

Comments

on the draft of a revised General Block Exemption Regulation

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 1,700 banks.

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I. General Remarks

The leading associations of the German banking industry cooperating in the German Banking Industry Committee (National Association of German Cooperative Banks, Association of German Banks, Association of German Public Sector Banks, German Savings Banks Association and Association of German Pfandbrief Banks) thank the EU Commission for the opportunity to comment on the submitted draft of a revised General Block Exemption Regulation (GBER).

The German Banking Industry Committee welcomes the inclusion of new exemptions as well as the expansion of existing environmental and climate-friendly exemptions. The revision of the GBER should also put a stronger focus on the simplification of the rules. Otherwise, significant hurdles for aid recipients are likely to remain and the objective of the revision to facilitate public support for environmental change in the EU will be missed. Finally, in principle, but especially in the area of research, development and innovation aid, too rigid targeting of individual technologies should be avoided, as this could unnecessarily narrow the aid law framework or lead to short-term changes.

II. Comments on individual points

1. Lowering the notification threshold to aid above € 100,000

The planned lowering of the threshold amount from € 500,000 to € 100,000 in the future, above which there is an obligation to publish information on each individual aid according to Art. 9 GBER, is not comprehensible and leads to considerable additional administrative work without any recognisable added value. Retention of the previous regulation would therefore be expressly welcomed.

There is no discernible benefit of the change for the parties involved. At most, competitors of the aid recipients could obtain a more accurate picture of the aid granted to competitors through the multiplication of the number of cases subject to notification. However, this cannot justify the reduction. The increase in transparency is not commensurate with the considerable additional bureaucratic effort associated with the reduction. There is already a considerable amount of work involved, especially if the regular checks and coordination with the responsible ministries on the accuracy of the information, among other things, are taken into account, and this work would be significantly intensified.

2. Determination of the additional investment costs

The necessity of determining the additional investment costs in the area of environmental aid (Art. 36(5), Art. 36b(3), Art. 47(7) GBER) leads in practice to unnecessary hurdles for eligible projects. In practice, there are often difficulties in determining the additional costs of an environmental investment based on a counterfactual scenario. The calculation requires appropriate expertise and is often only possible with a great deal of effort - effort that is often too high for SMEs, especially in view of the associated costs. The consideration of the net present value (NPV) in the counterfactual comparative analysis is also likely to prove difficult in practice due to the lack of concrete calculation bases.

In contrast, substantial relief for the aid recipients could be achieved if there were an alternative in which the additional investment costs no longer had to be explicitly determined, but instead the aid could be calculated as a lump sum depending on the investment amount. Here, only a qualitative examination of the characteristics of the project would be required. This would be a great benefit for the potential recipients even if - as compensation for the lack of determination of the additional investment costs - lowered aid intensities were to be used.

3. Investment aid for SMEs

We welcome the increase of the notification thresholds in Art. 4 GBER, primarily for environmental exemptions. However, the thresholds for SME aid, in particular for investment aid (Art. 17 GBER), should also be raised in parallel. Due to the effects of the Corona pandemic, there is a significantly greater need for state support for numerous companies. This is particularly true for SMEs, which were severely affected by the pandemic. In our opinion, this need for support is likely to continue for some time and will also play a significant role in the post-pandemic period. An increase in the threshold values therefore also seems appropriate here.

4. Definition of the term "undertaking in difficulty"

With regard to the definition of the term "undertaking in difficulty" (Article 2 (18) of the GBER), we propose that subordinated loans with ranking subordination be expressly recognised as economic equity capital in this context. In our view, this proposal does not conflict with the accounting treatment of subordinated loans. Rather, the economic effects of these instruments and the fact that banks and auditors classify subordinated loans as "economic equity" because of their special character should be decisive. After all, they (like shares of hard-core capital) are primarily used to absorb losses and are thus suitable to mitigate or end threatening situations of companies. Subordinated loans are also treated as own funds under banking supervisory law.

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