



# Gatti Pavesi Bianchi

COVID-19 Update  
FINANCING

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10 April 2020

## **FINANCING**

Adverse effects that will be caused to the business and financial situation of companies by the "COVID-19" outbreak forced lawmakers to adopt measures to support such entities.

Please find below a summary of the most relevant measures adopted to support the ability of companies to meet their financial commitments.

### **SECTION I**

#### **IBA - ADDENDUM TO THE AGREEMENT FOR THE CREDIT 2019**

On March 6, 2020, with the signing of an addendum to the so-called Agreement for the Credit 2019 ("*Accordo per il Credito 2019*", the **Agreement**), the Italian Banking Association ("**IBA**") and the Associations representing enterprises have extended the so-called "Businesses in Recovery 2.0" ("*Imprese in Ripresa 2.0*") provisions to credit facilities outstanding at January 31, 2020 to support businesses affected by the temporary interruption and / or reduction of their activities in the midst of the "COVID-19" outbreak.

#### **1. SUSPENSION AND EXTENSION**

The "Companies in Recovery 2.0" measure, as contemplated by the Agreement and the addendum, allows micro, small and medium-sized enterprises operating in Italy, to request banks adhering the Agreement to:

- (i) **suspend** up to one year the payment of the principal amounts of instalments due in relation to medium-long term facilities (including those secured by the issue of bills of exchange of agricultural activities ("*cambiali agrarie*")), and financial leases, including real estate leases. Loans and financial leases supported by public grants are eligible for the suspension too.

During the suspension period, companies shall pay interests only (or, in case of financial leases, instalments comprising only the interest share), at the rate originally agreed or increased within the limits of the Agreement;

- (ii) **extend** the maturity of existing loans up to a maximum period equal to 100% of the residual duration of the amortization. For short-term loans and agricultural management loans, maturity can be extended up to a maximum, respectively, of 270 days and 120 days.

Extension may apply also to short-term credit facilities in relation to which the companies suffered defaults in the payments of receivables discounted in favour of the bank.

#### **2. REQUESTING THE MEASURES**

In order to benefit from the measures, companies shall complete and file an application (based on the format prepared by IBA (available on IBA's website) with the relevant bank by December 31, 2020. The bank will respond as soon as possible (with a best-effort undertaking to do so within 30 business days from the filing of the application) after

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having carried out its approval process, during which the applicant may provide any additional information requested.

It shall be noted that banks, even if adhering to the Agreement, maintain the widest autonomy in evaluating the granting (or not) of the moratoriums and / or the extensions required by each applicant. The Agreement further provides that credit institutions are allowed to grant enterprises more favourable measures than those provided therein.

### **3. REQUIREMENTS FOR THE ADMISSIBILITY**

As to subjective requirements, the Agreement expressly provides that such measures can be requested by micro, small and medium-sized enterprises (as defined pursuant to the Recommendation of the (European) Commission of 6 May 2003 and the Ministerial Decree issued by the Ministry of Productive Activities on 18 April 2005) operating in Italy, in any sector.

As to objective requirements, the Agreement provides that loans eligible for the measures are those that: (i) were in place on January 31, 2020; (ii) have not already been subject to a moratorium (neither in the form of suspension of the instalments, nor in the form of an extension) in the 24 months preceding the application; and (iii) are not classified as non-performing positions, although the instalments may have already expired (in whole or in part) for no more than 90 days at the date of submission of the application.

In the event an enterprise belongs to a group of companies, the calculation of the subjective requirements described below shall consider any “partner” or “linked” company, as defined in the applicable legislation.

### **4. REPORTING IN THE CENTRAL CREDIT REGISTER**

It is important to flag that the adhesion to one of the “Businesses in Recovery 2.0” measures is reported in the Central Credit Register as aimed at supporting a company that has a temporary financial difficulty. Hence, before adhering to these measures, it shall be carefully evaluated the consequences of such reporting on the operations of the applicant.

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## SECTION II

### LAW DECREE MARCH 17, 2020, NO. 18

#### **“MEASURES FOR THE STRENGTHENING OF THE NATIONAL HEALTH SERVICE AND THE ECONOMIC SUPPORT OF FAMILIES, WORKERS AND COMPANIES RELATED TO THE EPIDEMIOLOGICAL EMERGENCY COVID-19”**

The Law Decree 17 March 2020 no. 18 providing "Measures for the strengthening of the national health service and the economic support of families, workers and companies related to the epidemiological emergency COVID-19" ("*Misure di potenziamento del Servizio sanitario nazionale e di sostegno economico per famiglie, lavoratori e imprese connesse all'emergenza epidemiologica da COVID-19*") (the **Decree**), which entered into force on the same day of its publication in the Italian Official Journal (*Gazzetta Ufficiale*) on 17 March 2020, introduces, *inter alia*, financial support measures for companies by setting limits on the withdrawal of bank credit lines and the suspension of payments relating to loan and leasing agreements, as well as through the introduction of liquidity support tools and the strengthening of the SMEs National guarantee fund.

The main features of such support measures are illustrated in the following paragraphs.

(a) *Financial support measures pursuant to article 56 of the Decree*

In relation to companies that satisfy the requirements described in paragraph 2.2 below, article 56 (*Financial support measures for micro, small and medium-sized companies affected by the epidemiological emergency COVID-19*) of the Decree, provides for the application of the following measures:

- (i) **limits on withdrawal of credit lines**: the amounts granted, both for the part already disbursed and for the part to be disbursed), under revocable credit overdraft facilities and loans granted as advances on receivables (such as, by way of example, advances on invoices and cash flows, as well as factoring lines) existing on 29 February 2020 or on 17 March 2020, shall not be withdrawn, in whole or in part, until 30 September 2020;
- (ii) **extension of the final maturity date of bullet loans**: the final maturity date of bullet loans falling before 30 September 2020, is extended until 30 September 2020, together with the respective ancillary elements and without prejudice to the existing conditions of such loans, without any formalities being necessary;
- (iii) **suspension of payments**: payments (for principal and interest) of loan instalments and leasing instalments due before 30 September 2020 pursuant to, respectively, loan agreements or other financing agreements - also entered into through agricultural promissory notes (*cambiali agrarie*) - to be repaid pursuant to an amortization plan and leasing agreements, are suspended until 30 September 2020 without new or greater charges for the parts, without any formality being necessary. The borrower may request that suspension applies to the payments of the amounts

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due for capital only.

- (iv) **SMEs National guarantee fund:** in relation to the debt exposures to which the measures referred to in paragraphs a), b) and c) above are applicable, subject to a telematic request of the lender, which shall indicate the maximum guaranteed amount, a guarantee (the **Guarantee**) is granted automatically and free of charge by the SMEs national fund (using a special section of the Fund pursuant to article 2, paragraph 100, letter a) of Law 23 December 1996, no. 662), for an amount equal to 33%:
- (i) on the additional drawdowns - at 30 September 2020 - under the revocable credit overdraft facilities and loans granted as advances on receivables to which the measures referred to in paragraph a) above apply, calculated as the difference between the amounts disbursed as at 30 September 2020 and those already disbursed as at 17 March 2020;
  - (ii) on the bullet loans, whose final maturity date has been extended as consequence of the application of the measures under paragraph b) above;
  - (iii) on the loan instalments and leasing instalment due within 30 September 2020 and whose payment has been suspended as consequence of the application of the measures under paragraph c) above.

The Guarantee may be enforced if, during the 18-month period following 30 September 2020 (*i.e.* from 30 September 2020 to 31 March 2022), enforcement actions have been carried out as consequence of any breach of any payment obligation relating to the debt exposure to which the measures referred to in paragraph a), b) and c) above apply.

(b) *Companies that may benefit from the financial support measures under article 56 of the Decree*

The financial support measures referred to in article 56 (*Financial support measures for micro, small and medium-sized companies affected by the epidemiological emergency COVID-19*) of the Decree described in paragraph 2.1 above, are applicable to micro, small and medium-sized companies, as defined in the Recommendation of the (European) Commission of 6 May 2003, which:

- (i) have their legal seat in Italy;
- (ii) have a debt exposure *vis-à-vis* banks, financial intermediaries pursuant to article 106 of the Italian Banking Law and other entities authorized to grant credit in Italy which, as of 17 March 2020, is not classified as non-performing pursuant to the rules applicable to financial intermediaries;
- (iii) have communicated to their respective lenders, using a self-certification pursuant to article 47 of Presidential Decree no. 445/2000, that they have temporarily suffered shortages of liquidity as a direct consequence of the spread of the COVID-19 epidemic.

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