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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Competition
Subject:	Presentation by the European Commission: Revision of the Guarantee Notice (agenda item 3.) Working Party on Competition meeting on 10 October 2025

Delegations will find in annex a presentation (agenda item 3.) given by the European Commission during the Working Party on Competition meeting on 10 October 2025.

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State aid: Evaluation of the Guarantee Notice

WORKING PARTY ON COMPETITION – 10 October 2025

DG COMPETITION D3

What does the Guarantee Notice do?

Guarantee Notice (GN) first adopted in 2000 and last revised in 2008

- Provides criteria to establish market conform guarantee premiums
- Also provides method to measure the aid element in public guarantees

GN provides Member States various options for achieving market conformity:

- Use market benchmarks – but only for individual guarantees
- Notify methodology based on typical costs/risks to generate market proxies ('risk-based' method)
- Use 'safe-harbor' premiums for SMEs – fixed premiums based on individual ratings
- Use single premiums for SMEs and guaranteed amounts \leq EUR 2.5mn – avoids individual ratings



Evaluation of Guarantee Notice

Evaluation launched in August 2022 to assess if GN remains ‘fit for purpose’

- Need for evaluation due to changing market conditions, regulations, ...
- Backward-looking exercise → no proposal for revision

Aim is to determine whether GN achieved its main objectives of:

- Providing guidance on market conform premiums while preventing distortions;
- Increasing legal certainty and transparency of Commission policy; and,
- Introducing simple rules to improve SMEs access to finance.

The evaluation is based on input from case practice as well as:

- Public and targeted consultations (conducted in the fall of 2022); and,
- External study conducted by independent experts (finalized in February 2025).



Evaluation criteria

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Effectiveness

- accuracy of premiums; prevention of competition distortion

Efficiency

- cost efficiency; simplify implementation of SME schemes

Coherence

- complementarity of rules within Guarantee Notice and with other EU rules

Relevance

- relevance over time of the Guarantee Notice

EU added value

- compared to a situation without Guarantee Notice



Results of evaluation (I)

1. Methodologies based on GN produce lower premiums than benchmarks
 - Implies an unaccounted amount of aid might be granted
 - Relatively robust finding that holds for a variety of benchmarks used for comparison
2. Safe harbor premiums are higher than benchmarks for riskier borrowers
 - Could explain why Member States are reluctant to use safe harbor approach
3. Some approved measures may involve aid to lenders
 - Guarantees do result in lower interest rates ...
 - ... but some of the aid may be stuck at lenders and not 'passed-through' to borrowers
 - Particularly problematic when market for guaranteed loans may not be competitive



Results of evaluation (II)

4. Setting up methodologies in line with GN can be complex and costly

- Lengthy pre-notification/notification/adoption process
- Member States often need to hire external consultants
- Data availability issues and resistance from lenders to share risk assessment data
- Higher (unit) costs for smaller measures or smaller Member States

5. Inconsistencies with other State aid legislation

- Use of benchmarks not fully in line with Notice on the Notion of Aid (NoA)
- No guidance on how to conduct *ex ante* assessment to exclude aid to lenders under NoA



Next steps

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Publication of evaluation results on 13 October 2025

- Staff Working Document with evaluation findings
- External study conducted by independent experts
- Press release to make sure all stakeholders are aware

Launching of revision of Guarantee Notice

- Publication of call for evidence first quarter of 2026
- Consultation of Member States on revised GN by end-2026 (timing TBC)
- Estimated finalization of revision by end June 2027 (at the latest)



Tentative list of elements for revision (I)

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1. Accuracy of methodologies

- Guidance on how to estimate more accurately costs borne by market operators
- Consideration for longer or very short maturities
- Incorporation of elements to ensure market-conformity is maintained amidst changing conditions
- Guidance on appropriate market benchmarks and when they could be used

2. Aid to lenders

- Guidance on safeguards to ensure that market for guaranteed loans is competitive
- Guidance on other safeguards to rule out aid to lenders



Tentative list of elements for revision (II)

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3. Reduce costs and complexity

- Introduction of knowledge sharing frameworks
- Addressing implementation and interpretation issues observed in case practice
- Achieving higher degree of standardisation to streamline methodology approvals
- Amending reporting framework to find balance between quality and quantity

4. Address inconsistencies with other State aid legislation

- Guidance on use of benchmarks
- Guidance on how to conduct *ex ante* assessment of aid to lenders



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Thank you



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