

COVID-19 Emergency Business support actions in Italy

Q&A



Covid-19 task force*

The following Q&A are based on the recent developments of the COVID-19 emergency and the regulations implemented in Italy in this respect.

SACE Guarantee for capital and investment loans granted by banks

Q.: May banks benefit from additional guaranties in loans granted to enterprises?

Yes, pursuant to article 1 of the Liquidity Decree, SACE S.p.A. can release, until 31/12/2020, a guarantee in favor of banks and financial institutions (both national and international), to guarantee any type of financings granted to enterprises. The guarantee has been named "Garanzia Italia" and has a total budget up to 200 billion Euro.

Q.: The SACE guarantee is released only in favor of Italian banks and Italian financial institutions authorized to exercise lending activity in favor of Italian enterprises?

No, the guarantee is also released in favor of international institutions upon condition they have a passport to operate in Italy. It also operates in favor of all financings granted to such enterprises having a "registered office" in Italy; hence - this is our interpretation - also to companies having a secondary office in Italy.

Q.: Is the SACE guarantee released only for financings granted to big companies?

No, a portion of the total commitment to be guaranteed by SACE is dedicated to SMEs, self-employed workers and professionals upon condition that the capacity to resort to the Central Guarantee Fund for Small and Medium-Sized Enterprises as per Law 662/1996 has been exhausted.

Q.: Which are the main features of this guarantee?

The guarantee is first demand, explicit and irrevocable. It covers new financings granted to enterprises from 9/4/2020, covering capital, interest and accessories up to the maximum guaranteed amount; the guarantor and the guaranteed party share in equal proportion the possible losses in case of lack of reimbursement of the financing; its duration cannot exceed 6 years and it is applicable to financings whose amount is up to the higher of (a) 25% of the 2019 annual turnover of the company and (b) twice the 2019 cost of employees of the applying enterprise

Q.: Which are the conditions to benefit from the guarantee?

(i) the financing can be granted only to such companies that (a) on 31/12/2019 were not considered as "companies in difficulty" and (b) on 29/2/2020 do not have non-performing exposures with the banking sector, according to the definition given by European rules; (ii) the financed enterprise will not be allowed to approve the distribution of dividends nor the repurchase of own shares during year 2020; (iii) the financing will be utilized to finance exclusively: (a) employees' costs, while employment levels are to be managed through agreements with the trade unions; (b) investments or working capital for such plants and production units located in Italy.

Q.: How the procedure ensures that the financing granted from a bank to a company can benefit from the guarantee?

* S. Cianciullo – D. Dodaro – C. Dello Siesto – C. Fonti - M. Juan – M. Longavita – F. Masuri – A. Pace – F. Panunzi – M. Porretti – M. Sardo – G.D. Tirrito – S. M. Zappalà – M. Zottola

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Article 1 of the Liquidity Decree has introduced the following simplified procedure applicable to enterprises with less than 5,000 employees and a turnover of less than 1.5 billion Euro:

Step 1: enterprise applies to a bank, or pool of banks, for the granting of one financing guaranteed by SACE;

Step 2: verification on the eligibility criteria carried out by the bank, starting of its resolution process and, in case of positive outcome, bank loads the request for the guarantee on the SACE website;

Step 3: SACE processes the request and, after verifying the positive bank's resolution, it assigns an identification code to the financing and issues the guarantee, counter-guaranteed by the State; and

Step 4: bank releases the financing covered by the guarantee.

For enterprises exceeding the thresholds above indicated, the release of the guarantee is subordinated also to the decision of the MEF (Ministry of Economy and Finance), having heard the MISE (Ministry of Economic Development).

Q.: What are the costs of bank commissions and of the financing?

Bank commissions must be limited to the recovery of own costs and the cost of financing covered by the guarantee must be lower to the cost that the bank would apply to operations with the same features while not assisted by the guarantee.

Q.: Has SACE title to a commission?

For financings granted to SMEs: 0.25% during first year, 0.5% during second and third year and 1% during the fourth, fifth and sixth year; for financings granted to enterprises other than SMEs: 0.5% during first year, 1% during second and third year and 2% during the fourth, fifth and sixth year.

Q.: Are the provisions ruling the guarantee already in force?

Yes, on 14 April last, the European Commission released the authorization pursuant to article 108 of the Treaty on the Functioning of the European Union, assessing that the ruling is in line with the EU State aid rules.