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EXECUTIVE VICE-PRESIDENT
A EUROPE FIT FOR THE DIGITAL AGE

VALDIS DOMBROVSKIS
EXECUTIVE VICE-PRESIDENT
AN ECONOMY THAT WORKS FOR PEOPLE

THIERRY BRETON
MEMBER OF THE EUROPEAN COMMISSION
INTERNAL MARKET

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Mr Eric De Montgolfier
Chief Executive
Invest Europe
Place du Champ de Mars 5
B-1050
Belgium

Dear Mr. De Montgolfier,

We would like to thank you, Invest Europe and your associates in the private equity and venture capital industry for the helpful collection of suggested solutions for EU SMEs, start-ups and scale-ups. Your proposed priorities are a solid account of the challenges that these businesses are facing and are very much in line with the efforts that the Commission is currently making to address them.

We are focusing our attention on the needs of all companies. The coronavirus crisis is hitting all of them hard, including smaller SMEs, start-ups and scale-ups. In the current context, we are aware of the particular concerns of companies supported by private equity and venture capital firms, which are the building blocks for European growth and employment.

We are using the full flexibility of the EU's budget, fiscal and State aid rules to tackle the socio-economic fallout, in coordination with the European Parliament, Member States, and stakeholder organisations like yours. Some of your proposed measures, such as supporting companies backed by private equity and venture capital firms under the State aid Temporary Framework or on delaying administrative obligations, tax payments and measures to support employment, are already implemented in most Member States. To mitigate unemployment risk, we have proposed SURE, a new temporary instrument raising up to €100 billion to help protect jobs and people in work. For the first time, we triggered the 'escape clause' in the Stability and Growth Pact to allow exceptional fiscal support. Within its European Semester process, the Commission will propose country-specific recommendations in May that will be refocused to capture the most pressing investment and reform needs in this new economic environment.

We have made use of every available euro in the EU's structural and investment funds to fight this crisis. This is a joint and continuous effort involving the European Investment Bank (EIB) and the European Investment Fund (EIF).

Besides the support provided by the European Central Bank, the European Union and its Member States have collectively mobilised about €3.4 trillion to help health systems, companies and workers get through this crisis. This is equivalent to almost 25% of the EU's GDP.

In particular, we need to support young ventures and scale-ups, not only with loans and guarantees, but also with equity, including capital through European public and private funds. We are taking concrete actions on this. €1 billion has been made available from the EU budget as a guarantee to the EIF, to mobilise €8 billion of working capital financing for over 100,000 European SMEs, including start-ups. Moreover, the Commission's €37 billion Corona Response Investment Initiative through the Structural funds will also include support for SMEs' working capital and short-term employment schemes.

Our services are assessing your concerns and proposals, including those on the role played by the SME definition. Moreover, in order to support the liquidity needs of scale-ups, the Commission has just published a call to select financial intermediaries under ESCALAR, a first-of-a-kind risk/reward mechanism to boost the availability of venture capital funds for scaling up.

With regard to your concerns about restrictions or bans on exports, we very much agree on the need to avoid creating distortions within the Single Market, so our services are working hard to ensure that it keeps functioning smoothly.

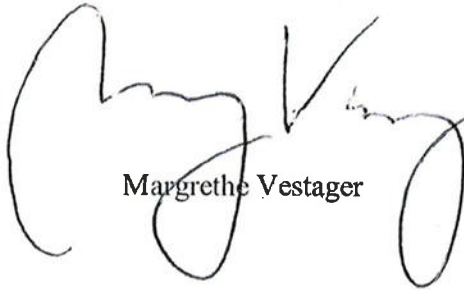
On your proposals about financial regulation, the Commission has proposed ways to provide additional capital relief to banks so that they can continue to support companies and consumers. We have presented a legislative proposal in line with recent decisions of the Basel Committee to unlock more lending capacity.

Banks should also make full use of the flexibility offered by prudential and accounting rules. We have already made several Capital Markets Union-related amendments to the Solvency II rules to remove barriers to investment in infrastructure, high-quality securitisations, and long-term equities. In the upcoming Solvency II review, we will continue to explore ways for removing barriers to insurers wanting to invest in companies that create jobs and growth.

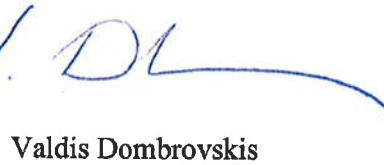
We are fully conscious that, while short-term efforts are a necessary priority now, full attention should continue to be given to the future and to the impact of the current crisis on the long-term recovery of our economy. In this context, we recognise the important role played by long term investors, in particular the venture capital and private equity industry in Europe. As recognised in your letter, it is crucial that current support continues and that the seeds of the businesses of tomorrow continue to be planted.

Many thanks again for all your ideas. Our services are and will be in contact with you to discuss your specific proposals and assess how they can feed into our ongoing and planned actions to combat the current crisis, together with Member States and our stakeholder communities.

Yours sincerely,



Margrethe Vestager



Valdis Dombrovskis



Thierry Breton