27 March 2020

Subject: **CRISIS 2020 – UPDATE 2**

Impact on pension funds of current financial markets turmoil and challenges to Europe and global economy

Action required:
For information

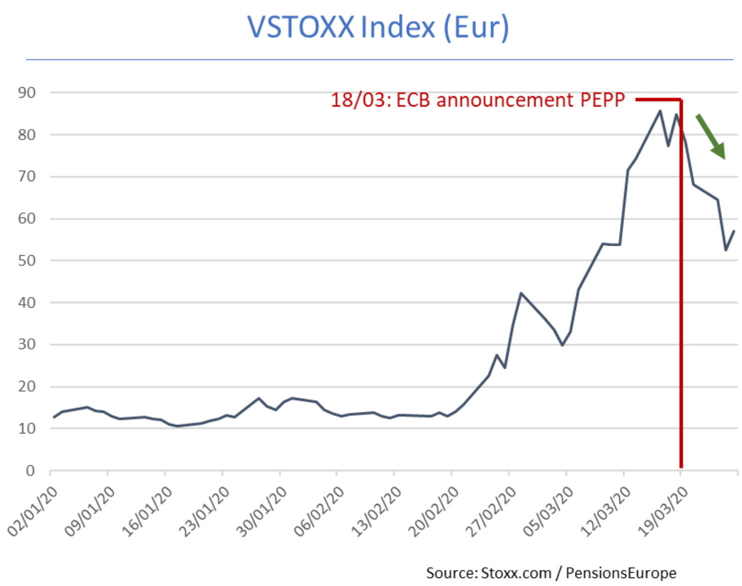
We will closely follow the on-going economic and financial market crisis and its impact on issues relevant for funded pensions and our members. We will provide similar weekly updates and provide additional information if necessary. This CRISIS 2020 UPDATE includes information of developments this far and of some of the measures that have already been taken including a summary of the questionnaire to PensionsEurope's members.

Content table:

1. Market developments

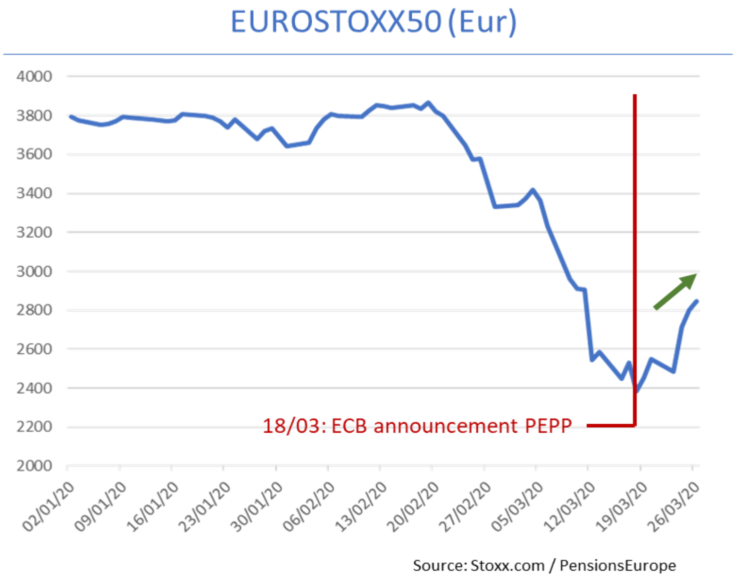
Fear surrounding the impact of COVID-19 on the global economy has hurt investor sentiment and brought down stock prices in major markets. Indicators of financial market uncertainty have reached extreme levels.

Market volatility has drastically increased in the European markets from around February 20th (see graph below) when the pandemic started to spread all over Europe, reaching its peak around March 18th. On 18 March 2020, the European Central Bank announced its €750 billion Pandemic Emergency Purchase Programme (PEPP)[1], a new massive asset purchase program of private and public sector securities. After this announcement, volatility decreased but remains at a high level on March 25th.



The Eurostoxx 50 dropped by 37,2% from February 21st to March 18th, reaching its lowest level before the ECB announcement on the adoption of the PEPP program (see graph below). The stock markets slightly recovered from that moment which demonstrates that the various measures adopted by EU authorities and national governments to provide stimulus to the economy had a positive impact even if markets are still in a severe distress. The announcement of the U.S. stimulus deal on March 25th, billed as a $2 trillion package helped to reinforce the slight recovery of market confidence worldwide even if positive signs on the virus itself and on the capacities of the health systems to face the pandemic are still needed to provide a real boost.

[1] See PensionsEurope's Membership note 5.



As for Eurozone government bonds, the yields were already at very low levels before the pandemic, but government bond yields reached all-time lows. The recent and current context of weak inflation, structural long-term demand for government debt and expectations for European Central Bank rates to stay below 0% for a longer period explains that the trend of low yields on sovereign bonds is expected to continue. Liquidity has also worsened in the bonds and interest rate swap markets, with higher transaction costs and declining interest rates.

Monetary policy and interest rates. Although it was initially expected that the European Central Bank would review its deposit rate downwards[2], it finally maintained its main reference rate at -0.5%. It is expected that the low interest rate environment will now be prolonged, and that the ECB may even reduce its deposit rate in the future. In turn, both the Federal Reserve and the Bank of England already cut rates as ways to support their respective economies[3]. Additional economic measures adopted at EU and MS levels to provide stimulus to their economy are described in section 3.

Measures aimed at controlling volatility. The practice of short selling is often blamed for exacerbating volatility during times of stress. With the purpose to contain the volatility of the financial market, ESMA has decided to lower the threshold that triggers the obligation to notify a short-sell position from 0,2% to 0,1% for a period of 3 months. In several EU countries, market authorities go even further and adopted a temporary prohibition on short selling (Belgium, Italy, France and Spain)[4].

[2] Financial Times, "The ECB prepares to act as virus crisis escalates", 12 March 2020.
[3] The benchmark U.S. interest rate is now in a range of 0% to 0,25%, down from a range of 1% to 1,25%. In the U.K., the reference rates have been cut progressively from 0,75% to 0,25% and then from 0,25% to 0,1%.
[4] See PensionsEurope's Membership note 5.

2. Impacts on IORPs

PensionsEurope is currently mapping the situation and problems IORPs and other pension funds have experienced and expect and measures that can take place and what could be helpful. For that purpose, PensionsEurope sent a questionnaire to its full and observer members on 17 March 2020 and we asked for answers by 23 March. Some of our members have been able to provide us information during this week (Austria, Belgium, Bulgaria, France, Italy and the Netherlands) and we hope to get more in the future. After some initial discussions and exchanges of views, the following preliminary conclusions have been drawn.

a. The stressed financial markets pose major problems as the value of assets decreases drastically and lower interest rates increase the value of liabilities further. In all the countries which responded to PensionsEurope questionnaire **the funding levels of pension funds have dropped as a result of the current turmoil in financial markets**.

In the **Netherlands**, the funding levels of IORPs have significantly declined, for some funds even lower than the 90% minimum requirement. It is important to note that in 2019, the Minister of Social Affairs already extended the recovery periods and relaxed the intervention levels to 90%. When funding ratios decline to a low level, realising the recovery plan may become challenging and benefit cuts would have to be implemented. Next year is an election year in the Netherlands and political parties are expected to be reluctant to substantially cut pension benefits. The Dutch Pension Law provides the Minister with the possibility to intervene during special economic situations and modify the capital requirements applied to Dutch IORPs. Measures that allow a temporary waiving of contributions are being considered and sponsor companies in difficulties of payment will probably benefit from a repayment plan. The adoption of further measures that would allow completely waiving the payment of contributions is not an option due to the mandatory nature of the Dutch pension system. There is therefore a risk that sponsor companies could default on their postponed payment obligations which would add to the challenges already faced by Dutch IORPs. Discussions are underway to explore the possibility that missed contributions are paid by the Government to mitigate the potential drop in IORPs' funding levels.

Even while **Belgian** IORPs have been affected by the market distress, their funding position seems to be adequate for the moment. Belgian IORPs are closely monitoring their asset portfolios with their asset managers as well as their short-term and long-term funding levels to ensure adequate coverage of technical provisions. Safety buffers have significantly declined, which in case that the financial markets do not recover in the forthcoming months would bring Belgian IORPs closer to a possible trigger of recovery plans and sponsors would therefore have to cover any deficit. Due to the current market conditions, it is important to ensure that recovery periods are long enough. It must also be ensured that sponsors' contributions paid during the period of technical unemployment due to the crisis will benefit from the same favourable tax treatment. For DC plans, the introduction of flexibility on contributions would not be considered as a good practice, unless the pension plan and the pension rights would be modified.

Both in Belgium and in the Netherlands, recovery actions are triggered only after the closing of the annual accounts when the minimum requirements are breached. In this sense, Belgian and Dutch IORPs still benefit from some leeway.

In Belgium, the legislation requires that pensioners can receive their pension as a lumpsum at the moment of retirement, which might exacerbate the impact of the current crisis. Finally, a minimum rate of return must be guaranteed - currently 1,75% - which may become challenging under the current context of market distress with negative rates.

Most DB plans in **Austria** are closed for new entrants and the impact of additional funding contributions could have severe impact on the balance sheet of companies. Liquidity issues could be solved within existing legislation, which foresees the introduction of flexibility measures on contributions in case that sponsors are in distress. In general, pension funds have to be fully funded (min. 100%) but in special circumstances, underfunding can be tolerated if a plan to overcome the underfunding status is agreed with the national supervisory authority.

In **Ireland**, the combination of increased liabilities, declined assets and weaker employers may be challenging and compromise the interests of beneficiaries. Irish pension funds are not required to sell distressed asset under national rules. Another challenge relates to the absence of a protection fund to support the funds when the employer goes bust.

Italian pension funds are DC funds and do not present any solvency concern even if returns have declined as a result of the shock in the financial markets.

In **Bulgaria**, pension funds which are DC schemes do not face any solvency concerns, but several challenges arise, mainly:

- An increase of withdrawals from voluntary pension plans is already observed
- Contributions have declined for supplementary statutory funds (first-pillar bis) due to expectations of higher unemployment
- A delay in the adoption of the new legislation on the pay-out phase from supplementary statutory funds has already been observed.

Under the national framework, sponsors and individual members of supplementary statutory funds are required to make contributions as part of the 1st pillar contribution payment. Therefore, any questions related to contributions would be addressed by the Governmental with the support of the employee and employers’ associations.

b. **Most pension funds in all the countries which responded to PensionsEurope questionnaire follow their investment policies - which have not been adjusted so far** - and may rebalance their portfolio based on some thresholds and triggers foreseen in their policies. Some pension funds will postpone the rebalancing due to the high volatility and the lack of liquidity in the markets.

Belgian IORPs take their investment decisions based on the statement of investment principles (SIP). Most of the IORPs have no liquidity concerns with positive net cash flow according to their forecasts. In normal circumstances, changing the SIP requires a prior consultation process in the works council, which may not be fit for purpose for this situation and does not allow a prompt reaction in the current context of market distress. Some flexibility should be provided in order to make sure that the SIPs can be adjusted in a timely manner under the current circumstances.

In **Italy**, some pension funds provided reassuring messages to their members and highlighted that their asset managers have adequate flexibility and skills to manage the situation. Current losses would be converted in gains when the markets will start to recover. No concern arises from liquidity risk since contributions largely exceed payments. The only concern for the moment relates to a potential rise in the requests for early withdrawal.

In the **Netherlands**, IORPs are not subject to any obligation to sell distress assets under the Pension Law or as a result of supervisory actions even if some IORPs may decide to de-risk in the future but on their own initiative. Dutch IORPs rebalance their assets according to their stated investment policies, which could mean selling bonds and buying equity although this may remain challenging under current market conditions with scarce liquidity and high transaction costs.

In **Austria**, investment strategies differ from one pension fund to another. Pension funds follow their investment policies and may rebalance their portfolio based on some thresholds and triggers foreseen in their policies. Some pension funds will postpone the rebalancing due to the high volatility and the lack of liquidity in the markets.

Bulgarian pension funds keep their long-term investment policies unchanged but might rebalance their assets with no restriction under national rules, considering the last developments in the stock and bond markets.

c. In several countries, authorities will offer operational relief to pension funds in reaction to the crisis

In **Italy**, the supervisor may provide some flexibility regarding the organisation of the board meetings which can now be held via conference call. In addition, the General Assembly Meetings for balance sheet and P&L approval may be postponed to June 2020 and the provision of the Pension Benefit Statement may be postponed from March 31st to May 31st. The deadline to respond to an ongoing consultation on disclosure has also been delayed.

In **Austria**, the supervisory Board meetings can be held by telephone conferences instead of physical meetings.

In the **Netherlands**, the pensions regulator indicated it will temporarily relax the supervisory burden on pension funds, e.g. in terms of governance requirements. The Dutch regulator will also assess individual requests by pension funds for deferring recovery plans, which have to be submitted this month. In this sense and with the purpose to provide similar flexibility than for insurers[5], Dutch National Bank already announced that an additional 3 months for reporting of all annual statements (until 30 September 2020) will be provided to IORPs.

In Ireland, a discussion is underway with the national regulator to provide operational relief (particularly on the administrative side) to Irish pension funds and allow them focus on key issues.

In Bulgaria, the deadline for FSC reporting has been postponed. Some discussions are also underway to explore the possibility to delay some administrative obligations and tax payments. Most importantly, some measure are being considered with the purpose to encourage employers to preserve their staff and share the consequent costs with the State.

d. Additional information (countries currently not covered by PensionsEurope questionnaire) based on various sources

In the **UK**, the financial impact of the turmoil in the financial markets would have contributed to the rise of UK DB pension scheme deficits by around €110bn in the last week of February, taking solvency deficits to around £500bn. The drop in yields and returns on investments as well as recent movements in interest rates have pushed investment managers to ask UK pension scheme clients for additional collateral.

In **Norway**, KLP – the main municipal pensions provider - has announced it is reversing its board decision adopted earlier this year to effectively give its 2019 investment profits (€1.5bn) back to its clients, such as recommended by new regulatory guidance in the light of the crisis. KLP will instead use investment profits to strengthen its reserves.

In **Portugal**, most pension funds have a relatively low allocation to equities compared with other countries, and the average duration of corporate bond portfolios is relatively low. For these reasons, Portuguese pension funds are not affected as negatively by the severe falls experienced across all asset classes (Willis Towers Watson, WTW).

The **Icelandic** Pension Funds Association has published a national declaration for pension funds, in which it exhorted funds to limit their foreign exchange purchases over the next three months. Although the large current account surplus in recent years has given pension funds scope to invest abroad and achieve risk diversification in their portfolio, pension funds must show a high level of social responsibility and contribute to supporting Icelandic society, promoting stability when times of distress. The Association encourages all of the country's pension funds to limit foreign exchange purchases over the next three months.

Some national supervisors are considering the adoption of specific measures to closely monitor the solvency situation of pension funds and/or to alleviate their solvency requirements.

[5] See section 3

The **Swedish** pension sector raises concern on the combination of shrinking asset values and falling long-term rates (Jan Ahlström, CEO PRI Pensionsgaranti), even if In the near term, there are still capacities to cope with the situation. The solvency of Swedish pension funds has been on a high level. Several Swedish pension funds adopted measures to endorse the commitment made by World Bank at the beginning of March to allocate up to $12bn to support both countries and the private sector. Three of Sweden's pensions and insurance groups, Alecta, Folksam and Länsförsäkringar, announced they have invested SEK2bn (€181m), SEK700m and SEK300m respectively into social bonds issued to support companies hit by the COVID-19 crisis.

The Danish FSA (Finanstilsynet) is asking Danish pension funds to report solvency coverage on a weekly basis together with a simplified stress test. The FSA requires pension funds to report on market-rate pension plans, and the effect the downturn in the markets would have on customers saving with these products.

According to the **Finnish** Pension Alliance, strong solvency ratios of private sector pension insurers in Finland will make it easier to absorb the effects of the crisis. At the end of 2019, the average solvency ratio of private sector pension insurers was 128,3% and the solvency ratio of occupational pension companies was 127,7%, according to Finnish Financial Supervisory Authority figures (FIN-FSA). The FIN-FSA recognized that despite the strong solvency position of Finish Pension Funds, there could be a "rapid and significant decline" in average solvency. In this case, they will have to consider legislative or other measures. Finnish state of emergency legislation that has for the first time ever been taken in to use enable to change the solvency requirements of pension insurance companies.

3. Financial market measures

The Financial Stability Board (FSB) encourages authorities and financial institutions to make use of the flexibility within existing international standards to provide continued access to funding for market participants and for businesses and households facing temporary difficulties from COVID-19, and to ensure that capital and liquidity resources in the financial system are available where they are needed. Many members of the FSB have already taken action to release available capital and liquidity buffers, in addition to actions to support market functioning and accommodate business continuity plans. FSB members, including the international standard setting bodies, are cooperating closely. They will continue to coordinate action, including financial policy responses in their jurisdictions, to maintain global financial stability, keep markets open and functioning, and preserve the financial system's capacity to finance growth.

a. Banking Sector

Companies remain heavily reliant on banks for funding purposes in the European Union and already face a severe shock both on the demand and the supply sides. Disruptions to supply chains and weaker activity could challenge cash flows and increase the demand for short-term credit from households and companies. Such issues are likely to be most acute for smaller businesses and will probably increase loan losses on banks' credit portfolios. Banks need to be in a position to continue financing households and corporates experiencing temporary difficulties and have already implemented measures to ensure business continuity and adequate service to their customers, but they are facing operational challenges, hence the need to focus on their core operations and critical functions. Banks also play an essential role in channelling the effects of the recently adopted monetary policies by the ECB to the real economy. For all these reasons, European and national competent authorities have already adopted several measures to allow European banks to prioritize operational continuity and ensure that they can fulfil their role in funding the real economy. The European prudential framework already ensures that banks build up adequate capital and liquidity buffers which are designed to be used in order to absorb losses and ensure continued lending to the economy during a downturn.

Main measures adopted in the first weeks of the crisis[6]:

- Banks under the direct supervision of the Single Supervisory Mechanism (SSM, ECB supervisor) are temporarily allowed to operate below the level of capital and liquidity required in normal circumstances. The relaxation of some capital buffer requirements in times of crisis such as foreseen in the prudential rules releases capital and increases banks' lending capacities.
- Many national supervisors adopt similar actions and relax the capital requirements applied to their supervised banks (Netherlands, Belgium, Germany and France)
- Postponement of several supervisory actions by the EBA (2021 stress test exercise).

Recently adopted measures in the European Union and in several Member States

- **Introduction of moratoria of payments obligations for borrowers affected by COVID-19**

European authorities and national governments proposed and already adopted new measures to address the adverse systemic economic impact of the coronavirus in the form of general moratoria of payment obligations. It is the case in Ireland where the Central Bank announced that there is no impediment to the banks introducing a 3-month payment break for those borrowers affected by the pandemic. In this sense, Irish banks and other financial institutions will introduce a three-month payment moratorium on mortgages, and personal and business loans for some business and personal customers affected by COVID-19. The European Banking Authorities clarified that generalised payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeness to pay which has important implications for banks from both prudential and accounting perspectives. Individual assessments of the likeliness to

[6] See PensionsEurope's Membership note 5.

pay should be prioritised. However, it is still crucial that the classification of expo ,k sures accurately and timely reflects any deterioration of asset quality.

- **Several countries completely released their countercyclical capital buffer to free up additional capital**

In addition to apply the measures adopted by the SSM to those banks that are still supervised at national level, the National Bank of Belgium also announced that the countercyclical capital buffer will be released in full. The aim of this buffer is to help counter pro-cyclicality in the banking sector to build up capital in times of economic growth (which also mitigates the risk of credit bubbles) and free up capital in times of stress. The measure is making approximately €1bn worth of capital buffers available to Belgian banks to cover potential risks and ensure lending to the economy.

In addition to Germany[7], France[3] and Belgium, Denmark, Iceland, Ireland, Sweden and the UK adopted similar actions and completely released their countercyclical capital buffers retained by local banks that fall under their supervision. In turn, Norway decided to decrease the percentage of capital required from 2,5% to 1%.

b. Insurers

Such as recognised by EIOPA past week[8], insurers are likely to face progressively difficult conditions in the immediate future, both in terms of navigating challenging market conditions and in maintaining operations, while taking steps to protect employees and customers.

EIOPA has issued specific recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure in light of the pandemic. The recommendations aim to offer operational relief in allowing for delays in reporting and public disclosure in the following cases:

- Annual reporting referring to year-end occurring on 31 December 2019. Competent authorities should accept an 8-week delay in the submission of annual data.
- Quarterly reporting referring to Q1-2020. Competent authorities should accept one-week delay in the submission of quarterly data although early submissions are encouraged and a 4-week delay for data related derivative transactions.
- Solvency and Financial Condition Report referring to year-end occurring on 31 December 2019. Competent authorities should accept an 8-week delay for the publication of the Solvency and Financial Condition Report with some exceptions.

PensionsEurope is discussing with EIOPA about similar flexibility for annual and quarterly reporting for IORPs.

[7] See PensionsEurope's Membership note 5.
[8] See PensionsEurope's Membership note 5.

In the United Kingdom, The Prudential Regulatory Authority (PRA) already endorsed EIOPA's recommendations and postponed the deadline for several reporting requirements for UK insurers.

c. ESMA and market infrastructures

ESMA has recognised that the outbreak of the COVID-19 impacted significantly the activities of all market stakeholders imposing a reprioritisation of efforts to address the crisis and in such circumstances.

ESMA has decided to extend the response date for all ongoing consultations with a closing date on, or after, 16 March by four weeks to ensure that input to consultation papers is not altered by the ability of stakeholders to provide responses. ESMA's announcement concerns the following consultations:

- Consultation on Guidelines on Internal Controls for CRAs
- Consultation on MiFIR report on SI
- Guidelines on securitisation repository data completeness and consistency thresholds
- Consultation on MiFID II/ MiFIR review report on the transparency regime for equity
- Draft Regulatory Technical Standards under the Benchmarks Regulation
- Draft technical standards on the provision of investment services and activities in the Union by third-country firms under MiFID II and MiFIR
- Consultation paper on MiFIR Review Report on Transparency for Non-equity TODT

The Association for Financial Markets in Europe welcomes the flexibility provided by ESMA and the FCA (UK Financial Conduct Authority) regarding the implementation the tick size regime under MiFID II.

4. Wider economic impact and measures

a. Impact on growth and employment

What a difference a week makes in the context of this crisis! In economic fallout but also in policy responses. During the last week, the epidemic has taken a stronger toll on our citizens, businesses and overall on our economies. At the same time, governments and institutions in the EU are instituting drastic measures to try to contain the spread of the coronavirus. Businesses and offices have been closed and citizens confined to their homes. Normal economic activity has been disrupted on an unprecedented scale in peacetime as the patterns of everyday life are upended. Governments are intervening to try to stave off the collapse of companies and livelihoods. Many economists believe the world has already entered a recession. The economic fallout from the pandemic looks to be one of the biggest shocks in generations.

In one week alone, the total amount of the fiscal measures at national level has doubled and is now estimated at 2% of GDP. Liquidity support schemes for firms and workers have been scaled up from 10% to more than 13% of GDP.

b. Measures taken by EU, CBs and MSs

Central Banks:

- The ECB Balance sheet hit fresh All-Time High at €4,927.267bn (see Figure 1 below). Total assets rose by a whopping €223bn on QE and as banks took €109bn in TLTRO credits and use currency swap arrangement with a volume of €101.6bn. Balance sheet now equal to 41.4% of Eurozone GDP vs Fed's 21.5%.

Figure 1: The ECB Balance sheet (source Bloomberg)

- **On 26 March 2020, the Eurosystem started conducting purchases under the pandemic emergency purchase programme (PEPP). In addition, the Eurosystem continues to conduct the asset purchase programme (APP) purchases, including the temporary envelope of net asset purchases of €120 billion, as communicated after the 12 March 2020 Governing Council meeting.**

  - On 25 March 2020, the Decision (EU) 2020/440 of the ECB of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17) was published on the Official Journal of the European Union[9] (the ECB announced the PEPP on 18 March 2020[10]).
  - Purchases under the PEPP will be separate from, and in addition to, purchases carried out under the asset purchase programme (APP), with an overall additional envelope of EUR 750 billion until the end of 2020. According to the ECB, the PEPP is established in response to a specific, extraordinary and acute economic crisis, which could jeopardise the objective of price stability and the proper functioning of the monetary policy transmission mechanism. Due to these exceptional, fast-evolving and uncertain circumstances, the PEPP requires a high degree of flexibility in its design and implementation compared with the APP and its monetary policy objectives are not identical to that of the APP.
- *Last week:*
  - *Coordinated central bank action to further enhance the provision of US dollar liquidity (20 March 2020)*[11]
    - *ECB and other major central banks to offer 7-day US dollar operations on a daily basis*
    - *Operations with 84-day maturity continue to be offered weekly*
    - *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 market*
  - *On 15 March 2020, the ECB, the Bank of Canada, the Bank of England, the Bank of Japan, the Federal Reserve, and the Swiss National Bank have together agreed to lower the pricing on the standing US dollar liquidity swap arrangements to USD OIS plus 25 basis points and to offer weekly 84-day operations*[12].

EU:

The EU is scrambling to find tools to offset the massive economic fallout of the coronavirus crisis - which could likely require a global effort. On 16 March 2020, Eurozone finance ministers tasked the EU's bailout fund, the European Stability Mechanism (ESM), set up after the 2008-09 financial crisis, to consider ways of tackling the economic fallout of the outbreak.

EC:

- **This week the EC has approved several state aid schemes.** For instance, on 22 March the EC approved two German State aid schemes to support the German economy in the context of

[9] See https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020D0440&from=EN.
[10] See the ECB press release "ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP)".
[11] See the ECB press release "Coordinated central bank action to further enhance the provision of US dollar liquidity" (20 March 2020).
[12] See the ECB press release "Coordinated central bank action to enhance the provision of global US dollar liquidity".

the Coronavirus outbreak, and on 24 March 2020 it approved another German State aid scheme for the same purpose. These and other state aid schemes have been approved under the State aid Temporary Framework to support the economy in the context of the COVID-19 outbreak adopted by the Commission on 19 March 2020.

- **On 20 March 2020, the EC proposed the activation of the general escape clause of the Stability and Growth Pact (SGP) as part of its strategy to respond quickly, forcefully and in a coordinated manner to the coronavirus pandemic. Once endorsed by the Council, it will allow Member States to undertake measures to deal adequately with the crisis, while departing from the budgetary requirements that would normally apply under the European fiscal framework.** The proposal represents an important step in fulfilling the Commission's commitment to use all economic policy tools at its disposal to support Member States' in protecting their citizens and mitigating the pandemic's severely negative socio-economic consequences.

Member States:

- **Following the informal video conference on 26 March 2020, the members of the European Council adopted** a statement on the EU actions in response to the COVID-19 outbreak. **The EU Leaders did not make any new major economic decisions, but on tackling socio-economic consequences of COVID-19 they e.g.:**
    - Fully acknowledged the gravity of the socio-economic consequences of the COVID-19 crisis and will do everything necessary to meet this challenge **in a spirit of solidarity**.
    - Supported the resolute action taken by the ECB to ensure supportive financing conditions in all euro area countries.
    - **Invited the Eurogroup to present proposals (e.g. to consider a Pandemic crisis support safeguard based on an existing ESM precautionary instrument, such as the Enhanced Conditions Credit Line (ECCL)) within two weeks.**
    - Commended the EIB Group's contribution in mobilising resources for bank guarantees to and investment in European companies, and **invited Finance ministers to explore without delay possibilities to scale up the EIB Group's coronavirus response overall**.
- **Statement of EU ministers of finance on the Stability and Growth Pact in light of the COVID-19 crisis on 23 March 2020:**
    - **Ministers of Finance of the Member States of the EU agreed with the assessment of the EC, as set out in its Communication of 20 March 2020, that the conditions for the use of the general escape clause of the EU fiscal framework – a severe economic downturn in the euro area or the Union as a whole – are fulfilled.**
    - The use of the clause will ensure the needed flexibility to take all necessary measures for supporting our health and civil protection systems and to protect our economies, including through further discretionary stimulus and coordinated action, designed, as appropriate, to be timely, temporary and targeted, by Member States.
    - Ministers remain fully committed to the respect of the Stability and Growth Pact. The general escape clause will allow the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Stability and

Growth Pact, while departing from the budgetary requirements that would normally apply, in order to tackle the economic consequences of the pandemic.

- On 23 March 2020, the Council also took steps to ensure institutional continuity of its work in the current exceptional circumstances caused by the COVID-19 pandemic. It agreed on a temporary derogation to its Rules of Procedure to make it easier to take decisions by written procedure. This derogation allows EU ambassadors to decide to use the written procedure in accordance with the voting rule applicable for the adoption of the act itself. It means that the existing requirement for unanimity for all decisions to use the written procedure no longer applies. The decision will apply for one month and may be renewed if justified by a continuation of the current exceptional circumstances.

The Dutch Government adopted a stimulus package of up to €20 bn with the purpose to support companies and keep employees employed (this supports contribution inflow in pension funds). In turn, the German Federal government agreed on a €750 bn emergency budget to curb the coronavirus effect on the German economy

Eurogroup:

- **On 24 March 2020, the Eurogroup discussed (again) initiatives to tackle the economic crisis caused by the coronavirus outbreak.**
    - The Eurogroup took stock of all the measures already taken and also of the initiatives that are being explored among institutions. The aim was to prepare for the meeting of a videoconference of Members of the European Council (26 March 2020) where decisions were expected (but were not made (see above)).
    - The Eurogroup looks forward to more initiatives, namely from the EC which is expected to bring forward its unemployment insurance proposal.
    - **Amongst the Eurogroup, there is broad support to consider a Pandemic crisis support safeguard based on an existing ESM precautionary instrument, such as the Enhanced Conditions Credit Line (ECCL).**
        - The features of this instrument would need to be consistent with the external, symmetric nature of the COVID-19 shock. This is also true for any attached conditionality. In the short term it will be targeted to coronavirus response and in the longer term, countries are expected to return to stability.
        - **This instrument would be available for all countries to apply, individually. The size of the available instrument could be in the range of 2% of members' GDP, as a benchmark.** While there is broad support among members around these features, more work is needed on details.
        - **The Eurogroup discussion corresponds to the mandate of the European Council to explore options among institutions for an EU coordinated response.**

Eurobond discussion:

Discussion about introducing euro bonds (or euro bondage) continues:

- A group of nine leaders, led by Italy's Giuseppe Conte plus Belgium, France, Greece, Ireland, Luxembourg, Portugal, Slovenia and Spain, reckon the compromise reached by finance ministers on Tuesday is insufficient. "We need to recognize the severity of the situation and the necessity for further action to buttress our economies today, in order to put them in the best condition for a rapid recovery tomorrow," they wrote in a letter to European Council President Charles Michel.
- On 23 March 2020 the FT published a letter[13] from several professors (Aidan Regan, Matthias Matthijs, Catherine de Vries, and Thomas Piketty) e.g. stressing that *"Rather than have each member-state issuing their own debt to fund their fiscal efforts, we call on the European Council to agree a common eurobond… We need a common debt instrument in order to mutualise the fiscal costs of fighting this crisis."*

US $2tn stimulus deal:

US lawmakers have struck a $2tn stimulus deal to provide economic relief to American taxpayers and businesses hit by the coronavirus pandemic, in what stands to be the largest congressional bailout in US history.

Last week:

- ***The European Investment Bank Group*** *started offering support to European companies under strain from the coronavirus pandemic and its economic effects. Potential financing of up to EUR 40 billion can be mobilised at short notice, backed up by guarantees from the European Investment Bank Group and the European Union budget*[14]*.*
- ***The World Bank*** *approved an increased $14 billion package of fast-track financing to assist companies and countries in their efforts to prevent, detect and respond to the rapid spread of COVID-19.* [15]

[13] See https://www.ft.com/content/12ca6b18-6abc-11ea-800d-da70cff6e4d3
[14] See the press release "EIB Group will rapidly mobilise up to EUR 40 billion to fight crisis caused by Covid-19 and calls on Member States to set up a further guarantee for SME and mid-cap support from EIB Group and national promotional banks".
[15] See the press release "World Bank Group Increases COVID-19 Response to $14 Billion To Help Sustain Economies, Protect Jobs".