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PUBLIC VERSION

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Subject: State Aid SA.63653 (2021/N) – Italy
COVID-19: Loan guarantee scheme to support the economy – Amendment to the scheme SA.56963 as already amended by SA.59681

Excellency,

1. PROCEDURE

(1) By electronic notification of 22 June 2021, Italy notified an amendment ("the second amendment" or the "notified amendment") to the State aid scheme, approved by Commission decision C(2020) 2371 final of 13 April 2020 in case SA.56963 (2020/N)[1] ("the initial scheme" and "the initial decision", respectively), as already amended in case SA.59681 (2020/N), approved by Commission decision C(2020) 9634 of 23 December 2020 ('the first amendment")[2], (collectively, the "existing aid scheme") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak[3] (the "Temporary Framework").

(2) Italy exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU"), in conjunction with

1 OJ C 144, 30.4.2020, p. 1

2 OJ C 17, 15.1.2021, p. 1

3 Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

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Article 3 of Regulation 1/1958,[4] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE NOTIFIED AMENDMENT

(3) The objective of the existing aid scheme is to preserve the continuity of economic activity during and after the COVID-19 outbreak. It is designed to ensure that the banking system provides enterprises – in particular large ones – with the necessary liquidity to overcome the current economic difficulties.

(4) The existing aid scheme is administrated by the publicly-owned and -controlled SACE S.p.A.("SACE")[5]

(5) The main elements of the existing aid scheme, as described in recitals (14)-(19) of the initial decision, were guarantees on loans, assessed under section 3.2 of the Temporary Framework.

(6) The main elements of the first amendment, as described in recitals (7)-(9) of the Commission decision thereon, were:

(a) the prolongation of the scheme from 31 December 2020 to 30 June 2021;

(b) the re-modulation of the safeguards applying to guarantees on existing loans;

(c) the introduction of an additional measure whereby mid-cap companies[6] benefitting from guarantees under the scheme, on loans up to a nominal amount of EUR 5 million, would also benefit from grants, assessed under section 3.1 of the Temporary Framework, equal to the present value of the fees due under the guarantees.

(7) The second amendment introduces the following:

(a) The expiry of the scheme is postponed from 30 June 2021 to 31 December 2021;

(b) Mid-cap companies, which can benefit from the grants authorised by the Commission decision related to the first amendment, can apply for new guarantees on loans with a maximum duration of 8 years and a maximum coverage of 80% of the notional amount of the loans, at the premiums indicated in tables 1 and 2 below;

[4] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

[5] SACE is the Italian Export Credit Agency, wholly owned by Cassa depositi e prestiti S.p.A in the capital of which the Italian Ministry of Economy and Finance holds 82.77% of the shares.

[6] Companies, other than SMEs, with total personnel up to 499.

(c) All undertakings, other than mid-cap companies indicated in point (7)(b) above[7], can apply for new guarantees on loans with a maximum duration of 8 years and a maximum coverage of 90% of the notional amount of the loans, at the premiums indicated in tables 3 and 4 below;

(d) All undertakings that benefit from existing guarantee on loans, under the scheme, can restructure those guarantees by prolonging their duration to maximum 8 years at the premiums set in tables 3 and 4 below;

(e) The guarantee premiums, to be paid by the undertakings, are modified as set out in tables 1-4 below:

Table 1: guarantee premiums for 8 years loans with a 80% coverage

Type of beneficiary	For 1st year	For 2nd -3rd year	For 4th -6th year	For 7th-8th year
Mid-cap companies	80 bps	130 bps	240 bps	340 bps

Table 2: guarantee premiums for 6 years loans with a 80% coverage

Type of beneficiary	For 1st year	For 2nd -3rd year	For 4th -6th year
Mid-cap companies	30 bps	80 bps	175 bps

Table 3: guarantee premiums for 8 years loans with a 90% coverage

Type of beneficiary	For 1st year	For 2nd -3rd year	For 4th -6th year	For 7th-8th year
SMEs	75 bps	100 bps	150 bps	250 bps
Large enterprises	100 bps	150 bps	250 bps	350 bps

Table 4: guarantee premiums for 6 years loans with a 90% coverage

Type of beneficiary	For 1st year	For 2nd -3rd year	For 4th -6th year
SMEs	25 bps	50 bps	100 bps
Large enterprises	50 bps	100 bps	200 bps

(f) The commitment not to distribute dividends by the beneficiaries for the 12 months following the grant of the guaranteed loan, as indicated in recital (17) of the initial decision, is cancelled for mid-cap companies that benefit

[7] For the avoidance of doubts, mid-cap companies, for which the nominal amount of the loan is higher than EUR 5 million or for which the applicable ceilings for the grants, authorised by the Commission decision C(2020) 9634 of 23 December 2020, have been fully utilized, remain entitled to apply to the guarantees under point (7)(c) at the premium indicated in tables 3 and 4.

from the grants authorised by the Commission decision related to the first amendment.

(g) With regard to the grants to the benefit of mid-cap companies, as indicated in recital (9) of the Commission decision related to the first amendment, the ceilings are revised as following:

– EUR 270 000 per undertaking active in the fishery and aquaculture sector;

– EUR 225 000 per undertaking active in the primary production of agricultural products;

– EUR 1 800 000 for other undertakings.

(8) Apart from the notified amendments, the Italian authorities confirm that no further amendments are proposed to the existing aid scheme and that all other conditions of that scheme remain unaltered.

(9) The legal basis for the second amendment consists of Article 13 of the Decree-Law 73/2021 of 25 May 2021[8], as implemented on the basis of dedicated ministerial circulars[9].

(10) Aid may be granted under the existing aid scheme, as amended, as from the notification of the Commission's approval of the notified amendment.

3. ASSESSMENT

3.1. Lawfulness of the measure

(11) By notifying the second amendment before putting it into effect, the Italian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(12) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(13) Recitals (26) to (31) of the initial decision established that the initial scheme gives rise to the granting of State aid. The first amendment did not change these findings, as established in recital (19) of the Commission decision thereon. The second amendment introduced by the Italian authorities does not affect these

8 Decreto Legge 25 maggio 2021, n 73, *Misure urgenti connesse all'emergenza da COVID-19, per le imprese, il lavoro, i giovani, la salute e i servizi territoriali*. (21G00084) (GU Serie Generale n.123 del 25-05-2021)

9 The Italian authorities have indicated that the implementing ministerial circulars will, in particular, specify the premiums and the maximum duration of the guarantees not exceeding 8 years.

findings either. The Commission therefore refers to the assessment of the initial decision and concludes that the existing aid scheme, as amended, constitutes State aid within the meaning of Article 107(1) TFEU.

3.3. Compatibility

(14) The existing aid scheme is compatible with the internal market pursuant to Article 107(3)(b) TFEU, since it meets the conditions of sections 2, 3.2 and 3.4 of the Temporary Framework, for the reasons set out in recitals (32) to (41) of the initial decision, and the conditions of section 3.1 of the Temporary Framework, for the reasons set out in recital (23) of the first amendment. The Commission therefore refers to the respective assessment of the initial decision.

(15) The second amendment does not affect the compatibility assessment made under the initial decision and the first amendment. In particular:

– The Commission notes that aid can only be granted, under the scheme, until 31 December 2021, as described in recital (7)(a) above. The measure thus continues to comply with point 22(d) and 25(c) of the Temporary Framework.

– The Commission notes that grants, provided under the scheme in compliance with section 3.1 of the Temporary Framework, cannot exceed the maximum aid amount per undertaking indicated in point 23(a) of the Temporary Framework, as described in recital (7)(g). The measure thus continues to comply with point 23(a) of the Temporary Framework.

– Regarding the maximum duration and the premiums of the guarantees, provided under the scheme in compliance with section 3.2 of the Temporary Framework, the Commission notes that point 25(f) of the Temporary Framework allows the duration to exceed six years if modulated according to point 25(b) of the Temporary Framework. In turn, point 25(b) allows Member States to notify schemes, whereby guarantee duration, guarantee premiums and guarantee coverage are modulated together on the basis of the premiums indicated under point 25(a) of the Temporary Framework. The Commission notes that, in the proposed amendments under the measure, the duration of both new and restructured guarantees can reach 8 years, as described in recitals(7)(b), (7)(c) and (7)(d) above. With such a longer maturity, both in the cases of coverage of 90% and 80% of the notional amount of the loans, the premiums are higher than the minimum ones indicated in point 25(a) of the Temporary Framework, for all years including years 1-6, as indicated in recital (7)(e) above. At the same time, for each given maturity, the premiums applicable to guarantees with 80% coverage are lower than the premiums applicable to guarantees with 90% coverage, consistently with the different economic values entailed by the coverages. The Commission considers this modulation as appropriate. The measure therefore complies with points 25(b) and 25(f) of the Temporary Framework.

(16) Apart from the notified amendment, Italy confirms that no further amendments are proposed to the existing aid scheme and that all other conditions of that scheme remain unaltered.

(17) The Commission therefore considers that the notified amendment is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework. The Commission therefore considers that the notified amendment does not alter the Commission's conclusion on the compatibility of the existing aid scheme in the initial decision and the first amendment.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the scheme, as amended, on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General

Martine DEPREZ
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