

Insights

STAYING UP-TO-DATE WITH THE TEMPORARY FRAMEWORK FOR STATE AID

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SUMMARY

The European Commission has adapted state aid rules quickly and responded flexibly to requests for approval. Financial institutions should ensure they stay abreast of further updates to the Temporary Framework and continue to be vigilant against risks of fraud.

In March 2020, the European Commission adopted a Temporary Framework for state aid in response to the escalating COVID-19 crisis.

Firms should be reassured by the pragmatic approach that the Commission is taking and by the Commission's willingness to extend and enhance this framework a number of times over recent months.

The Temporary Framework:

- Article 107(2)(b) TFEU enables Member States to make good damage directly caused by "exceptional occurrences".
- Article 107(3)(b) TFEU allows the Commission to declare aid "to remedy a serious disturbance in the economy of a Member State" compatible with the internal market.

The Temporary Framework is geared towards approvals of umbrella schemes, which give national governments the power to grant certain types of aid instead of requiring multiple individual notifications and approvals. Putting more power into the hands of national governments has streamlined processes and significantly reduced both the Commission's workload and uncertainty for entities seeking support.

Despite the approval of unprecedented levels of aid under the Temporary Framework, severe liquidity issues remain a serious threat to the survival of businesses of all shapes and sizes and the longer-term prospects for many are highly uncertain.

This article was written before the EU and UK agreed the TCA and therefore does not address UK subsidies controls.

Chris Bryant, Doran Boyle and Sandy Aziz wrote about this in our Emerging Themes in Financial Regulation 2021 publication.

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