laundering risks related to COVID-19, in order to help obliged entities strengthen their vigilance.

Germany

- The German governing coalition [has agreed](#) (04/6) on a €130 billion stimulus package for the recovery of the economy. It includes a reduction of the VAT rate from 19 to 16% from 01/7 to 31/12, a €300 bonus per child for parents, helping municipalities (higher federal financing of social accommodations, compensation of the local business tax losses and investments in transport and health), grants to reduce the electricity costs and €50 billion investments in future technologies (hydrogen, quantum technologies, AI). The government also [announced](#) (04/6) adding a billion euros to its cultural program Neustart Kultur, aiming to enable cultural institutions to reopen, promote digital offers and fund new projects.
- German banking sector stakeholders [have welcomed](#) (04/6) the stimulus package, especially praising the lowering of the VAT rate which should help all sectors. The auto industry however has expressed some disappointment as it was hoping for a purchase premium for low-emission petrol/diesel powered vehicles.

Italy

- The Italian Central Bank has released [guidance](#) (04/6) for non-systemic lending institutions, clarifying the application of Minimum Requirement for own funds and Eligible Liabilities (MREL) rules. The Central Bank specified that those banks that do not meet MREL levels after applying Capital Conservation Buffer (CCB) requirements can benefit from a transition period to meet regulatory needs.

Poland

- On Thursday (04/6), Prime Minister Mateusz Morawiecki [asked](#) the Polish Parliament for a vote of confidence in government, a move which is considered as an attempt to bolster the ruling Law and Justice party (PiS) ahead of a presidential election.

Spain

- On Wednesday (03/6), the Spanish Parliament [approved](#) a sixth two-week extension of the country's state of emergency until 21 June.
- The Bank of Spain [has published](#) (04/6) a briefing note on the application of moratoria by the banking sector in light of the COVID-19 crisis.

Sweden

- The Swedish government [amended](#) its temporary ban on entry into Sweden to allow for seasonal workers in the agricultural sector.
- The Swedish Financial Supervisory Authority (FSA) [announced](#) (04/6) that it has made additional changes on reporting for credit institutions and securities companies.
- The FSA also [published](#) (04/6) report on the stability of the financial system, stating that a lower appetite for risks and concerns for companies' creditworthiness has meant that market liquidity for corporate bonds have deteriorated. The FSA also [announced](#) (04/6) that

measures taken internationally by governments and central banks have also helped to curb the turmoil in financial markets.

- The FSA [decided](#) (03/6) not to change the value of the countercyclical buffer which has been set to 0% since 16 March.

UK

- The Government has [announced](#) (04/6) that it will provide guarantees of up to £10 billion to Trade Credit Insurance schemes for B2B transactions, to help protect businesses from customer defaults and payment delays.
- Sam Woods, Deputy Governor of the BoE for Prudential Regulation and CEO of the Prudential Regulation Authority (PRA) has [written](#) (04/6) a letter to CEOs of UK banks and building societies setting out further guidance on treatment of COVID-19-related payment deferrals under IFRS 9 and CRR.
- John Cunliffe, Deputy Governor for Financial Stability at the Bank of England (BoE), has [written](#) (04/6) a letter to Financial Market Infrastructures (FMIs) on profit distribution in response to COVID-19. He outlined that FMIs are expected to pay attention to additional risks and operational demands arising from COVID-19 and notify the BoE in advance of distribution to shareholders.
- Andrew Hauser, Executive Director of Markets at the Bank of England, [delivered](#) a speech (04/6), outlining a summary of steps taken by the Bank of England (BoE) to mitigate COVID-19 liquidity shortages and maintain financial stability. He noted that the Financial Policy Committee (FPC) in future plans to assess why intermediaries faced difficulty during the crisis, review the role and stability risks of non-banks in financial markets, assess how to address stability risks from money market runs and ensure a timely transition from LIBOR.
- The Bank of England (BoE) has [published](#) (04/6) its Monthly Decision Maker Panel survey for May, highlighting that firms expect Q2 sales to be 42% lower than expected otherwise while that business uncertainty related to COVID-19 has fallen since April into May.

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