



CREDIT LINE TO ENSURE CASH FLOW FOR THE SELF-EMPLOYED AND COMPANIES

26th March 2020

New Economic Measures

1. Credit Line

Today, a resolution of the Secretary of State for the Economy and Corporate Support has been published, by which the Agreement of the Board of Ministers, dated 24th of March, is issued. It passes the main features of the first phase of the ICO's credit line for companies and the self-employed workers, to reduce the economic impact of COVID-19. The agreement includes the main features of the first phase, for an amount of up to **20,000 million euros**, of the Credit Line for companies and self-employed, foreseen in *Real Decreto Ley 8/2020*, on urgent extraordinary measures to face the economic and social impact of COVID-19.

The Credit Line will guarantee new loans and renewals of already granted loans, which have been granted by financial entities to companies and self-employed workers, to meet the financial needs arising, among other, from the payment of salaries, bills, cash flow or other financial needs. It also includes the maturity-related tax or financial obligations.

This Line will be managed by the *Instituto de Crédito Oficial* (ICO), in collaboration with the financial entities

which it has signed agreements with.

Features of the Credit Line

➤ Amount

Up to 100,000 million euros, with a very first phase of 20,000 million euros, launched as of today.

Two sub-phases are created, with the following amounts and categories:

- Up to 10,000 million euros for the renewal and granting of new loans to small and medium-sized companies and self-employed workers.
- Up to 10,000 million euros for the renewal and granting of new loans to companies which are not small nor medium-sized.

➤ Beneficiaries

Companies and self-employed workers affected by the economic impact of COVID-19 which have their corporate address in Spain, as long as: (i) were not in default on 31st December 2019; (ii) were not in bankruptcy proceeding on 17th March 2020.



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➤ **Purpose and retroactivity**

Loans and transactions that have been signed or renewed after 17th March 2020.

➤ **Coverage**

The credit will guarantee up to 80% of new loans and transaction renewals requested by self-employed workers and small and medium-sized companies. For the rest of companies, the credit's coverage will amount to 70% of new loans, and 60% for renewals.

➤ **Duration**

The credit issued will have a duration equal to the term of the loan granted, with a maximum duration of five years.

➤ **Risk Profile**

Transactions of up to 50 million euros must be approved by the financial entity in accordance with its risk policies, and for transactions above this amount, an eligibility analysis by the ICO will be required in addition to the analysis carried out by the financial entity.

➤ **Cost**

Between 20 and 120 basic points, which will be assumed by the financial entities.

➤ **Application period**

Until the 30th September 2020.

➤ **Payment of the Credit**

Loans up to 1,5 million euros: 20 basic points over the total credited amount.

Loans to self-employed workers or small and medium-sized companies, for transactions with a nominal amount of over 1,5 million euros: (i) 20 basic points per annum, for credits with a maturity period of up to 1 year; (ii) 30 basic points per annum for credits with a maturity period over 1 year and up to 3 years; (iii) 80 basic points per annum for credits with a maturity period from 3 up to 5 years.

Loans to companies which are not small nor medium-sized, for new transactions with a nominal amount of over 1,5 million euros: (i) 30 basic points per annum, for credits with a maturity period of up to 1 year; (ii) 60 basic points per annum for credits with a maturity period over 1 year and up to 3 years; (iii) 120 basic

points per annum for credits with a maturity period from 3 up to 5 years.

Loans to companies that are not considered small nor medium-sized, for renewal transactions with a nominal amount over 1,5 million euros: (i) 25 basic points per annum for credits with a maturity period of up to 1 year; (ii) 50 basic points per annum for credits with a maturity period between 1 and 3 years; (iii) 100 basic points for credits with a maturity period between 3 and 5 years.

➤ **Participants**

Financial entities which the ICO has signed the relevant collaboration agreements with, and are the ones which the client already works with.

2. Rights and Obligations of the Financial Entities

- Granting of the relevant financing to the customer will be decided in accordance with its internal procedures and granting and risk policies.
- They shall keep the costs of new loans and renewals which benefit from the above-mentioned credits in line with the costs applied before the beginning of COVID-19 crisis.
- They shall maintain, at least until the 30th September 2020, the limits on the cash flow lines granted to all customers and, in particular, to those customers whose loans are guaranteed.
- They shall identify these transactions in their accounting and risk management systems, in order to ensure their tracking. Moreover, they shall include this marking in their statement to the Central Risk Information Office, following the instructions of the Bank of Spain to this end.

Full text of the Resolution can be accessed on the following link:

<https://www.boe.es/boe/dias/2020/03/26/pdfs/BOE-A-2020-4070.pdf>



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