



EMERGENCY MEASURES COVID-19: **FINANCING MEASURES**

Barcelona, 30 March 2020

SUMMARY

This News Alert deals with the following measures:

- Those adopted by the Spanish Central Government and the Government of Catalonia in order to provide companies with liquidity in the face of the economic and financial situation resulting from the state of emergency caused by COVID-19.
- Other financing measures already in place before the state of emergency, the use of which may also be of interest.

MEASURES APPROVED BY CENTRAL GOVERNMENT

ICO LIQUIDITY LINE

The Council of Ministers held on 24 March 2020 adopted a Resolution includes the characteristics of the first tranche, for an amount of up to €20,000 million, of the Guarantee Facility for companies and self-employed workers included in Royal Decree Law 8/2020 on extraordinary urgent measures to face the economic and social impact of COVID-19.

This guarantee facility:

- Λ Aims to facilitate the **maintenance of employment and alleviate the economic effects of COVID-19.**
- Λ And also aims to cover **new loans and other forms of financing** and **renewals granted by financial institutions to companies and the self-employed to meet the financing needs** arising, among others, from the payment of salaries, invoices, working capital requirements or other liquidity needs, including those arising from the maturity of financial or tax obligations



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It is important to note that **50% of this first tranche is reserved to guarantee renewals and new loans granted to the self-employed and SMEs that comprise:**

- Λ **Medium-sized enterprises**, which are companies with up to 250 employees and annual sales of up to €50 million or annual assets of up to €43 million).
- Λ **Small enterprises**, which are companies with up to 50 employees and annual sales or assets of up to a maximum of €10 million.
- Λ And **micro-enterprises**, which are companies with up to 10 workers and annual sales or assets of up to a maximum of €2 million.

The **remaining 50%** will go to **large enterprises**, i.e. companies with more than 250 employees and annual sales of more than €50 million or annual assets of more than €43 million.

Companies and self-employed workers affected by the economic effects of COVID-19 may apply for these guarantees (until 30 September 2020) provided that the **applicants were not in default at 31 December 2019 or undergoing insolvency proceedings at 17 March 2020.**

The renewals and new loans that will be eligible for this guarantee facility will be those renewed after **17 March 2020**; therefore, coverage of loans or renewals concluded at an earlier date may be applied for at the present time, subject to the time limit of **17 March 2020**, and the effects of the granting of such guarantees will be backdated to the date on which the loan was granted or renewed.

The **amount secured** by the guarantee granted will be equivalent to:

- Λ A maximum of 80% of the operation in the case of the self-employed and SMEs.
- Λ For large companies, a maximum of 70% of the operation in the case of new operations and a maximum of 60% of the operation in the case of renewals.

The guarantee issued will have a term equal to the term of the loan granted, **subject to a maximum term of five years.**

The **cost of the guarantee**, of between 20 and 120 basis points depending on the recipient and the amount of the operation, **will be assumed by the financial institutions.**

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The financial institutions with which the ICO has signed the relevant collaboration agreements **undertake to maintain the costs of new loans and renewals that benefit from these guarantees in line with the costs applied before the start of the COVID-19 crisis, taking into account the public backing of the guarantee and its cost of coverage.**

They also **undertake to maintain, at least until 30 September 2020, the limits on the working capital lines granted to all customers and, in particular, those customers whose loans are guaranteed.**

By way of summary, therefore, in the next few days the institutions will make the government-backed loans available to companies, which can already be applied for in order to formalise them as soon as possible.

Through our Associate, Jordi Palacín, we have consulted the main financial institutions to be authorised in this connection, and they have provided us with the following information of interest:

- Λ It is foreseeable that, in certain cases they will ask the company, in addition to the usual documentation in these cases, for a cash flow plan for at least the next six months.
- Λ The interest rate for these operations will be around 1.50%.

MEASURES BY THE GOVERNMENT OF CATALONIA

The Government of Catalonia, under a resolution approved on 24 March **but not yet published in the Official Gazette** of the Catalan Administration, approved the measures indicated below as may be deduced from the corresponding press release and the information provided on the Catalan Financial Institute's own website, and which must be checked against the text of the resolution of the Government of Catalonia which is published in said official gazette.

ICF-AVALIS LIQUIDITY LINE

The Catalan Financial Institute (ICF) and Avalis de Catalunya **will back 80% of the loans** from financial institutions in order to cover the liquidity needs of **Catalan SMEs** resulting from the COVID-19 crisis.



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Companies will have to commit to maintaining jobs.

The financial conditions are as follows:

^ Amount:

- Loans from financial institutions from €50,000 to €1 million, backed by Avalis with respect to 80% of the principal.
- Loans from financial institutions from €1 million to €2.5 million, backed by the ICF with respect to 80% of the principal.

^ Term: up to 4 years, with up to 1 year's grace.

^ Interest: for financial institutions, interest is limited to the 12-month EURIBOR plus a maximum spread of 1.75% (this will vary according to the financial institution)

^ Commissions:

- No inception or study fee.
- Possible administration and risk fee of 0.52% on the amount of the loan.

ICF CULTURA LIQUIDEZ

ICF CULTURA LIQUIDEZ is a line of loans arranged by the Government of Catalonia through the Catalan Financial Institute (ICF) with a budget of €10 million to meet the **liquidity needs of culture-related companies and organisations** affected by the COVID-19 crisis. The Culture Department assumes 80% of the outstanding risk on the operations before the ICF.

The ICF studies the financial feasibility of projects and formalises and manages the loans. The Culture Department, through the ICEC, studies the technical feasibility of projects and issues the relevant eligibility reports.

Financial conditions:

- ^ Amount:** between €20,000 and €300,000 per company or business group.
- ^ Term:** up to 5 years, with up to 1 year's grace.
- ^ Interest:** 12-month EURIBOR plus a maximum spread of 3%.
- ^ Fees:** no fees are applicable.
- ^ Guarantees:** to be determined according to the project.

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EMERGENCY**

THOMAS COOK FINANCING LINE

Approved before the state of emergency shortly after Thomas Cook's bankruptcy, this financing line was created for companies that might be affected (depending on their Spanish National Business Activity (CNAE) code). **This financing line is still in place**, and has increased the number of eligible CNAE categories. The conditions under which this line is being offered are:

- ^ Type: Loan
- ^ 50% government-backed (guarantees the unpaid principal, not interest)
- ^ Fixed rate: around 1.50% APR (depending on the entity)
- ^ No inception or study fee.
- ^ Repayment fee: 1% Maximum
- ^ Duration: 1-2-3-4 years with 1 year's grace
- ^ Limit per legal entity: € 500,000

CONCLUSIONS

We all share a high degree of uncertainty at the moment, both on a personal and economic level, leading to numerous questions in all areas about the immediate future which, in the world of business, include the following:

- ^ Will we be able to work next week?
- ^ Will we be able to serve our customers?
- ^ Will our customers be able to continue working?
- ^ Which areas of our trade receivables will suffer delays, default, or insolvency?
- ^ In our current liquidity situation, how long will the company's cash flow be able to withstand the different scenarios that we may face?

Obviously, the uncertainty we are having to live with means that the answers to questions such as these are not within our management or decision-making scope. However, it is highly advisable

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to work with various scenarios for those issues that do fall within our scope of management, in particular:

1. **Know how the different scenarios can affect me.**
2. Design a **contingency plan for each of the different scenarios.**
3. And, above all, and very quickly, **provide my company with liquidity** so that it is able to **survive in these scenarios**. This is because, at times like these, liquidity is vital for survival, and a lack of liquidity can place at risk even those companies that are not only viable but even highly profitable, in ordinary conditions.

We therefore recommend, among the **most urgent measures to be taken to avoid severe liquidity problems** in the coming weeks and months (depending on the duration of the state of emergency and, logically, the sector you operate in), that you **study options** such as those indicated below:

- ^ **Obtain new medium/long term financing** that will provide us with the liquidity required, firstly, to cope with the consequences of possible non-payment by customers and, secondly, the losses caused by the current partial or total paralysis of business activity.
- ^ **Extend maturities of confirming facilities, import financing or other working capital operations**, adjusting them to the maximum periods permitted by law, which in most cases will mean anticipating the relevant maturities and submitting applications to the financial institutions concerned sufficiently well in advance for them to be able to take the requisite steps.
- ^ **Request a grace period for the repayment of the principal of current loans.**
- ^ **Amicably renegotiate payments to your suppliers.**
- ^ **Take advantage of available tax payment deferrals.**

If you need **more information or our assistance with financial institutions**, we have implemented a **special service** through our Associate, **Jordi Palacín** (jpalcin@audiconsultores.com) so that, together with your usual contacts in AUDICONSULTORES, we can also **provide you with our support in this area.**

Finally, **we will continue to inform you of any new measures and/or changes in legislation that may arise as a result of the COVID-19 pandemic.**



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The professionals that regularly work with your company are at your disposal for any clarification or additional information you may require in relation to the content of this Circular Letter. Please contact us by telephone at **934 677 414**.

Yours sincerely,

AUDICONSULTORES

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