ECO FLASH

10 April 2020

COVID-19: Key measures taken by governments and central banks

Group Economic Research

- **Major economic policy responses have been introduced to try to attenuate the impact of the Covid-19 pandemic on the economy.**
- **This document reviews the key measures taken by central banks and governments in a large number of countries as well as those taken by international organisations.**
- **It includes measures that were introduced through 10 April. It will be updated regularly.**

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ECONOMIC RESEARCH DEPARTMENT

BNP PARIBAS

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Key central banks measures

US Federal Reserve (Fed)

- **Monetary policy measures**:

- Fed funds target rate:

15 March: the Fed funds target rate was cut by 100 basis points (bp), to a range of 0-0.25% (effective 16 March).

- Discount rate:

15 March: the discount rate was cut by 150 bp to 0.25% (effective 16 March), narrowing the spread with the Fed funds target rate by 50bp. Borrowing through the discount window was extended to periods as long as 90 days, prepayable and renewable by the borrower on a daily basis.

- Reserve rates:

15 March: Interest on Reserves (IOR) and Interest on Excess Reserves (IOER) were lowered to 0.1% (effective 16 March).

- Required reserve ratio:

15 March: the required reserve ratio was cut to 0% (effective 26 March).

- Quantitative Easing (QE):

15 March: a new round of quantitative easing with securities purchases of at least USD 700 bn over the months ahead, including USD 500 bn in Treasury securities and USD 200 bn in agency mortgage-backed securities (effective 16 March). All principal payments from the Fed's holdings of Treasuries, agency debt and agency MBS will be fully reinvested in Treasuries and agency mortgage-backed securities.

23 March: The Federal Open Market Committee (FOMC) will purchase Treasury securities and agency mortgage-backed securities (MBS) in the amounts needed to support the smooth functioning of the markets and effective transmission of monetary policy to broader financial and economic conditions. The agency MBS purchasing programme is extended to include agency commercial mortgage-backed securities (CMBS) issued by or guaranteed by one of the national mortgage associations (effective 23 March).

- Repurchase agreements (repo):

15 March: continuation of regular term and overnight repurchase agreement operations. One to two overnight repo operations of at least USD 175 bn will be conducted daily, in addition to those conducted on a weekly basis: two 14-day operations of USD 45 bn each, one 1-month operation of USD 500 bn and one 3-month operation of USD 500 bn. According to the timetable announced so far, the Fed intends to use this mechanism to inject additional central bank liquidity of up to USD 5,855 bn through 9–10 April.

17 March: two overnight operations of USD 500 bn each will be conducted daily, at least through 20 March (in addition to the previously announced term operations).

20 March: extension of measures pertaining to overnight operations at least through 13 April (two overnight operations will be held daily, for USD 500 bn each).

- Commercial Paper Funding Facility (CPFF):

17 March: the Commercial Paper Funding Facility will be reactivated at least through 17 March 2021. The Fed created a Special Purpose Vehicle (SPV) that it has supplied with liquidity. The SPV purchases USD-denominated commercial paper from American issuers with the highest credit ratings (at least A-1/P-1/F-1). The maximum amount of a single issuer's commercial paper that the SPV may own at any time will be the greatest amount of commercial paper the issuer had outstanding on any day between 16 March 2019 and 16 March 2020. The price is set at the overnight index swap rate (OIS)+200bp. The SPV would be allowed to conduct a one-time purchase of commercial paper by issuers with a rating of at least A-2/P-2/F-2 at an unspecified price. The Treasury will cover any initial losses of up to USD 10 bn.

23 March: The SPV will be allowed to purchase municipal bonds. Change in pricing: for commercial paper with an A-1/P-1/F-1 rating, the price is set at OIS+110 bp; for A-2/P-2/F-2 ratings, the price is set at OIS+200 bp.

- Primary Dealer Credit Facility (PDCF):

17 March: the Primary Dealer Credit Facility will be reactivated for at least 6 months. Through this facility, the Fed provides guaranteed loans to primary dealers through their clearing bank at the discount rate (0.25% since Monday, 16 March). Loans have a term of up to 90 days and can be prepaid at any time. This facility expands the range of collateral that can be used to obtain central bank liquidity. In addition to collateral eligible for pledge in open market operations (Treasury securities, debt securities and agency MBS), collateral eligible for pledge under the PDCF includes a range of investment grade securities (at least BBB-), including corporate debt securities, international agency securities, commercial paper, municipal securities, mortgage-backed securities and asset-backed securities (only AAA-rated securities are accepted for CMBS, CLO and CDO), plus equity securities (with the exception of rights and warrants, mutual funds, unit investment trusts and exchange traded funds). Pledged collateral will be valued by the Bank of New York Mellon.

- Primary Market Corporate Credit Facility (PMCCF):

23 March: the Primary Market Corporate Credit Facility will be activated at least through 20 September 2020. The Federal Reserve Bank of New York will commit to

lend to a special purpose vehicle (SPV) that will purchase qualifying bonds directly from eligible issuers (i.e. with a good rating) and to provide loans to eligible issuers. The Treasury will make a USD 10 bn equity investment in the SPV. SPV counterparties must have a rating of at least BBB-/Baa3, and the maturity of the bonds or loans granted by the SPV must not exceed 4 years. For each eligible issuer, the maximum amount of outstanding bonds or loans borrowed from the SPV may not exceed the applicable percentage of the issuer's maximum outstanding bonds and loans on any day between 22 March 2019 and 22 March 2020: 140% for companies with an AAA/Aaa rating from a major rating agency, 130% for those with an AA/Aa rating, 120% for those with a A/A rating, and 110% for those with a BBB/Baa rating. Bonds and loans under the SPV will be callable by the eligible issuer at any time.

- Secondary Market Corporate Credit Facility (SMCCF):

  23 March: the Secondary Market Corporate Credit Facility will be activated at least through 20 September 2020. The Federal Reserve of New York will lend to a special purpose vehicle (SPV) that will purchase in the secondary market corporate debt issued by eligible American issuers (i.e. those with a good credit rating). The SPV will also purchase eligible investment-grade corporate bond portfolios in the form of exchange traded funds. The Treasury will make an equity investment of USD 10 bn in the SPV. Issuers must have a rating of at least BBB-/Baa3, and the maturity of securities purchased by the SPV must not exceed 5 years. For any eligible issuer, the maximum amount of bonds that the SPV will purchase will be capped at 10% of the issuer's maximum bonds outstanding on any day between 22 March 2019 and 22 March 2020. The SPV may not purchase more than 20% of the assets of any particular ETF (as of 22 March 2020). Eligible bonds will be purchased at fair market value in the secondary market. The SPV will not purchase shares of ETF when they trade at prices that materially exceed the estimated NAV of the underlying portfolio.

- Term Asset-Backed Securities Loan Facility (TALF):

  23 March: the Term Asset-Backed Securities Loan Facility will be reactivated at least through 30 September 2020. This facility aims to facilitate the issuance of ABS backed by newly originated consumer and small business loans. The Federal Reserve Bank of New York lends to a special purpose vehicle (SPV), which will make available up to USD 100 billion of loans that will have a term of three years, will be nonrecourse to the borrower, and fully secured by eligible ABS. The Treasury will make an equity investment of USD 10 bn in the SPV. All US companies that maintain an account relationship with a primary dealer are eligible to borrow under the TALF. The not-synthetic ABS used as collateral must have an AAA credit rating, must be issued on or after 23 March 2020 and have an underlying credit exposure to auto loans, student loans, credit card receivables, small business loans guaranteed by the Small Business Administration (SBA) and certain other types of loans. For eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be 100 bp over the 2-year LIBOR swap rate for securities with a weighted average life of less than two years, or 100 bp over the 3-year LIBOR swap rate for securities with a weighted average life of two years or greater. The pricing of other eligible ABS will be set forth at a later date. The SPV will assess an administrative fee equal to 10 bp of the loan amount. TALF loans will be pre-payable in whole or in part.

- Support for critical market functioning:

  The Federal Open Market Committee (FOMC) will purchase Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions and the economy. The FOMC had previously announced it would purchase at least USD 500 billion of Treasury securities and at least USD 200 billion of mortgage-backed securities. In addition, the FOMC will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases.

- Standing US dollar liquidity swap line arrangements:

  15 March: the cost of swap arrangements between six central banks (the Fed, ECB, BoE, BoJ, BNS, and BoC) was reduced by 25 bp to OIS+25 bp. USD-denominated loans in each jurisdiction were extended for 84 days (1-week operations were maintained). Decisions are effective the week of 16 March.

  19 March: the Fed announced that it was establishing temporary USD liquidity arrangements (swap lines) for at least the next 6 months with an expanded list of central banks for an amount of up to USD 60 bn each for the Reserve Bank of Australia, the Banco Central do Brasil, the Bank of Korea, the Banco de Mexico, the Monetary Authority of Singapore, and the Sveriges Riksbank, and for up to USD 30 bn each for the Danmarks Nationalbank, the Norges Bank, and the Reserve Bank of New Zealand.

- Swap arrangements between central banks:

  20 March: the Fed, ECB, BoJ, BoE, BoC and BNS made a coordinated decision to increase the frequency of USD financing operations to banks in their jurisdiction: 7-day liquidity could be provided daily from 23 March through at least the end of April (currently on a weekly basis). Weekly 84-day operations (effective since 16 March) were maintained.

  31 March: the Fed announced that beginning on 6 April and for a period of at least six months it will conduct overnight repurchase agreements to exchange US Treasuries with foreign central banks and international monetary authorities (FIMA) that are FIMA account holders with the Federal Reserve Bank of New York. The transactions will be conducted at IOER (0.1% since 16 March) + 25 bp. The FIMA Repo Facility aims to prevent the risk of massive selling of US Treasuries by foreign central banks (notably by those without access to USD

swap lines) in order to provide USD liquidity to banks in their jurisdictions. In January 2020, foreign central banks held more than USD 4,000 bn in US Treasury securities (a quarter of the USD 16,000 bn in Treasuries outstanding).

- Money Market Mutual Fund Liquidity Facility (MMLF):

  18 March: the Money Market Mutual Fund Liquidity Facility was reactivated until at least 30 September 2020. Under this facility, the Federal Reserve Bank of Boston provides secured lending to banks (all US depository institutions, US bank holding companies, and the US branches and agencies of foreign banks). The maturity date of an advance will equal the maturity date of the eligible collateral pledged to secure the advance (although in no case will the maturity date exceed 12 months). Eligible collateral under the Facility are assets purchased from money market funds: US Treasuries, securities and MBS issued by Government Sponsored Entities (loans at the discount rate; collateral is valued at amortized cost or fair value); ABCP and unsecured commercial paper issued by a US issuer with a short-term rating at the time purchased from the MMF or pledged to the Reserve Bank with a rating no lower than A-1/F-1/P-1 (loans at 100 bp over the discount rate; the collateral valuation will be amortized cost). The Treasury, using the Exchange Stabilization Fund, will provide USD 10 bn as credit protection to the Reserve Bank. Advances are made without recourse: the borrower does not assume the credit risk associated with the collateral.

  20 March: the range of collateral eligible as part of the MMLF was expanded to include short-term municipal bonds with a maturity of no more than 12 months and with a good credit rating (advances will be made at the discount rate + 25 bp; the collateral valuation will be amortized cost).

  23 March: the range of collateral eligible as part of the MMLF was expanded to include municipal variable rate demand notes (VRDN) and certificates of deposit.

- **Regulatory measures:**

- 15 March: equity capital and liquidity requirements were eased. The three bank regulators (Fed, FDIC and OCC) encourage banks to use their capital and liquidity buffers to help finance the economy. In terms of weighted capital requirements, this easing probably concerns the equity capital conservation buffer, and possibly the GSIB capital surcharge (the countercyclical buffer is set at 0% in the United States). So far, no announcements have been made concerning the comprehensive capital and analysis review (CCAR 2020).

- 18 March: the three bank regulators (Fed, FDIC, OCC) will neutralise the impact of MMLF participation on a bank holding company or depository institution in terms of weighted equity capital requirements and leverage requirements. The following will be excluded from the calculation of prudential ratios: assets serving as collateral for MMLF and assets purchased as of 18 March from an MMF to be used as collateral within the framework of MMLF (once the facility opens).

- 22 March: the regulators (Fed, FDIC, NCUA, OCC, CFPB, CSBS) encourage banks to be flexible with customers having difficulties honouring their debt. Jointly with the authority in charge of US GAAP (FASB), the regulators specified that modifications in loan conditions (deferred payment, exoneration of fees, and extension of repayment periods) due to the pandemic will not automatically be recognised as troubled debt restructuring (TDR). A deferred payment will not be considered as a late payment. Loans whose conditions have been eased can be used as collateral at the Fed's discount window. This measure eases the accounting and prudential frameworks (provisions and equity capital, respectively).

- 27 March: the Fed, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) issued a rule that allows major banks to mitigate the effects the Current Expected Credit Loss (CECL) accounting standard in their regulatory capital for up to two years, in addition to the 3-year transition period already in place. The CARES Act, enacted on the same day, allows banks to delay the implementation of the new accounting methodology for Current Expected Credit Losses (CECL) (section 4014) to the earlier of 31 December 2020 or termination of the COVID-19 national emergency, and lowers the Community Bank Leverage Ratio (CBLR) to 8%, from 9% (section 4012).

- The federal banking regulators are moving ahead faster than the law: the CARES Act, which is pending House approval after being passed by the Senate on 25 March, has a measure (section 4014) that pushes back compliance with the new CECL standard to 31 December 2020, while lowering the community bank leverage ratio (CBLR) to 8% from 9%.

- The federal banking regulators also issued a statement authorising the early adoption of the new methodology on how banks measure counterparty risk derivatives contracts for the Q1 reporting period. The Standardised Approach for Measuring Counterparty Credit Risk (SA-CCR), which was finalised in November 2019 with an effective date of 1 April, is considered to be more favourable for calculating risk-weighted assets because it takes into account central clearing and margin requirements.

- 1 April: the Fed announced a temporary change in the rule for calculating the Supplementary Leverage Ratio (SLR) for all big American banks (the Basel leverage ratio applies to banks with total consolidated assets of more than USD 250 bn). The new calculation method (applicable from 1 April 2020 to 31 March 2021) excludes US Treasury securities and deposits at the Federal Reserve Banks from the ratio's denominator. This easing movement aims to reduce strains in the Treasury market and to preserve the banks' capacity to finance the economy (QE automatically increases bank reserves deposited at the Fed).

- **Measures on 9 April:**

The Fed announced a series of additional monetary policy measures to support the financing of the US economy. Altogether, these measures (including some announced on 23 March) provide up to USD 2,300 bn in lending, the equivalent of 10.5% of GDP.

- The Paycheck Protection Program Liquidity Facility (PPPLF) was set up at least through 30 September 2020. The PPPLF will supply liquidity to participating banks that provide loans to small businesses under the Paycheck Protection Program established by the CARES Act. The principal amount and maturity date of extensions of credit under the Facility to banks originating PPP loans will be equal to that of the PPP loan pledged as collateral. The maturity date of the Facility's extension of credit will be accelerated if the underlying PPP loan goes into default and the eligible borrower sells the PPP Loan to the SBA to realize on the SBA guarantee, or in case of loan forgiveness by the SBA. Extensions of credit under the Facility will be made at a rate of 0.35%. The Facility charges no commissions. There are no quantified limits to the Facility, which does not receive any financial contributions from the Treasury, since lending is already guaranteed by the Federal government via the SBA.

- The Main Street Lending Facility (MSLF) was established at least through 30 September 2020. The MSLF will offer 4-year loans to SME. Through a Special Purpose Vehicle (SPV), the Fed will purchase up to USD 600 bn in loans granted by financial institutions to companies employing up to 10,000 workers or with 2019 revenues of less than USD 2.5 bn. The US Treasury will provide USD 75 bn in equity to the facility. The MSLF has two components: the Main Street New Lending Facility (MSNLF), which will cover new loan production (loans granted after 8 April), and the Main Street Enhanced Lending Facility (MSELF), which will enable banks to offload loans issued prior to 8 April. The SPV will purchase a 95% participation (the originating banks will retain a 5% share). The SPV and the eligible bank will share credit risk on a pari passu basis. An SME benefiting from MSNLF will not be able to participate in MSELF or PMCCF. SMEs must demonstrate that they are resorting to the Facility due to exceptional circumstances pertaining to the Covid-19 pandemic and are taking the necessary measures to keep their workers on the payroll.

- The Primary and Secondary Market Corporate Credit Facilities (PMCCF and SMCCF) as well as the Term Asset-Backed Securities Loan Facility (TALF) were expanded. These three programmes will now support up to USD 850 bn in credit (vs USD 300 bn announced on 23 March). The Treasury will provide loan protection of USD 50 bn and USD 25 bn, respectively, on the PMCCF and SMCCF (up from USD 10 bn each initially). The PMCCF and SMCCF purchasing programmes were raised to USD 500 bn and USD 250 bn, respectively, from USD 100 bn each initially. The size of TALF will remain at USD 100 bn.

Under the PMCFF, the SPV can now purchase qualifying bonds as the sole investor in a bond issuance. It can also purchase portions of syndicated loans or bonds of eligible issuers at issuance (up to 25% of any loan syndication or bond issuance) as long as they are issued by an eligible issuer and have a maturity of 4 years or less. The maximum amount of outstanding bonds or loans of an eligible issuer that borrows from the facility may not exceed 130% of the issuer's maximum outstanding bonds and loans on any day between 22 March 2019 and 22 March 2020. Issuers rated at least BBB-/Baa3 at 22 March (before the Facility was set up) and that are subsequently downgraded by no more than 3 notches to speculative grade (BB-/Ba3) will still be eligible for PMCCF.

Under the SMCCF, the SPV will also be able to purchase eligible speculative grade individual corporate bonds as well as eligible corporate bond portfolios in the form of exchange traded funds (ETFs). Issuers rated at least BBB-/Baa3 at 22 March (before the Facility was set up) and that are subsequently downgraded by no more than 3 notches to speculative grade (BB-/Ba3) will still be eligible for SMCCF. The preponderance of ETF holdings will be of ETFs that are mainly exposed to US investment grade corporate bonds, but can also hold EFTs whose primary investment objective is exposure to US high-yield corporate bonds.

For each issuer, the maximum amount of instruments purchased as part of PMCFF and SMCCF combined is capped at 1.5 percent of the combined potential size of the two facilities.

Under TALF, the range of assets that are eligible as collateral is broadened. TALF-eligible collateral will now include asset-backed securities with underlying credit exposures to household and small business loans, leveraged loans, and commercial mortgage (CMBS). ABS must have been issued after 23 March, with the exception of CMBS (the SPV will only accept as collateral CMBS issued prior to 23 March).

- The Municipal Lending Facility was set up at least through 30 September 2020. Through a Special Purpose Vehicle (SPV), the Fed will purchase short-term notes (less than 1 year) directly from US states and the most populated municipalities and counties. The SPV can purchase up to USD 500 bn in muni bonds. The Treasury will make a USD 35 bn capital investment in the SPV. Purchases will be capped at an aggregate amount of 20% of the revenues of each local government. The cost will depend on the borrower's rating. There has been strong demand from Congress for the Fed to take action in the muni bond market.

- From a regulatory perspective, the three bank regulatory agencies (Fed, FDIC, OCC) published a rule to neutralise the impact of a stake in PPPLF in terms of weighted equity capital and leverage ratio requirements (comparable to the neutralisation of stakes in MMLF). Since they benefit from a federal guarantee, PPP loans pledged as collateral to the PPPLF can be excluded from the calculation of regulatory equity capital ratios: total leverage exposure, average total consolidated assets, and advanced and standardized approaches to total risk-weighted assets (section 1102 of the CARES Act specifies that a zero percent risk weight applies to PPP loans guaranteed by the SBA).

European Central Bank (ECB)

- **Monetary policy measures on 12 March:**

From 16 March 2020 through 9 June 2020, a new long-term refinancing operation (LTRO) with a fixed rate equal to the deposit rate (-0.50%) will be allocated each week. All 13 of these operations will reach maturity on 24 June 2020, the start-up date of the fourth TLTRO III.

- TLTRO III (3-year maturity): between June 2020 and June 2021, the interest rate on TLTRO III operations outstanding will continue to depend on the dynamics of loan distribution by the borrowing bank, but has been revised downwards. It will be 0.25 bp below the average benchmark rate prevailing over the duration of the operation, namely:
    - The rate on the main refinancing operations (credit supply not maintained but the bank, currently 0%),
    - The interest rate on the deposit facility (credit supply maintained, currently -0.50%),
    - The maximum total amount that the banks are entitled to borrow as part of these operations is raised from 30% to 50% of their stock of eligible loans as at 28 February 2019 (loans to non-financial companies and households, excluding home loans). According to our calculations, the maximum amount of TLTRO III loans outstanding is theoretically about EUR 2,900 bn. To enable banks to strengthen their use of ECB liquidity, it is exploring the possibility of easing collateral requirements.

- Private sector securities purchases: in addition to the Asset Purchase Programme (APP, reactivated for net purchases of up to EUR 20 bn as of November 2019, and with outstandings of EUR 2,732 bn at 29 February 2020), an additional EUR 120 bn will be allocated by the end of 2020 for the purchase of securities issued by the eurozone's private sector (i.e. between EUR 12 bn and 13 bn a month depending on the starting date of the additional purchases). The easing of capital and liquidity requirements were announced on 12 March.

- Solvency: the 117 banks placed under direct supervision of the Single Supervisory Mechanism (SSM) can use the capital buffers constituted as part of the Pillar 2 Guidance (P2G, 1.5% of weighted assets, on average, in the 2019 Supervisory Review and Evaluation Process (SREP) published on 28 January 2020) and the capital conservation buffer (2.5% of weighted assets). The banks will also be able to use in part the instruments non-eligible for CET1 (for example, additional Tier 1 instruments, or Tier 2) to create capital buffers in compliance with Pillar 2 Requirements (P2R). At 30 September 2019, the CET1 ratio of the supervised banks averaged 14.37%, which is 3.8 points higher than the average from the application of the Pillar 2 Guidance and Requirements as part of SREP 2019 (10.6%).

- Liquidity: the ECB announced that it is easing its liquidity coverage ratio (LCR) requirements, which is normally at 100%. According to 2013 Basel recommendations, banks that draw on this facility during periods of hardship must inform the supervisor and submit a recovery plan to bring its LCR back to 100%. Banks under SSM supervision had an average LCR of 145.6% in third quarter 2019.

- **Monetary policy measures on 18 March**:

- A new emergency securities purchasing programme was launched for EUR 750 bn, extending the existing securities purchasing programmes;

- Launch of the Pandemic Emergency Purchase Programme (PEPP) covering both public and private sector securities for a total of EUR 750 bn by the end of 2020, and beyond if necessary. The scope of securities eligible for the programme is the same as those eligible for the existing asset purchasing programmes (APP). The allocation key is still based on the member country's share of ECB capital, but greater flexibility was introduced relative to the APP, with the possibility of "fluctuations".

- **Concerning the existing programme:**

- The Corporate Sector Purchase Programme (CSPP) is expanded to include all commercial paper issued by non-financial companies,

- The range of Additional Credit Claims (APP), a collateral category that does not comply with the Eurosystem's eligibility requirements but which are nonetheless eligible, will be expanded to include corporate debt so that the banks can make full use of the Eurosystem's refinancing operations.

- **Monetary policy measures on 1 April:**

  The European Banking Authority called on regulators to request that companies adopt conservative remuneration polices and urged all European banks to temporarily suspend dividends distribution and share buybacks.

  Earlier, Andrea Enria, chair of the ECB's supervisory board, also urged banks to reduce bonus pay outs given the pandemic's impact on the economy (source: Financial Times).

- **Measures on 7 April:**

As announced in its 12 March press release, and to allow banks to resort massively to longer-term refinancing operations (after the ceiling was raised from 30% to 50% of household and NFC loans outstanding in February 2019, which is potentially equivalent to EUR 2,900 bn), the Eurosystem has specified the collateral easing measures. The new temporary regime applies to all refinancing operations and not only to the "new" TLTRO 3.

Three temporary easing measures through the expansion of the Additional Credit Claims (ACC) framework, which allows National Central Banks to enlarge the scope of eligible credit claims for counterparties to include those that are non-eligible under the Eurosystem's general framework:

- loans to non-financial companies (NFC) and households with public and para-public guarantees granted as part of

the response to the Covid-19 crisis are automatically included in the ACC,
- easing the acceptance of banks' own credit assessments from internal rating-based systems that are approved by supervisors,
- ACC loan level reporting requirements are maintained but they can be met after being admitted to the ACC framework as collateral, which thus accelerates the process.

Three measures to enlarge the scope of eligible collateral:

- elimination of the minimum size threshold for domestic credit claims (previously EUR 25,000), to facilitate the mobilisation as collateral of loans from small corporate entities,
- the maximum share of unsecured debt instruments issued by any single other banking group in a credit institution's collateral pool was increased from 2.5% to 10%,
- the minimum credit quality requirement (BBB- since 15 October 2008, except for ABS) was waived for Greek marketable debt instruments (BB rating).

Collateral valuation haircuts were reduced through a fixed factor of 20%, which means that, all other factors being the same, the value of the collateral taken into account for refinancing is increased.

The haircuts applied to non-marketable assets, both in the Eurosystem's general collateral framework and for ACCs, were adjusted by a further 20%, in addition to the haircut reduction mentioned above (point 3).

Bank of England (BoE)

- **Key rate cuts:**

- 12 March: the Bank of England cut its key rate by 50 bp to 0.25%

- 19 March: the Bank of England cut its key rate by 15 bp to 0.10%

- **Increase in the asset purchasing programme:**

- Asset purchases increased from GBP 445 bn a year (including GBP 435 bn in Gilts and GBP 10 bn in corporate bonds) to GBP 645 bn,

- The BoE essentially announced the purchase of government bonds.

- The Term Funding Scheme with additional incentives for SMEs (TFSME) was set up to provide banks with a long-term refinancing programme (4 years) at a reduced rate (slightly higher than or equal to the Bank rate) aimed at the "real" economy. Available amounts will represent at least 5% of the stock of bank loans to households and non-financial companies. The amount can be increased in case of an increase in net loans outstanding to small and mid-sized enterprises. The BoE estimates that funds mobilised by the TFSME could potentially reach GBP 100 bn (although more are announced, details will follow).

- **Reduction in the bank's countercyclical capital buffer:**

- The countercyclical capital buffer of banks was reduced from 1% of total risk weighted assets (RWA) in November 2019 to 0% on 11 March, for a period of 12 months.

- According to BoE, this measure will boost potential net financing of the economy by GBP 190 bn, or 13 times the amount committed in 2019.

- Cancellation of 2020 stress test for the eight major UK banks and building societies. This will allow lenders to focus on meeting the needs of their clients.

- 17 March 2020: HM Treasury and the Bank of England launch a COVID Corporate Financing Facility (CCFF). The CCFF will provide funding to businesses by purchasing commercial paper of up to one-year maturity, issued by firms making a material contribution to the UK economy. The facility will offer financing on terms comparable to those prevailing in markets in the period before the COVID-19 economic shock, and will be open to firms that can demonstrate they were in sound financial health prior to the shock. The facility will look through temporary impacts on firms' balance sheets and cash flows by basing eligibility on firms' credit ratings prior to the COVID-19 shock. Businesses do not need to have previously issued commercial paper in order to participate. The scheme will operate for at least 12 months and for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy.

Bank of Japan (BoJ)

- **Key rates:**

- No change in the key rate (which held at -0.1%).

- **Quantitative easing (QE):**

- The annual JGB securities purchasing programme was held at JPY 80,000 bn (USD 740 bn at an exchange rate of JPY 108),

- The exchange-traded funds (ETF) and J-REITS (investment funds tied to Japanese real estate) securities purchasing programme doubled to an annual capacity of JPY 12,180 bn (USD 113 bn),

- The corporate bond securities purchasing programme was increased to JPY 4,200 bn (USD 39 bn) annually.

- **Dollar swaps:**

  - The BoJ will draw on the swap line opened with the Fed at OIS + 25 bp.

Supranational institutions

IMF

The IMF stated that it had USD 1 trillion in funds available, given that USD 200 bn is currently committed (Ukraine, for example, is a candidate, now more than ever, for a new programme). A specific financing facility of USD 50 bn was set up for Africa.

9 April: The IMF decided to double the funds available for coronavirus-related emergency lending to USD 100 bn from USD 50 bn.

EBRD

EBRD promised an additional EUR 1 bn in liquidity lines, cash and export finance for its clients in its 38 countries of operation. Further measures will be announced soon. Note: EBRD investments currently amount to a cumulative total of EUR 10.1 bn.

European Union (EU)

- **European institutions:**

Given that the size and flexibility of the EU's budget is not exactly its strongest point, so far the European Commission has strived mainly to ensure the sufficient provisioning of medical equipment and supplies in the EU, while monitoring any export restrictions that member states might try to set up, co-ordinating decisions on air traffic and borders, and defining how the rules on monitoring government subsidies can be adapted to enable member states to stimulate their economies in an appropriate manner.

This is what we know about European fiscal resources that have been mobilised so far. It is important to keep in mind that the European Commission does not have the power to raise further revenues. At best, it can reallocate funds to different parts of its budget:

The EU budget provided EUR 1 bn in additional guarantees to the EIB to finance about EUR 8 bn in capital for SME to facilitate immediate relief to hard-hit SMEs, the EU budget will deploy its existing instruments in order to support them with liquidity, complementing measures taken at national level.

EUR 1 billion will be made available from the EU budget as a guarantee to the European Investment Fund (EIF) in the coming weeks to support approximately EUR 8 billion of working capital financing and help at least 100,000 European SMEs and small mid-caps:

- The support will be channelled through the existing instruments of the EIF Programmes that support investment. Lending will be refocused to working capital loans with a maturity of 12 months or more. In particular, the loan guarantees the EU programme for the Competitiveness of Small and Medium-Sized Enterprises – will be boosted, together with the InnovFin SME Guarantees under the Horizon 2020 programme, so that banks offer access to bridge financing to micro enterprises, SMEs and small mid-caps.

- These instruments will be reinforced with €750 million through the European Fund for Strategic Investments (EFSI) in the coming weeks. In addition, as a further dedicated measure, EFSI will provide to the EIF another EUR 250 million to quickly roll-out support to SMEs in a concerted effort with EU National Promotional Banks and Institutions.

- The European Commission supports all national measures that aim to limit the pandemic's impact on employment, but it does not have the capacity to act. The Commission did declare that it would accelerate preparations for a future legislative proposal: the European Unemployment Reinsurance Scheme. This is such a vast subject, however, that it is hard to imagine that it will lead to anything concrete in the short term.

- The "Coronavirus Response Investment Initiative" should enable member states to redirect EUR 37 bn in structural funds towards COVID-19-related spending:
  - With the "Coronavirus Response Investment Initiative" (CRII), the Commission proposes to direct EUR 37 billion under the cohesion policy to the COVID-19 outbreak and to implement this fully in 2020 through exceptional and accelerated procedures.
  - To this effect, the Commission proposes to relinquish this year its obligation to request refunding of unspent pre-financing for European structural and investment funds currently held by Member States. This amounts to about EUR 8 billion from the EU budget which Member States will be able to use to supplement EUR 29 billion of structural funding across the EU. This will effectively increase the amount of investment in 2020. A key element of the proposal is that it makes all potential expenditure for the fight against the COVID-19 outbreak eligible as of 1 February 2020 for financing under the Structural Funds so that Member States can spend the means as quickly as possible to fight the outbreak.

- Fiscal rules were eased to give Member States all the flexibility they need to make expenditures to combat the health crisis and stimulate the economy. These exceptional expenditures will not be taken into account under the rules limiting changes in spending. The European Commission will propose that the Council review the structural adjustment efforts that Member States are required to make. For the moment, it is relying on treaty clauses that allow Member States to take into account exceptional circumstances on a State by State basis, although it is preparing to intervene, if the Council were to request it to do so, to activate the clause pertaining to major economic shocks in the EU as a whole:

  - The Commission will propose to the Council to apply the full flexibility existing within the EU fiscal framework, with a view to helping Member States to address the COVID-19 outbreak and deal with its fallout.

- When assessing compliance with the EU fiscal rules, the Commission will propose to the Council to exclude the budgetary effect of one-off fiscal measures taken to counterbalance the economic effects of COVID-19.
- The Commission considers that the flexibility to cater for "unusual events outside the control of government" is applicable to the current situation. When an unusual event outside the control of a government has a major impact on a Member State's fiscal position, the Stability and Growth Pact envisage that Member States can be allowed to temporarily depart from required fiscal adjustments. As a result, this clause can also accommodate exceptional spending to contain the COVID-19 outbreak. In particular, the clause can apply to health care expenditure and targeted relief measures for firms and workers, provided they are temporary and linked to the outbreak. The Commission will follow that approach when making proposals and recommendations to the Council. The Commission will propose to the Council that the Union institutions adjust the fiscal efforts required from Member States in line with the EU fiscal rules. This would allow taking into account country-specific situations in case of negative growth or large drops in activity.
- The Commission stands ready to propose to the Council that the Union institutions activate the general escape clause to accommodate a more general fiscal policy support. This clause would – in cooperation with the Council – suspend the fiscal adjustment recommended by the Council in case of a severe economic downturn for the euro area or EU as a whole.

- 31/03: The EU could consider introducing additional measures to give banks as much operational relief as possible to deal with loan losses resulting from the current pandemic (citing a European Commission official).

- **Measures for SMEs**

- The SME guarantee fund will benefit from about EUR 1.2 billion in new financing, to provide public guarantee to bank loans to SME. The Fund will cover loans up to EUR 5 million, while easier procedures will be applied to guarantees below €3,000. To sustain exports, the Ministry of Economy will provide SACE (the exports credit agency) with a guarantee aimed at sustaining sectors hit by the crisis.

- For SMEs, payments for mortgages and loans are suspended. Until September 30th, revocable (overdraft) credit facilities cannot be revoked, non-instalment loans with contractual expiration are extended and payment of any instalment is suspended.

- **Measures of the Eurogroup on 9 April:**

At the 9 April meeting, the Eurogroup announced new instruments to counter the economic fallout of the Covid 19 crisis. For a total amount of EUR 500 bn (including direct fiscal spending and other financial support measures such as loan guarantees), the plan comprises: 1) EUR 100 bn in direct aid for member states to manage higher unemployment (SURE programme); 2) the creation of EUR 200 bn in loan guarantees by the European Investment Bank, geared specifically to SME; and 3) the implementation of the Pandemic Crisis Support as part of the European Stability Mechanism (ESM) for an amount equivalent to 2% of the GDP of member states, or nearly EUR 240 bn.

Governments

United States

Congress has passed the Coronavirus Aid, Relief, and Economic Security Act (CARES), an unprecedentedly large fiscal stimulus package (USD 2,200 bn, the equivalent to 10% of GDP or 50% of the annual Federal budget) prepared by the Trump administration. The bill doubled in size under pressure from the Democrats, who have a majority in the House, to cover the needs of low-income individuals and those who have lost their jobs. In addition to guaranteed loans for companies, which could amount to as much as USD 900 bn, the Federal government will transfer roughly USD 630 bn to American households. Using a means-tested system, each American household will receive a cheque from the Treasury for a maximum amount of USD 3000 each. The Federal government will also top up unemployment benefits, which vary from state to state but which average roughly USD 300 a week, by USD 600 a week during the 4-month period ending 31 July 2020.

19 March: vote on the Coronavirus Aid, Relief, and Economic Security Act (CARES), a USD 2.2 trillion fiscal stimulus plan (10% of GDP or roughly 50% of annual Federal spending). The Federal government will provide up to USD 900 bn in guaranteed loans to companies, and will transfer about USD 630 bn to American households through tax credits and extended benefits. Under certain revenue conditions, each recipient will receive a tax credit or "check" for a maximum amount of USD 3000.

The Federal government will also top up unemployment benefits, which vary from state to state but which average roughly USD 300 a week, by USD 600 a week during the 4-month period ending 31 July 2020.

6 April: The federal bank regulatory agencies (Fed, FDIC, OCC) issued a rule that eases the community bank leverage ratio (CBLR) requirement in compliance with section 4012 of the Cares Act of 27 March. A community bank – a small bank with consolidated assets of no more than USD 10 bn – with a leverage ratio of at least 8 percent as of Q2 2020 (CBLR = tangible equity capital over average total consolidated assets) will continue to be exempt from Basel 3 calculations (in this case, risk-weighted equity capital requirements, since small banks are not subject to any liquidity requirements in the United States). A two-quarter grace period was established for community banks whose leverage ratio falls below 8% but no lower than 7%. This temporary relief will remain in effect until the earlier of the end of the National Emergency or 31 December 2020. Thereafter, CBLR will be 8.5% in 2021 and 9% in 2022 (the CBLR requirement at 1 January 2020).

European countries

- **Germany**

Finance Minister Olaf Scholz and Economic Minister Peter Altmaier have presented an emergency programme "A protective shield for employees and companies". The programme consists of four pillars:

1. Making reduced hours compensation benefit (Kurzarbeitergeld) more flexible. In particular eligibility requirements will be loosened. The costs of the measure could be around EUR 10 bn.

2. Tax-related liquidity assistance for businesses. To improve the liquidity of firms, options for deferring tax payments and reducing prepayments will be enhanced. Overall, businesses will be able to defer billions of euros in tax payments.

3. A protective shield worth billions for businesses. Healthy firms can experience liquidity problems of supply chain problems. The German government will protect businesses with new measures to provide liquidity, the volume of which is unlimited. This support will provided by the state investment bank KfW. The federal budget includes a guarantee framework of approximately EUR 460 billion. If necessary, this can be increased by up to EUR 93 billion at short notice. In addition, the KfW has a programme for the refinancing of export business which can be increased very quickly.

4. Strengthening European cohesion. The German government welcomes the European Commission's idea of a Corona Response Investment Initiative with a volume of EUR 25 billion.

It also welcomes ECB banking supervision's announcement that it will utilise existing leeway to ensure that banks can continue to fulfil their role in funding the real economy, as well as the measures for providing liquidity to banks that were announced by the ECB on Wednesday, 11 March.

The Federal Ministry of Health has already been swiftly provided with around EUR 1 billion to fight the coronavirus, including for the procurement of protective equipment such as face masks and protective suits, support for the WHO in the international fight against the coronavirus, and the provision of additional funds for the Robert Koch Institute, Germany's leading public health institution. In addition, the Federal Ministry of Education and Research has received EUR 145 million to develop a vaccine and for treatment-related measures.

Bavaria has launched a EUR 10 billion to buy stakes in struggling companies.

- **France**

At 20 March 2020, the government estimated the 2020 fiscal deficit at 3.9% of GDP based on a GDP growth forecast of -1%.

- Simplification and strengthening of partial unemployment = EUR 8.5 billion over a 2-month period. Specifics: companies pay their workers compensation equal to 70% of their gross wage (about 84% of net). Workers earning the minimum wage or less will receive 100% compensation. Companies are fully reimbursed by the State for gross monthly wages of up to EUR 6,927, or 4.5 times the minimum wage. Since 16 March, the Labour Ministry indicates that companies now have 30 days to file requests for partial unemployment, effective retroactively.

- Fiscal and social charges payable in March were postponed = EUR 32 bn (and could be waived if needed, on a case-by-case basis).

- A solidarity fund of EUR 1 bn a month to compensate very small and small businesses and the self-employed in the hardest-hit sectors.

- Specifics: EUR 1,500 in aid for businessmen that make less than EUR 1 m in turnover and whose business has declined by more than 70% in March 2020 compared to the year-earlier period; payable as of 31 March.

- EUR 2 bn for additional healthcare spending, which should also fund the increase in sick leave.
- Suspended payments of rent and utility bills (water, gas and electricity) for very small businesses experiencing hardships.

- Specifics: pertains to companies with fewer than 10 employees and sales of less than EUR 1 m, and which are under administrative closure, or can justify a decline in sales of at least 70% in March 2020 compared to the year-earlier period. The cost is carried by service providers.

- Introduction of a State guarantee for bank loans to companies amounting to EUR 300 bn.

- Specifics: the guarantee will automatically cover all liquidity loans granted by banks between 16 March and 31 December. These loans can cover up to 25% of the company's annual turnover, thereby enabling them to face up to their most urgent needs. The loans can be repaid over a period of up to 6 years, which will enable companies to rebuild their financial manoeuvring room once the recovery gets underway. The State guarantee will cover 90% of the amount of the loans for micro-enterprises, SME and intermediate-sized businesses, to facilitate loan origination. The cost of the guarantee will be minimal depending on the maturity of the loan. For a 1-year loan, it will range from 0.25% for SME to 0.50% for intermediate and large companies.

- Public reinsurance will be activated for credit insurance exposure of up to EUR 10 bn + amplification of short-term export credit reinsurance measures (doubling of the ceiling on exposure that can be reinsured by the State, to EUR 2 bn).

- Postponement of bank loan payments for a period of 6 months at no cost + credit mediation with the bank to reschedule bank loans

- Public contracts: the State and local administrations recognise COVID-19 as a force majeure for their public contracts. Consequently, no late penalties will be applied to any public contracts with State or local administrations.

- Options being examined: taking equity stakes in or temporarily nationalising key corporations devastated by the COVID-19 crisis, notably automobile manufacturers and air transport companies, to safeguard these companies ; extension of unemployment benefits for the jobless who have exhausted their claims ; Revision of the rules for tax loss carry-backs for the calculation of corporate tax.

- Other: suspension of all pending reforms (i.e. pension reform and real-time payment of housing allowances). The second round of measures to overhaul the unemployment insurance system (including tighter conditions for receiving jobless benefits), which was initially scheduled to take effect on 1 April, will be postponed until 1 September, Better compensation for parents taking time off work to care for their children (due to school closures) and for sick leave. The second round of municipal elections, initially set for 22 March, was postponed until a later date.

At 23 March:

- Temporary suspension of the delay before qualifying for sick pay: private and public sector payroll employees will receive sick pay as of the first day of sick leave. This was already the case for self-isolation (quarantines, caring for children and medical precautions) in the public and private sectors, but it has now been expanded to cover all sick leave, regardless of the reason, for the duration of the national health emergency.

- The national emergency law, which the National Assembly adopted on first reading on Saturday, 21 March, allows companies to require employees to take a week of paid leave during the coronavirus crisis. An agreement must still be reached with employee representatives.

- Options under consideration: a bonus for working employees. Employers and the government have not agreed on the format of this bonus nor whether it would be paid by the government or by the employer. Another option would allow companies to temporarily exceed current limitations on working hours.

At 30 March:

- Companies that make dividend payouts in 2020 will not be allowed to defer social security and tax charges and will not be eligible for state-guaranteed loans (EUR 300 bn);

- Bankruptcy requirements would be eased (decree examined on 27 March): business leaders would have a delay of up to three months after the termination of the national health emergency to file for bankruptcy, compared to 45 days normally.

At 31 March:

- Safety net and funding extended to cover export companies;

- Increased aid for very small companies and the self-employed: EUR 1500 in assistance will be available if April's losses amount to at least 50% of turnover, down from 70% previously;

To compensate workers exposed to Covid-19, the Macron bonus will be paid without requiring the signing of an employee profit-sharing agreement. Options under consideration: modulating the amount of the bonus on working conditions, and doubling the amount (to EUR 2000); extension of the payment deadline to 31 August 2020 (decree presented to the Council of Ministers on Wednesday, 1 April).

At 1 April:

- Another increase in aid for very small companies and the self-employed: the loss of turnover necessary to be eligible for the EUR 1500 in assistance was reduced from 70% to 50% as of March (and no longer as of April as previously reported). The Covid-19 solidarity fund was increased by EUR 1.7 bn (after an initial allocation of EUR 1.2 bn) to cover the first month of operations.

- The Macron bonus can be doubled for companies with an employee profit-sharing agreement.

At 2 April:

- An additional EUR 3.1 bn provision was allocated for the purchase of medical equipment (on top of the EUR 2 bn in additional healthcare spending announced previously);

- The cost of partial unemployment or short-time work is now estimated at EUR 11 bn, up from an initial estimate of EUR 8.5 bn.

- **Italy**

11 March:

Cassa depositi e prestiti SpA is allocating EUR 7 billion to companies facing the coronavirus emergency, MF reported.

16 March:

The Italian government published a decree calling for EUR 25 bn in additional spending to cover the effects of COVID-19. These expenditures are divided into four groups:

- The healthcare and emergency services system was bolstered through an increase in the national emergency fund of EUR 1.65 bn;

- Job and worker support measures:
  - Easier access to partial unemployment benefits,
  - EUR 600 in compensation for the self-employed,
  - Creation of an income of last resort fund,
  - Implementation of 15-day parental leave,

- Childcare allowances (EUR 600, up to EUR 1000 for workers in jobs vital for combatting the crisis),
- Higher advances for farmers benefiting from CAP, etc.

- Support for households and SME via the banking system:
  - Moratorium on SME loans
  - Strengthening of the guarantee fund:
  - Free guarantee and elimination of access fees,
  - Eligible for refinancing operations,
  - Elimination of commissions,
  - Expansion of assets covered,
  - Suspension of the fund's normal operating terms,
  - Limit on the guarantee was raised to EUR 5 million from EUR 2.5 million previously.
  - Volatility adjustment" for insurance companies,
  - Introduction of a counter-guarantee mechanism for banks, insured through la Cassa de Depositi e Prestiti, to increase investment in mid-sized and large companies (EUR 10 billion),
  - Incentive to transform DTA (which is not eligible for capital requirements) into a tax credit (eligible as required capital) to accelerate clean-up of bank balance sheets without having an excessive impact on solvency ratios,
  - Creation of an emergency fund for the entertainment industry, etc.

- Suspension of tax and social security payments and all other fiscal liabilities, with fiscal incentives for cleaning up work spaces and "rewards" for service employees:
  - For the hardest-hit sectors, suspension of the payroll withholding tax, social security contributions, and providential and compulsory insurance premiums,
  - Suspension of tax payments for taxpayers with revenues of less than EUR 2 million,
  - Non-application of withholding tax on self-employed professionals without employees, and with revenue of less than EUR 400,000,
  - Suspension of the fiscal administration's litigation procedures,
  - EUR 100 bonus for all employees with revenue of less than EUR 40,000, etc.

The Italian Government has approved the "CuraItalia" decree (16 March), to counter the negative effects of the Coronavirus on the economy. Total measures amount to €25 billion, about 1.5% of GDP, with 3.5 billion to strengthen the health system, also financing the immediate hiring of about 20,000 health-care professionals.

- 18 March: Italian Prime Minister Giuseppe Conte calls for a European guarantee fund or special "coronavirus bonds" that will help EU states fund necessary health and government policies, a government source told Reuters Italian market regulator Consob introduced a three-month ban on net short positions for all shares traded on the Milan exchange amid the coronavirus-driven market turbulence, according to Reuters;

- 20 March: The Italian government is looking to extend a guarantee scheme protecting banks that lend to companies affected by the new coronavirus outbreak, insiders told Reuters. The new measures would reportedly extend the guarantee to 90% of new loans that banks provided to companies affected by the virus.

31 March: the Italian government extended the country's lockdown until Easter.

1 April: the Italian Treasury is studying the possibility of extending government powers to protect strategically-important companies from being bought out by foreign entities, notably to prevent hostile takeovers of banks and insurance companies, after their share prices plummeted in recent weeks (source: La Repubblica).

- **Spain**

The government of Pedro Sanchez announced Tuesday evening a EUR 200 million plan (18% of nominal GDP), of which EUR 117 bn will be funded directly by the State and EUR 83 bn will be collected via the private sector, mainly the banks. The plan calls for:

- EUR 100 bn in corporate financial guarantees.

- Deferred income tax payments for individuals and VAT and corporate tax payments for SME and the self-employed (for those with sales of no more than EUR 6 million a year).

- An extension of the moratorium on the repayment of household loans, to 4 years from 2 years (this measure aims to protect low-income households).

- EUR 3.8 bn in funding to strengthen healthcare services.

- EUR 2 bn cash injection to support companies in the hardest-hit sectors (tourism, transport and hospitality).

Tuesday's fiscal package strengthens the measures already adopted last Thursday, which were much smaller in scope.

At 31 March:

Rental property: expulsions of vulnerable tenants are suspended for six months. An agreement was also reached to extend contracts that are about to expire by the same time period (vulnerable tenants include the unemployed and those that must accept part-time work, with household revenues of less than EUR 1,613.50 or rent that exceeds 35% of revenues);

- State microcredits will be granted at zero interest with no commissions, repayable within a 6-year period, which can be extended to 10 years;

- Ban on cutting utilities: water and electrical power services to households cannot be cut as long as the national emergency is in effect;

- Household employees and temporary workers: an extraordinary unemployment benefit was created for household workers of up to 70% of their contribution

base. For temporary workers, a subsidy was approved for about EUR 440, or 80% of the IPREM, the public revenue index.

- Extension of the mortgage loan moratorium: the moratorium on the payment of mortgage loans was extended by three months for individuals who lose their jobs or report a loss of revenues.

- Moratorium for the self-employed: 6-month, interest-free moratorium on the payment of social security contributions for May, June and July; social security debt payments are deferred until 30 June.

- Moratorium on consumer loan payments: a 3-month moratorium on consumer loan payments is granted to economically vulnerable households, and can be extended if necessary.

- Pension systems: participants in a pension regime who are unemployed, working short-term (ERTE) or have stopped working due to the COVID-19 crisis can preserve their pension contributions for a maximum not to exceed the amount of lost wages.

- Reimbursement of travel expenses: for package tours that are cancelled, customers will be issued a voucher to be used within a year; unused vouchers can be refunded. Companies in other sectors, like hotels, will have 60 days to make alternative proposals.

- **Belgium**

- Reduce economic losses for companies**:**
  During the 6 March 2020 meeting of the Council of Ministers, the federal government approved a series of measures to support companies and the self-employed who have been hit by the impact of the COVID-19 crisis. Under these measures, companies hit by the crisis can put employees on partial unemployment in order to preserve jobs. The government is also looking for ways to reschedule, postpone or suspend the payment of social welfare contributions, withholding taxes and other corporate and payroll taxes for companies and the self-employed.

- Temporary unemployment due to force majeure:
  Temporary unemployment due to force majeure will be extended by 3 months to 30 June 2020. Temporary unemployment due to force majeure can also be invoked while awaiting recognition of "ailing company" status. Companies need this status to be able to resort to temporary unemployment for economic reasons for their workers. Temporary unemployment for force majeure is recognised within a period of 3–4 days. Given the surge in the number of applications for temporary unemployment benefits due to the coronavirus pandemic as well as measures to limit the dispersion of the virus, the government decided that each person entering into the system would immediately receive an allowance of EUR 1,450 a month, to preserve household purchasing power as best possible.

- Temporary unemployment for economic reasons: temporary unemployment benefits – both for economic reasons and for force majeure – will be increased from 65% to 70% of wages for a 3-month period. The goal is to limit the revenue loss of impacted workers.

- Payment plan for employer social welfare contributions:
  for payments of social security contributions due in the first and second quarters of 2020, hardships pertaining to the COVID-19 crisis will be accepted as a factor for seeking deferred payment terms.

- VAT payment plan: for businesses that can demonstrate their payment difficulties are linked to the COVID-19 outbreak, VAT payments can be rescheduled and penalties will be waived.

- Payment plan for professional withholding tax: under the same conditions, businesses will be able to reschedule professional withholding taxes without being liable for the usual late payment penalties.

- Payment plan for individual and corporate income taxes: for taxpayers who can demonstrate that their payment difficulties are linked to the COVID-19 outbreak, they can request deferred payment of individual and corporate income taxes.

- Reduced social security contributions for self-employed workers foreseeing a decline in revenues: self-employed workers who esteem that their revenues during the course of the year will be lower than those used to calculate their social security payments may request a reduction in their social security contribution.

  Deferred or waived payment of social security contributions for the self-employed. For social security contributions due in the first two quarters of the year 2020, payment can be deferred for a year with no late payment interest fees, or simply waived. In both cases, the individual must demonstrate that payment difficulties are linked to the COVID-19 pandemic. Obtaining replacement income for the self-employed (bridging rights)

- Under the same conditions described above, a self-employed worker whose activity is their main source of business will benefit from bridging rights due to the forced closure of business once this closure lasts over a week. The amount of financial aid is EUR 1,266.37 per month for individuals without family members and EUR 1,582.46 per month for heads of households.

- Flexibility in the execution of federal public contracts: the Federal government will not apply penalties or sanctions on service providers, businesses or the self-employed for all federal public contracts as long as they can demonstrate that the postponed or incomplete project is linked to the COVID-19 crisis.

- Payment deferrals and guarantee system: on the initiative of the ministry of finance and with the support of the National Bank of Belgium, the federal government

reached an agreement with the financial sector. The agreement has two pillars:

- The financial sector pledges to provide viable non-financial companies and the self-employed as well as mortgage holders who experience payment troubles pertaining to the Covid-19 crisis the possibility of deferring payments up to 30 September 2020 at no cost.
- The federal authorities will activate a system of guarantees for all new loan production and credit lines with a maximum duration of 12 months that the banks grant to viable NFC and the self-employed. This will help preserve financing of the economy.
- The total amount of the guarantees is EUR 50 bn.

- **Denmark**

Monetary policy: 13 March: an extraordinary lending facility was set up for weekly lending at -0.5%. Effective as of 20 March 2020 and to be maintained as long as necessary.

1 April: the Danish central bank rejected the idea of launching quantitative easing (QE) on the grounds that it would endanger its foreign exchange policy, which pegs the DKK to the EUR.

Banking supervision: the countercyclical buffer was suspended, effective immediately.

Fiscal policy:

- DKK 2.8 bn was unblocked to support the economy. The target for 2020 government bond issues was raised from DKK 75 bn to DKK 125 bn. The Treasury bond programme was expanded.

- 17 March: Sweden and Denmark announced funding of USD 300 m in guaranteed loans to the Scandinavian airline SAS (14.82% and 14.24% owned by the Swedish and Danish governments, respectively).

- 19 March: the Danish central bank raised its key rate to -0.6% from an all-time low of -0.75% to reduce downside pressures on the Danish krone arising from its euro peg.

- 20 March: The European Central Bank (ECB) and Danmarks Nationalbank have today reactivated a currency arrangement (swap line) and increased the maximum amount to be borrowed by Danmarks Nationalbank from €12 billion to €24 billion. It will remain in place for as long as needed. The purpose of the reactivation is for Danmarks Nationalbank to provide euro liquidity to Danish financial institutions.

- **Finland**

Bank supervision: 17 March: the supervisor lowered the countercyclical buffer with the hope of increasing bank lending capacity by EUR 52 bn.

6 April: The Finnish Financial Supervisory Authority (FIN-FSA) has decided to remove, effective immediately, the systemic risk buffer requirement for roughly ten banks (Nordea Group, OP Financial Group, Municipality Finance Plc, Aktia Bank Plc, Danske Mortgage Bank Plc, Evli Bank Plc, Handelsbanken Finance Plc, Oma Savings Bank Plc, POP Bank Group, S-Bank Ltd, Mortgage Society of Finland Group, Savings Banks Group and Bank of Åland Plc). It also decided to reduce additional capital requirements for other systemically important institutions (O-SII).

Fiscal policy: 16 March: a working group was formed to propose labour market support measures; 20 March: the government is scheduled to discuss the amount to be allocated to crisis management, which should include EUR 5 bn in support measures for companies.

1 April: effective immediately, the Bank of Finland decided to lower the minimum threshold for credit claims on domestic usage to EUR 25,000. Credit claims must meet this threshold at the time of their submission as collateral.

- **Sweden**

Monetary policy:

16 March: Riksbank announced the purchase of an additional SDK 300 bn in securities for the year 2020.

13 March: Riksbank released SDK 500 bn (USD 51 bn) in interest-free loans to Swedish companies via the banks.

The central bank governor is prepared to take bigger monetary easing measures if necessary.

23 March: Riksbank will place SEK 400 bn at the disposition of banks in the form of loans (with a rate equivalent to the repo rate: 0%, with a 2-year maturity) to encourage them to increase lending to businesses. The operation will take place between 27 March and 17 April.

6 April: The Riksbank will offer further loan opportunities as part of its programme for corporate loans. At the same time, the programme is being extended to include onward lending to sole proprietors. In practice, the Riksbank intends to offer on a weekly basis starting on 20 April loans of SEK 50 bn to monetary policy counterparties and temporary monetary policy counterparties (i.e. banks under FSA supervision that have signed a special agreement) against collateral. This will continue until the total scope of the programme, SEK 500 bn, has been lent, or until the Riksbank assesses that there is no longer a need for the loans. This does not exclude the possibility that, if necessary, the Riksbank could increase the scope of the programme to an amount greater than SEK 500 bn.

Fiscal policy:

16 March: the Swedish government announced a package of support measures totalling SDK 300 bn (USD 31 bn), including the cost of all sick leave reported by companies in the months of April and May.

The government is also offering companies the possibility of deferring tax and VAT payments retroactively, for all of the year 2020. This measure alone is expected to cost SDK 300 bn.

The Swedish government announced that loan guarantees of a maximum of SDK 5 bn (USD 504 m) would be granted to

the airline companies, including SDK 1.5 bn to the Scandinavian airline SAS.

30 March:

The Riksbank announced Friday that it intends to purchase covered bonds of SEK 20 bn (USD 2.01 bn) next week, and that it would make new purchases of government and mortgage bonds for a total of SEK 35 bn by the end of April.

The Swedish government authorised the Debt Office to establish state loan guarantees to cover up to 70% of the credit risk of companies financially impacted by the Covid-19 pandemic.

Under the scheme, the Debt Office will provide guarantees to the banks which, in turn, issue guaranteed loans to companies. The firms making use of the guarantees can apply for loans of up to SEK 75 million (USD 7.5 million).

The government will temporarily boost the country's unemployment benefits under a new measure to ease the economic impact of the Covid-19 pandemic.

Banking supervision:

19 March: the Swedish bank supervisor recommends that banks cancel their dividend payouts.

April 2: the Swedish Financial Supervisory Authority (FSA) announced that it is suspending the rules requiring banks to demand mortgage repayments from borrowers, in order to limit the economic impact of the Covid-19 pandemic. In June 2016, the FSA introduced mandatory mortgage repayment rules that forced new borrowers to reimburse 1-2% of their loans each year. In 2018, it tightened the rules to force very large borrowers to pay off 3% a year. The exemption to the rules will apply through the end of June 2021.

7 April: the Swedish National Debt Office has decided, effective immediately, to extend the phase-in period for banks to meet MREL with own funds and subordinated liabilities to 2024 (from 2022).

- **Greece**

20 March: Greece's bank association said lenders will offer a three-month suspension on loan repayments to individual borrowers significantly hit by the coronavirus crisis.

- **Hungary**

All corporate and individual debt payments are suspended through the end of the year. Targeted reduction of social security contributions for the hardest hit sectors (tourism, services). Other measures will follow.

6 April: A second fiscal stimulus package was launched. According to Prime Minister Orban's announcement, these measures could amount to a cumulative total of 18-20% of GDP, including only 1.7 points of GDP with the impact on the fiscal deficit.

The measures included HUF 2 trillion in subsidized loans (4.5% of GDP, but the fiscal cost is limited to the subsidy that reduces the interest rate) and measures to support short-term work (estimated at HUF 450 bn, or 1% of GDP).

7 April: The central bank announced several measures:

- It raised the ceiling on its interest rate corridor (overnight and 1-week collateralised rates) from 0.9% to 1.85% and adopted a symmetrical corridor (the overnight deposit rate and one-week deposit rate were held at -0.05% and 0.9%, respectively). Henceforth, each week the central bank will set the one-week deposit rate which will be allowed to deviate above or below the base rate within the interest rate corridor. Monetary policy could be tightened temporarily if necessary, notably to support the exchange rate.

- It launched a government security purchase programme in the secondary market to maintain stable liquidity and to relaunch its mortgage bond purchase programme to improve the long-term supply of funding to the banking sector.

- It also launched the "Funding for Growth Scheme Go!" (FGS Go!) for HUF 1,500 bn (3.3% of GDP) to provide financing to SME at attractive interest rates.

- HUF 200 bn will be available for corporate bond purchases (but this is not a new programme).

- **Iceland**

Monetary policy: 13 March: the central bank lowered its 7-day deposit rate by 50 bp to 2.25%; 18 March: the central bank lowered its 7-day deposit rate again, by 50 bp to 1.75%.

8 April: the central bank announced the establishment of a temporary credit facility to offer collateralised loans to Icelandic banks.

Fiscal policy: an additional ISK 40 bn in Treasury bonds will be issued in Q2 2020.

- **Poland**

- PLN 212 bn (EUR 57 bn) in financing for partial unemployment measures, deferred payment of social security contributions by companies, as well as additional spending on infrastructure and healthcare.
- The key rate was lowered by 50 bp to 1%. Poland's central bank stated that it would boost bank liquidity (repos) and the sovereign bond market (securities purchases), without providing further detail.
- 8 April: The Polish central bank lowered its key rate by 50 bp to 0.5% (following an initial key rate cut on 17 March). The government also announced an additional PLN 100 bn (4.2%) of spending to help companies, with the goal of protecting 5 million jobs according to the Prime Minister.

- **Portugal**

18 March:

- Portuguese lenders are in talks with the government to create a debt-relief scheme for households and businesses hurt by the virus outbreak.
- Fiscal stimulus of EUR 9.2 bn (4% of GDP), including:

- EUR 3 bn in bank guarantees, a third of which are reserved for SME;
- EUR 5.2 bn due to the deferred payment of income taxes and social security contributions,
- reimbursement of wages up to 2/3 of the total wage.

19 March:

- Portugal rolled out a stimulus package worth EUR 9.2 bn to support its economy, including EUR 1 bn in payments to people and €3 billion in state-backed guarantees.

- Portugal's fiscal package is currently relatively small. The country is only in the early stages of the epidemic, with only 448 confirmed cases of COVID-19 reported so far. A much more ambitious stimulus package is expected to be launched in the days ahead.

27 March:

- A presidential decree set the ground for the new conditions of debt moratorium establishing the postponement of up to six months for the payment of corporate and housing loans. The measure entails nearly EUR 20 million in payments and it is only valid for customers whose payments are in regular situation.

- In addition, the communiqué of the Council of Ministers states that, "*in order to support the maintenance of jobs and avoid dismissals for economic reasons,*" the law (which has been known as simplified layoff) *"stipulates that during the period of reduction or suspension, as well as in the 60 days following its application, the employer may not terminate employment contracts, through collective dismissal or by termination of the job, in relation to the workers covered by the support measures"*.

- **Czech Republic**

Key policy rates were cut on two occasions, by 50 bp and 75 bp, to 1%.

- **Romania**

- A programme amounting to 2% of GDP covers partial unemployment measures, guaranteed corporate loans and deferred payment of corporate taxes due over the next two months.

- The key central bank rate was lowered by 50 bp to 2%.

- **The United Kingdom**

- The government launched a GBP 12 bn Coronavirus Emergency Plan, including GBP 5 bn for the National Health System. These emergency funds are on top of the GBP 18 bn in additional expenses already incorporated in the budget, which brings the total amount to GBP 30 bn (1.4% of GDP).
- In addition to targeted loans from the BoE, SME should also benefit from deferred liabilities and public guarantees on liquidity loans.

- COVID-19 Corporate Financing Facility (CCFF): under this facility, the BoE will purchase commercial paper to finance the working capital requirements of companies (payroll, rent, suppliers…). Maturities: 1 week to 12 months: OIS + spread *"close to that prior to the crisis"*.

- 30 March: the BoE will continue its *Contingent Term Repo Facility* (CTRF) in April;

- 31 March: the Prudential Regulatory Authority (PRA) also urged banks not to distribute dividends.

- April 2: the Financial Conduct Authority (FCA) proposed a new set of measures to limit the economic impact of the Covid-19 pandemic: 1) set out the FCA's expectations on companies to offer a temporary freeze on consumer loan and credit card payments where consumers encounter financial hardships as a result of the Covid-19 pandemic, for up to three months; 2) ensure that for customers who have been financially impacted by Covid-19 and already have an arranged overdraft on their main personal current account, up to GBP 500 will be charged zero interest for up to three months; 3) require companies to make sure that all overdraft customers are no worse off on price when compared to the prices they were charged before the recent overdraft changes came into force; and 4) ensure that consumers using any of these temporary measures should not have their credit rating affected because of this. These measures are still under review.

- 2 April: the BoE will increase the amount of corporate bond purchases from GBP 10 bn to GBP 20 bn as part of quantitative easing (QE), starting 7 April.

- 8 April: The UK financial regulator will allow London-listed companies to raise emergency funds from shareholders. The measures encourage the use of simplified investment prospectuses, relax the rules on disclosures included therein, and enable investors to approve more share issuance without a meeting.

- The BoE eased the bad loan provisioning requirements for credit unions, which are member-owned, neighbourhood financial co-operatives providing loans and savings to typically less well-off consumers. The relief measure takes effect immediately and is applicable through 1 January 2021.

- 9 April: The UK regulation authority maintained the Systemic Risk Buffer (SRB) rates at the rate set in 2019 and will reassess them again in 2021. Any decision on SRB rates taken in December 2021 would take effect from January 2023. The measure aims to give lenders greater certainty over their future capital requirements. The decision only applies to the big banks.

- 9 April: the UK government has asked the BoE to temporarily raise the ceiling on the Ways and Means account, the government's overdraft facility with the BoE. The W&M facility was already increased during the 2008 crisis, to briefly approach GBP 20 bn (vs GBP 370 m in general). It provides the government with funding without systematically resorting to the markets. Any drawings must be repaid as soon as possible before the end of the year.

- **Slovakia**

The government announced a stimulus plan amounting to EUR 1 bn a month (the amount will increase in keeping with the duration of the economic freeze due to the Covid-19 pandemic), including the coverage of 80% of the normal wages of short-term employees, and the deferral of social security contributions for companies that have lost more than 40% of revenues. Loan guarantees will also be offered for a total of up to EUR 500 m a month.

- **Slovenia**

The government announced a EUR 1 bn stimulation plan (about 2% of GDP), including:

- EUR 600 m from the SID Banka financial mechanisms, which would provide more than EUR 200 m.
- EUR 115 m allocated to small and mid-sized enterprises by the Slovenia business fund.
- EUR 51 m will be paid to companies to help finance temporary unemployment (the State will cover wage compensation up to 40%).

European countries outside EU

- **Norway**

Monetary policy:

Norges Bank lowered its key rate by 50 bp to 1%. The central bank will also boost liquidity by offering 3-month loans to banks.

Norges Bank increased purchases of Norwegian kroner from NOK 500 m (EUR 49 m) to NOK 1.6 bn (EUR 137 m) a day.

18 March: Norges Bank's Guidelines for pledging securities for loans from Norges Bank (Circular 1/2016) will be temporarily revised. The changes take effect immediately:
- The required minimum outstanding volume of securities in NOK issued by a private entity is reduced to NOK 100 million.
- The required minimum outstanding volume of securities in foreign currency issued by a private entity is reduced to the equivalent of EUR 50 million.
- For securities other than Norwegian government securities, the maximum limit of 20 percent of the issue's (ISIN) volume outstanding is removed There is no upper limit on the collateral a borrower can pledge per ISIN.
- Securities in NOK guaranteed by local government authorities are exempt from the credit rating requirement.

19 March: Norges Bank will offer extraordinary F-loans with a maturity of one week, one month, three months, six months and twelve months.

19 March: Norges Bank allocated NOK 7.95 bn in exceptional loans to banks as part of a new 12-month programme.

20 March: Norges Bank cut its key rate by another 0.25% (after cutting its key rate from 1.5% to 1% on 13 March).

30 March: Norges bank intends to increase its issuance of government bonds this year to between NOK 70 bn and NOK 85 bn, from NOK 55 bn initially, to finance loans the government is offering as emergency funding to companies financially impacted by the Covid-19 pandemic;

Bank supervision:

A recommendation was addressed to the Finance Minister to reduce the countercyclical buffer from 2.5% to 1%, effective immediately.

25 March: the bank supervisor recommends that the government should not allow banks to pay dividends for the time being.

Fiscal policy:

15 March: the Norwegian government pledged to provide NOK 100 bn (EUR 8.5 bn) in funding to Norwegian companies in the form of loan guarantees (NOK 50 bn) for small to mid-sized companies, and NOK 50 bn in bond issues for the big bond-issuing companies.

Negotiations are underway between the ministry of industry and transport and the airline companies to release funding.

- **Russia**

In compliance with the fiscal rules in effect, sovereign funds will be used to ensure the stability of fiscal revenues.

- **Turkey**

- The key rate was cut by 100 bp to 9.75%.
- Central bank measures included:
  - Unlimited support for bank liquidity.
  - 500 bp reduction in the required reserve ratio on foreign currency deposits (which freed up USD 5.1 bn).
  - A 90-day extension on the maturity of corporate debt (rediscounted) maturing between March and June (USD 7.6 bn).
  - Extension of maximum maturities on new rediscounting operations (from 120 to 240 days, for example, for short-term operations).
- The central bank expanded its economic support measures:
  - Government debt would be purchased to cover the additional needs of the unemployment insurance fund (amounts not specified).
  - The list of collateral eligible for TRY or foreign-exchange operations will be expanded to include ABS and MBS.
  - Swap lines (125 bp below the repo rate) will be offered in USD, EUR or gold with a 6-month maturity,

in addition to the 3-month and 1-year maturities introduced on 17 March.
- Allocations to credit lines to finance export companies will be increased (TRY 60 bn, the equivalent of just under USD 10 bn).

- **Ukraine**

- The key rate was cut by 50 bp to 10%.
- A wheat export quota was introduced.
- Two laws were adopted on banking and land reform ahead of an IMF agreement (probably for USD 8 bn).
- A budget was presented (but has yet to be adopted) calling for a deficit of close to 7% of GDP. The finance and health ministers were removed from office, illustrating the persistently high level of political instability.

Asia

- **China**

(Total GDP in 2019 = rounded to RMB 100 trn = USD 14.3 trn)

Two main goals:

- Bring immediate support for corporates, to prevent bankruptcies and defaults, and limit instability risks in the financial sector.
- Stimulate activity to encourage a rapid rebound. The most recent announcements show that the second objective is increasingly important for Beijing, which is asking local governments to help. Further stimulus measures are expected in the coming weeks/months, on all fronts.

Monetary policy:

- Interest rate cuts: moderate so far (MLF rate: to 3.15% from 3.25% end-2019/Loan prime rate: to 4.05% from 4.15% end-2019);
- Short-term liquidity injections to respond to demand;
- Reduction in Reserve Requirement Ratios = targeted cut of -50/200 bp on March 16th for some banks (release of RMB550bn in funds to be used for lending to enterprises hit by the COVID-19). There are different RRRs in the banking sector (RRR for largest banks = 12.5% before the latest cut);
- Relending programme (RMB700bn): to support SMEs and enterprises directly hit by the COVID-19;
- Special loan programs by policy banks (RMB 350 bn) for private enterprises and SMEs;
- “Window guidance”/Directives given to banks to help corporates, to refinance and give delays for loan repayments;
- Loosening of risk-management rules for banks. At the same time, rules to tighten supervision of shadow banking remain in place;
- Loosening of rules for corporate bond issuance and share sales in local markets.

Fiscal policy:

- Public investment: Quotas for local government domestic bond issuance has been increased: new LG bond issuance allowed, to be injected mostly in infrastructure projects = RMB 850 bn (in addition to the RMB 1 trn initially allowed for 2020). The stimulus plan relying on public investment will be expected to gain greater importance in short term;
- Fiscal spending to support the health sector (RMB 110 bn to start);
- Direct support for enterprises: temporary tax exemptions, social security exemptions (RMB500bn), electricity tariff cuts (by 5%);
- Tax cuts to support corporate investment and household consumption: a few incentives so far, likely to expand in the coming weeks.

Some examples of local government measures:

- Urban land use cost-cuts;
- Consumption vouchers.

- **South Korea**

The government announced a series of support measures for:

- SMEs;
- Sectors that were hit hardest directly (retail trade and tourism);
- Job support measures (generalisation of partial unemployment, compensation for companies whose employees are unable to come to work because they must take care of their children at home);
- Household consumption (via various tax cuts, on new car purchases, for example, and “culture vouchers” to support movie theatres and performing arts centres, etc.).

New measures will probably be announced over the next several days.

16 March: the central bank held an emergency meeting during which it decided to lower the key rate by 50 bp to 0.75%.

- **Hong Kong**

Hong Kong will have a second year of recession in 2020. No autonomous monetary policy (HKD peg to USD). But huge fiscal stimulus package = HKD 120 bn, or 4.1% of GDP, for fiscal year 2020-21 (vs. package of HKD 36 bn in FY2019-20). The HK government has the resources to fund the package (its fiscal reserves = 40% of GDP).

Measures:

- HKD 10000 cash handout to every adult permanent resident (spending= HKD 71 bn).

- Tax rebates and utilities subsidies.

In 2019-20, Hong Kong will have its first fiscal deficit in 15 years (1.3% of GDP).

For 2020-21, the deficit is projected at 4–5% of GDP.

- **India**

Swap and open market operations were launched to face up to USD and INR liquidity squeezes. No key rate cuts have been made yet. No fiscal measures have been announced.

Announcement of a 1.7 trillion rupee economic stimulus plan (0,8% du PIB) that will be released through direct cash transfers and food security measures aimed at giving relief to millions of poor hit by the nationwide lockdown in the country.

- **Indonesia**

- IDR 120 trillion (0.8% of GDP) to support business activity and suspend corporate taxes.
- 19 March: the central bank lowered its key rates by 25 bp to 4.5%.
- 23 March: the Indonesian government asked parliament to raise the budget deficit ceiling currently set at 3% of GDP so that it can stimulate the economy. All of the measures announced so far amount to 1% of GDP.

- **Japan**

7 April: The Prime Minister declared a health and economic state of emergency.

The government adopted a stimulus package of JPY 108 000 bn (about USD 1000 bn), equivalent to 20% of Japan's GDP, which is nearly twice as big as the stimulus plan launched during the 2008 crisis.

The stimulus calls for fiscal spending of JPY 39,500 bn and direct aid to struggling households and SME. The remainder of the stimulus includes financing support for companies and deferred tax and social security charges.

- **Kazakhstan**

The key policy rate was raised by 275 bp to bolster the tenge (KZT) against depreciation at the same time as the drop in oil prices (10 March) and the easing of prudential banking regulations (16 March). It also announced preferential rate loans to companies for a total of USD 920 million (0.5% of GDP).

- **Malaysia**

- 3 March: key rates were lowered by 25 bp.
- A new government was just formed.
- 24 March: announcement of a fiscal stimulus package of USD 4.8 bn (1.3% of GDP).

- **Philippines**

The key rate was lowered by 25 bp to 3.75% at the latest monetary policy meeting in early February.

Fiscal policy: the government announced a modest plan of PHP 27 bn (0.2% of GDP) comprised of additional healthcare spending, protective measures for the most vulnerable workers, and support measures for the tourism and agriculture sectors.

- **Singapore**

A plan amounting to 1.3% of GDP was launched including support measures for the sectors hit hardest by the COVID-19 pandemic, tax cuts and greater spending in the healthcare sector.

18 February: The government announced its first stimulus plan of USD 4.4 bn. It was geared notably towards supporting five sectors hit hardest by the pandemic: tourism, aviation, retailing, food and transport.

19 March: MAS announces a USD 60 bn swap agreement with the Fed to support the banking and financial system (for the next 6 months).

26 March: The government launched its second economic stimulus plan of USD 33.2 bn. For the first time since 2009, Singapore drew on its reserves to finance the plan (USD 11.78 bn).

30 March: At the monetary policy committee meeting (moved forward to 30 March), MAS reduced the slope of the effective SGD exchange rate fluctuation band to 0% (which should depreciate the local currency).

31 March: MAS, in collaboration with Singapore banks and insurance companies, announced a pack of support measures for SME and households (short-term reduction in payments, insurance maintained despite financial hardships).

6 April: The government launched a third stimulus plan of USD 3.6 bn. This new package is comprised of wage subsidies, exoneration from rent payments and a cash pay-out of USD 417 to each adult. All in all, the cumulative total of the three stimulus plans is USD 42 bn, or about 12% of GDP.

8 April: the Monetary Authority of Singapore (MAS) announced a SGD 125 m support plan for financial institutions and FinTech companies.

- **Taiwan**

- Impact of COVID-19 moderate so far, sanitary crisis well managed since the very beginning.
- Fiscal/monetary policy stance already loose before the virus outbreak.
- Small fiscal package, aimed at helping industries hit by COVID19 (0.3% of GDP).
- 19 March: small cut in policy rate (-25 bp to 1.125%).

- **Thailand**

- A fiscal stimulation plan was launched, the main measures of which are geared towards SME and the sectors hit hardest by the COVID-19 crisis (mainly tourism). The key rate was cut by 25 bp to 1% at the latest monetary policy committee meeting in early February.

- 20 March: policy rate cut from 1.00% to 0.75%.

- **Vietnam**

- 3 March: The government announced a fiscal stimulus package totalling USD 1.16 bn (VND 27 trillion) which corresponds to 0.5% of GDP. So far the stimulus has not been officially implemented.
  The government issued a decree allowing businesses affected by the Covid-19 crisis to defer VAT payments (USD 970 m) and rent (USD 190 m) until June. Moreover, public-private partnership projects for the construction of roadway infrastructure will be transformed into public investments.

- 13 March: the government allowed banks to defer loan payments, authorise deferred payments of capital and interest, reduce or forego transaction fees and payments and to grant new loans to companies affected by the Covid-19 crisis via preferential credit lines (which could amount to USD 12.3 bn).

- 17 March: the State Bank of Vietnam (SBV) cut its refinancing rate by 100 bp to 5%. The central bank also lowered the discount rate by 50 bp to 3.5%. These decisions were in keeping with the Fed's policy to lower interest rates.

Latin America

- **Argentina**

Measures aimed at preserving labour and household income:

- Labour tax exemptions for economic sectors acutely affected by the shock, including leisure, tourism and transport, but also companies facing supply chain problems.
- Widening of specific programs already in place to protect labour.
- Increase in unemployment benefits.

Measures aimed at protecting population groups considered vulnerable:

- Extraordinary one-off payment for people already receiving specific social subsidies and low pensions;
- Postponement of maturities of debt due to Anses (April & May) for pensioners and people receiving social subsidies.
- Increased supply of food in public facilities.

Public investment:

- The public works budget is increased by ARS 100 bn (0.4% of GDP)
  - Relaunching of state-sponsored loans for construction of new houses or works in already existing homes.
  - Price controls: maximum prices will be imposed on specific goods (including food, hygiene, pharmaceutical and medical supplies) for at least 30 days. Prices will be set at levels prevailing on March 6, 2020. Industries will be asked to temporarily increase production to face the current increase in demand.
  - Financing for productive sectors: ARS 350 bn (1.3% of GDP) will be devoted to guarantee production and supply of basic goods.

- New financing line worth ARS 320 bn for working capital at subsidized rates (26%) for 180 days to be provided by banks.

- ARS 25 bn in new financing from Banco Nacion for specific economic sectors.

- Two other smaller financing lines for companies implementing "work from home" initiatives and for industrial infrastructure.

- Publicly sponsored plan for subsidised financing of consumer goods.

- Restrictions on exports of medical supplies.

- New program to encourage production of medical supplies.

- Reimbursements to exporters of industrial goods will be accelerated.

- **Brazil**

Monetary policy:

- 16 March: Relax banks' capital requirement (by BRL 56 bn): expected to free up a potential BRL 637 bn for lending. Relax banks' loan loss provisions requirements for the next 6 months: enable banks to offer increased loans and better terms (e.g. extend maturities when refinancing) on BRL 3.2 trillion (around USD 640 bn) worth of corporate and household loans.

- 18 March: BCB cuts rates by 50 bps to historical low 3.75%. Complement lowering of banks' reserve requirements last week. FX intervention: BCB sells USD 830 m in 2 rounds of spot FX intervention as part of USD 3 bn intervention announced last week (BRL has lost ~25% YTD against USD). Bond market intervention: announced program to be carried out with Treasury to repurchase dollar denominated sovereign bonds held by Brazilian banks worth around USD 31 bn.

Fiscal policy:

- 17 March: BRL 147.3 bn package (around 2% of GDP) (around USD 30 bn at current exchange rate) Note: only an estimated BRL 32 bn (around USD 6.5 bn) of package will require new resources; BRL 83.4 bn (around

USD 17 bn) aid directed to vulnerable populations including elderly and poor people.

- Advancing Christmas bonuses for pensioners, second instalment of the 13th salary to the month of May to be paid to retirees and pensioners.
- Transferring unclaimed funds from social security contributions to Brazilians' unemployment insurance fund (FGTS); basically salary bonuses.
- Adding an additional 1 million Brazilians to Bolsa Familia income distribution program (BRL 3.1 bn).
- BRL 59.4 bn (around USD 12 bn) in incentives/temporary tax breaks to protect jobs
- Suspension for three months of Simples Nacional tax (affecting 4.9 million companies) = temporary waiver of ~BRL 22.2 bn. Payment of the tax will be postponed to H2-2020.
- Release of BRL 5 bn from the Worker's Support Fund (FAT) passed on to public banks to provide loans/working capital to micro, small and medium companies.
- BRL 4.5 bn (~USD 900 mn) in measures to combat the pandemic.
- Import tariffs reduced to zero for medical-hospital related products.
- Temporary exemption from IPI (tax on industrial products) for goods produced domestically or imported, that are necessary to combat Covid-19.

- 18 March: Announcement that domestic airlines' debt will be renegotiated (no further details).

- Support for 18 m informal and self-employed workers: BRL 15 bn (~USD 3 bn, 0.2% of GDP) over the next four months in the form of "corona-voucher" (will only be possible if Congress declares state of emergency to suspend deficit target).

- **Chile**

- A stimulus package was announced last night (5% of GDP). The announced measures are similar to those in other countries: support for the healthcare sector, job protections and support for SME.

- The central bank also announced that it was cutting its key policy rate by 75 bp to 1%. An emergency credit line was also opened for SME and measures were announced to provide banks with liquidity. Peru announced similar measures.

- **Colombia**

Monetary policy:

18 March:

- Provide more liquidity to the market, both in pesos and dollars (includes measures taken on 12 March).

- Central Bank will auction swaps for USD 400 m and extended eligibility to pension fund and severance fund management companies.

- Extended access to repos auctions and discount window to money market funds managed through their managers (trust companies, brokerage firms, and investment management companies).
- Extension of terms on liquidity operations (repos) using private debt securities as collateral from 30 to 90 days and of repos with public debt securities from one day to 60 days.

- Increased the allotment of auctions for private debt instrument backed repos from COP 5 trillion (~USD 1.2 bn) to COP 8 (~USD 1.9 bn); For public debt repos and from COP 12 trillion (~USD 2.8 bn) to COP 17 trillion (~USD 4bn).

- New mechanism of FX hedging through use of USD 1 bn in the form of 1-month non-deliverable forwards (NDFs)
- No decision on policy rate. Remains at 4.25% (to protect currency which has lost ~15% in a week).

Fiscal policy:

18 March:

- Package of ~USD 15 bn (~4% of GDP) (Note: no recourse to market funding as USD 12.1 bn will come from Saving and Stabilization Fund; USD 2.7 bn from national pension fund of local authorities).

- Max of USD 48 bn could be used from the state coffers to control economic impact of COVID-19 (maybe revised given current price of oil; for every dollar drop in price of oil barrel, government loses between USD 300 m and USD 400 m).

Amongst the 10 initiatives presented:

- Refund of VAT to one million families in April this year.

- Additional transfers will be made to Families (2.6 mn households, ~200k low-income youth and ~500k elders.

- Financial relief for households, SMEs and large companies facing financial difficulties. Refinancing scheme for a period of 2 months.

- Guarantees on lines of credit to help small companies protect payroll and reduce risks of massive layoffs.

- Eliminate VAT for health equipment import necessary in order to treat and combat the COVID-19 crisis.

- Reconnect homes previously cut off from water grid for unpaid utility bills;

- Spending to fight the pandemic (increase budget of the health ministry to buy medical equipment + increase testing capacity).

- **Ecuador**

- The government announced new credit lines of USD 80 m from CAF, the development bank of Latin America, BID, the inter-American development bank, and the World Bank for the procurement of hospital equipment and to improve healthcare infrastructure.

- The president announced loan payment restructuring with the public bank, the 3-month suspension of employer charges, the possibility of debt restructuring with the private financial sector (60 days), and the deferral of corporate tax payments (60 days for businesses). Fitch downgraded Ecuador's sovereign rating to CCC.

- **Paraguay**

The key rate was cut by 50 bp to 3.25%. No fiscal measures have been announced yet.

30 March: the central bank announced:

  - Another 100 bp key rate cut to 2.25%, bringing the total decline to 175 bp since the beginning of the crisis, the region's largest adjustment.
  - Facilidad de Crédito por Desencaje (FCD): legal reserve requirements were reduced to free up as much as USD 740 m in liquidity.
  - Facilidad de Crédito Especial (FCE): an exceptional liquidity injection for financing institutions for a total of USD 760 m.

- **Peru**

The country declared a national health emergency. The measures announced so far are very small in scope and are primarily geared towards helping the medical sector. It is too early to speak of a stimulus plan.

North Africa & Middle East

- **Bahrain**

One-week deposit rate cut by 75 bps. The Ministry of Finance announced a funding package of BHD 4.3 bn (USD 11.4 bn – 30.1% of GDP) that mainly includes include covering electricity and water payments for individuals and companies for three months starting in April.

- **Egypt**

Egypt extends support to industries topped by energy price revisions.

Egypt's government introduced a set of measures on 17 March 2020 to support its economy, namely:

- Unifying and reducing natural gas price for industrials to USD 4.5/mmbtu.

- Reducing electricity prices for heavy and medium industries by EGP 0.10/kWh to GP 1.08/kWh.

- Maintaining electricity prices for other industries at their current level for 3–5 years.

- Allocation of EGP1 bn for exporters during March and April 2020 to repay overdue subsidy payments, in addition to another 10% to be disbursed in cash in June.

- Delaying real estate tax payments for factories and tourist facilities for a 3-month period.

- Imposing a number of stock market regulations topped by exempting non-residents from the capital gains tax permanently.

- Lifting administrative seizure on all taxpayers in return for payment of 10% of due tax payments and settling their tax dispute cases. For a detailed comment, refer to our strategy note published 18 March 2020. The cost of the measures is estimated at 2% of GDP.

The Monetary Policy Committee (MPC) decided in an extraordinary meeting, held 16 March 2020, to cut the overnight deposit, lending, and the rate of the main operation by 300 basis points to 9.25%, 10.25%, and 9.75%, respectively. The discount rate was also cut by 300 basis points to 9.75%. Decline in debt servicing estimated at 0.1% of GDP in FY2020 (ending June 2020) and 0.3% in FY2021. This is a very random estimate given the incomplete transmission of CBE rate cuts to T-bills.

Amer also said the central bank is extending the tenor of all bank loans for a period of six months. The extension applies whether the facility is held by an SME, a large corporation or an individual borrower.

Egypt slashed its policy overnight deposits rate by 300 bps on Monday to soften the likely economic slowdown linked to COVID-19. A strong pick up in lending activity is highly unlikely in the current circumstances but, on the plus side, it allows the government to issue new debt at lower rates.

A further EGP 6 bn (USD380m) was announced on Sunday to counter the COVID-19 economic impact. The government has already allocated funds to support the private sector, including:

- EGP 100 bn in 10% subsidised loans to the industrial private sector.

- EGP 50 bn provided by the central bank to support affected hotels.

- EGP 20 bn share purchase program by the central bank to slowdown the stock market sell-off. EGX 30, the main stock market benchmark, lost nearly 4,000 points since the onslaught of the pandemic.

- 14% annual raises for pensioners, starting in July (i.e. the new fiscal year, 2020/2021).

- EGP 27.6 bn to be disbursed to 2.4m families.

- **Israel**

The Bank of Israel will purchase government bonds totalling NIS 50 billion, in order to ease credit conditions and support economic activity.

Israeli Prime Minister Benjamin Netanyahu said the government will expand an aid package to help the country deal with the coronavirus outbreak by 6 billion shekels to a total of 10 billion shekels (USD 2.8 billion). Of that, 8 billion shekels will be in a fund to provide cheap loans to businesses. Another 1 billion shekels will boost the health system by increasing medicine stocks and preparing hospitals to receive a larger number of patients. The final billion will be earmarked for needs such as the police force.

The government has already pledged to establish a 4 billion- shekel credit line for banks to lend money to businesses facing a cash crisis with government guarantees.

- **Kuwait**

Kuwait passed a bill to increase budget of ministries by KWD 500 m (USD 1.6 bn – 1.2% of forecast GDP) for FY 2020/21 to accommodate extra spending linked to the COVID-19 outbreak. Discount rate cut by 100 bps to 1.50%.

- **Oman**

- The central bank announced that it was preparing to inject OMR 8.0 bn (USD 20.8 bn) into the banking system to boost liquidity. It also instructed banks to cut fees, adjust capital and credit ratios and allow repayment postponement for up to six months – especially for SMEs. Local banks were also encouraged to facilitate lending to sectors affected by COVID-19 such as healthcare, travel and tourism.

- The finance ministry has cut the budget to government agencies by 5% in 2020.

- **Qatar**

- Repo rate cut by 50 bps to 1.00%.

- 15 March: Qatar's Supreme Committee for Crisis Management (SCCM) announced a USD 23 bn stimulus package (12% of GDP), which includes the exemption of all medical and food products from customs duties for the next six months, and reduces land-use fees for companies.

- **Saudi Arabia**

Saudi Arabia stimulus plan:

- SAR 50 bn (USD 13.3 bn) under the Private Sector Financing Support Program => about 1.5% of GDP.

- Depositing an amount of about SAR 30 bn for banks and financing companies to delay the payment of the dues of the financial sector (banks and finance companies) from SMEs for a period of six months as of its date.

- Providing concessional finance of about SAR 13.2 billion for SMEs by granting loans from banks and finance companies to the SME sector.

- Depositing an amount of SAR 6 billion for banks and insurance companies to enable insurance entities (banks and insurance companies) to relieve SMEs from the finance costs of KAFALA Program for the purpose of minimizing finance costs for entities eligible to utilize from those guarantees during the Fiscal Year 2020 and support finance expansion.

- The government has agreed to cut SAR 50 bn (USD 13.3 bn) in budget spending, representing under 5% of total budgeted expenditure for the year.

- The Ministry of Finance also announced a SAR 70 bn (USD18.6 bn) in support for the private sector, complementing a SAR 50 bn package that was announced by the central bank – SAMA – last week. The finance ministry's package comes in the form of exemptions and postponements of government fees.

- Repo cut by 75 bps to 1.00%.

- **United Arab Emirates (UAE)**

UAE stimulus plan:

- AED 100 bn (USD 27 bn – approximately 7% of GDP).

- AED 50 bn in collateralised loans at zero cost to all UAE-based banks.

- AED 50 bn from regulatory capital buffers will be freed-up to boost lending capacity.

- Local banks are offered relief for up to six months from the payments of principal and interest on outstanding loans for companies and retail customers affected by the impact of COVID-19.

- All banks will be allowed to tap into a maximum of 60% of the capital conservation buffer, and, additionally, banks designated as systemically important by the CBUAE will be able to use 100% of their additional capital buffer for systemic importance.

- To facilitate greater access to financing, the CBUAE reduced the amount of capital banks have to hold for their loans to SMEs by 15 to 25%.

- Improved mortgage terms for first-time home buyers – the loan to value (LTV) ratio was raised by 5% for those wishing to purchase property.

- Banks will be allowed to increase their exposure to real estate loans. The CBUAE statement said that *"when the exposure reaches 20% of the banks' loan portfolio (measured by risk-weighted assets), banks will be allowed to increase it to 30%, but will be required to hold more capital"*.

- Reduced banking fees for small companies.

One-week certificates of deposit rate cut by 75 bps, repo was left unchanged at 1.50%.

The government approved an additional AED 16 bn (US 4.3 bn) in stimulus funding to support SMEs and expedite infrastructure works, bringing the total to counter the COVID-19 impact on the economy to AED 126 bn (approximately 8.7% of GDP) .Following central bank guidelines, local banks

will reschedule or delay loan payments, reduce instalments and cur or reduce fees to six priority sectors: Aviation, hospitality, healthcare, retail, event management, consumer goods and education. These measures will be implemented initially for three months, starting 1 April to 30 June.

- **Algeria**

The central bank cut its key rate by 25 bp to 3.25% and the required reserve ratio from 10% to 8%.

23 March: the government is targeting a 30% reduction in public expenditure in 2020.

- **Morocco**

- 12 March: creation of a supervisory committee under the ministry of the economy and finances and a MAD 10 bn fund (8% of GDP) for the "protection of the health of citizens and to support the national economy."
- Morocco's key central bank rate was cut by 25 bp to 2%.
- 18 March: a special pandemic crisis management fund was opened that will be financed through donations deposited with Bank Al-Maghrib in Rabat.

Africa

- **Angola**

No actions elated to COVID-19 outbreak so far employed but next MPC is scheduled on the 27th of March, where some actions are expected.

- **Ivory Coast**

An emergency package amounting to 0.3% of GDP was launched to combat the effects of the Covid-19 pandemic.

- **Kenya**

On Wednesday, the Central Bank of Kenya issued a set of emergency measures to as that the pandemic is expected to slow down economic growth in the country. These include:

- Extending personal loan repayment by up to 12 months, with priority given to customers who took loans as from March 1, 2020.
- Restructuring of corporate borrowers' lending.
- Dropping charges on mobile-money transactions to curb the use of cash for hygiene reasons until end of June. Despite exchange rate and inflationary pressures, the next MPC is likely to lower its key rate for a third consecutive meeting Monday, following other central banks which have adopted an accommodative stance to soften the pandemic effects on global supply chains.

- **Mauritius**

After a 50-basis-point rate cut, the Bank of Mauritius has introduced a host of measures under the COVID-19) Support Programme which went into effect on 13 March, aimed at mitigating the probable economic impact on the banking sector and domestic economy. The program contains the following measures:

- A MUR 5 bn (USD 127.1 million) special relief, to be administered through commercial banks from 23 March until 31 July to all sectors of activities affected by the COVID-19 virus, including small and medium-sized enterprises. Advances capped at a fixed interest rate of 2.5% per year, with "a moratorium of six months on capital and interest repayments" and a repayment period of two years.
- Reduction of cash reserve ratio: a 100-basis-point cash reserve ratio cut to 8%.
- Moratorium on capital repayment for loans: capital repayments for existing loans for affected economic operators will be frozen for six months.
- Easing of banking guidelines on credit impairment measurement and income recognition.
- Issue of a two-year MUR 5-billion savings bond at 2.5% interest, to individuals who are residents of Mauritius and locally registered NGOs up to a maximum cumulative investment amount of MUR 1-million per investor.
- Additional measures to support households and businesses, such as the special USD 300-million line of credit introduced to support operators having foreign currency earnings, including SMEs.
- The central bank also "introduced a USD/MUR swap arrangement with commercial banks for an initial amount of USD 100 million" to support import-oriented businesses.

- **Mozambique**

To provide a buffer against the growing macroeconomic risk stemming from the impact of the coronavirus disease, the CB decided to loose domestic liquidity by lowering the national and foreign currency reserve requirements of commercial banks, with effect from 7 April, as follow: the mandatory reserve requirements ratio for liabilities in national currency was lowered to 11.5% and for liabilities in foreign currency to 34.5%.

- **Namibia**

Following the footsteps of the SARB (South African Reserve Bank), which last week lowered its key policy rate by 100 basis points, the Central Bank of Namibia's key policy rate was cut by 100 basis points during a special MPC meeting held today, 23rd of March, to cushion the Namibian economy from the impact of the escalating global economic crisis from coronavirus disease 2019 (COVID-19) virus pandemic.

- **Nigeria**

- The Central Bank of Nigeria (CBN) released a circular on 16 March covering six measures to be taken by the banking sector to control the economic effects of the coronavirus disease 2019 (COVID-19) virus, particularly to ensure stability within the financial sector.
- The measures include the extension of moratorium for one year on principal repayments on all CBN intervention facilities, interest-rate reduction from 9% to 5% per year on all CBN intervention facilities, the creation of NGN 50-billion (USD136 million) targeted credit facility for households and small and medium-sized enterprises, credit support for the healthcare industry, regulatory forbearance for banks to consider temporary restructuring

of loans, and strengthening of the CBN loan-to-deposit ratio (LDR) policy.

- The official exchange rate was devalued by 15%.

- **Senegal**

The government announced the creation of a EUR 1.5 bn fund (7% of GDP) to help the hardest hit households and economic sectors. For financing, the fund will call on international aid (undoubtedly the largest portion) and voluntary contributions from the private sector. The national budget will also be solicited through the reallocation of expenditures.

- **South Africa**

19 March: The central bank cut its key repo rate by 100 bp to 5.25% and introduced several measures to ensure market liquidity.

- **WAEMU**

The central bank of the West African States adopted support measures for the banking sector and for financing the economies of the WAEMU countries, without cutting its key rate.

- **Bank of Central African States (BEAC)**

The BEAC cut its key policy rate by 25 basis points to 3.25% during its monetary policy committee (MPC) meeting held on 27 March. The MPC also reduced the marginal loan facility by 100 basis points to 5.0% and increased liquidity injections from XAF 240 bn to XAF500 bn (USD 0.85 bn), signalling monetary easing in response to the coronavirus disease virus outbreak.

The BEAC will also broaden the range of private bills accepted as collateral for monetary policy operations. In addition, discounts applicable to public and private bills accepted as collateral for refinancing operations at the BEAC will also be lowered.

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