European Association of Public Banks
European Association of Public Banks and Funding Agencies AISBL

COMP-COVID@ec.europa.eu

18 March 2020

EAPB comments on the proposal for a Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak

The European Association of Public Banks (EAPB) very much welcomes the Commission proposal to facilitate State aid regulation in the context of the COVID 19 crisis. However, we note that the Temporary Framework requires the development of new support programmes, which would have to be notified (see points. 18, 32, 35 and following of the regulation proposal). In our view, this will cost too much time, which we do not have. Companies today require help quickly and unbureaucratically. Setting up new programmes would mean product development, development of model loan agreements, adaptation of processes and IT etc.), which would lose precious time.

All this has to be done in times of home office, special leave etc. Our members urgently need simplifications in existing support programmes and established processes in terms of State aid law. In addition, the guarantee and loan limits proposed by the Commission could prove to be too low for the final borrowers, as the final borrowers cannot reliably estimate their requirements at this point in time.

Against this background, we specifically advocate a temporary increase in the maximum amount of the de minimis limit to EUR 1 million, as European promotional banks have established processes in this area and could implement this very quickly. The aim must be to be able to grant interest-free loans at very short notice and quickly, especially to SMEs. If it is not possible to increase the de minimis ceiling, at least the crisis de minimis should be left out of the cumulation with other de minimis aids.

In the area of syndicated financing, the definition of pari passu transactions free of aid should -for the duration of the corona virus crisis – include situations where the share of promotional banks is above 50%, e.g. if a house bank finances 20%, development bank could cover 80% (with otherwise the same conditions):

Moreover, a company in difficulty should be deemed as such when it meets the EU criteria on 31.12.2019. Companies that get into economic difficulties in 2020 should not be considered as such and their problems due to the corona virus crisis.

Furthermore, it would be desirable to clarify that the private investor test can generally be confirmed, or at least in the current crisis situation, even with a liability ratio of 80% (promotional bank) to 20% (house bank) and thus clarify that no aid is involved.

Due to the special features of the house bank system/procedure with which our members work, it is of central importance for ensuring that the commercial intermediary banks (“Hausbanken”) are prepared to pass on promotional loans that the admissibility of 100% risk reduction for the intermediaries in the case of passed on / through promotional loans is created. To calculate the State aid value, we propose a pragmatic flat-rate procedure in which a flat rate of 20% of the loan amount is to be taken as the State aid value. This corresponds roughly to the values of the PwC aid calculator notified by the Commission, which, however, only allows a maximum guarantee rate of 90%.

In addition, we ask the Commission to consider the delay of payments (interest and repayment) by promotional banks in favor of final beneficiaries for the limited time of the COVID-19-crisis as State aid compatible with the internal market on the basis of article 107 (3) (b) TFEU.

Avenue de la Joyeuse Entrée 1-5, B–1040 Brussels
phone: +32 / 2 / 286 90 71 • fax: +32 / 2 / 231 03 47 • e-mail: info@eapb.eu • website: www.eapb.eu

If these adjustments should not be possible, we propose the following changes to the Temporary Framework:

- Point 3.1: The provisions should not only be applicable to direct grants and tax relief. The above ceiling should be considered as gross grant equivalent, regardless of the aid instrument.
- Annex 1 of the draft should be able to be used as a new reference interest rate system for calculating the gross grant equivalent for soft loans and not only for schemes under point 3.3.
- The schemes are limited in time until 30 September 2020. In our opinion, this is very short. We plead for the extension of the time limit until 30.06.2021.
- The reporting requirements of 6 months after granting for all instructors are counterproductive, especially at a time when quick help is required and the workload will be very high. A cumulative report on the aid granted following the regulation - e.g. as of 31.12.2021 - would be more useful
- Point 20 a): The EUR amount should be doubled to EUR 1 million. The same doubling should also be done for aid in the agricultural sector and the fisheries and aquaculture sector
- Point 20 b): This paragraph should be deleted as it is not possible to define an overall necessary budget at this stage
- Point 20 c): This paragraph should refer to undertakings that entered in difficulty thereafter during the COVID-19 outbreak and not “as a result of the COVID-19outbreak” as companies should not bear the burden of proof.
- Point 21 c) Reference should not be made to the Agricultural Exemption Regulation (Regulation (EU) No. 717/2014) but, in analogy to the "old" Temporary Framework, to the Agricultural De minimis Regulation (Regulation (EU) No. 2019/316).
- Point 23 e): The duration of the guarantees should be extended from two to five years. The guaranteed part of the loan should be increased from 90% to 95%.
- Point 25 b): The paragraph should be deleted
- Point 25 d): The term for loans was to be extended from two to five years.
- Point 25 f) eligible costs, i.e. the amount of loan should cover actual and potential losses, wages, operating expenses, financial costs i.e. total liquidity gap. We agree that the beneficiaries should justify their liquidity needs.
- Point 30 a): The guaranteed part of the loan should be increased from 90% to 95%.
- Point 30 b): The guaranteed part of the financial obligation should be increased from 35% to 70%.

The European Association of Public Banks (EAPB) *gathers over 30 member organisations which include promotional banks such as national or regional public development banks and local funding agencies, public financial institutions, associations of public banks and banks with similar interests from 17 EU Member States and countries, representing directly and indirectly the interests of over 90 financial institutions towards the EU and other European stakeholders.*