

Banking & Finance Flash

March 2020

CMZRB's COVID loan and other subsidized financing schemes

*Over the last few days and hours, we have been intensely advising and helping our clients process applications for the **COVID interest-free loan** offered by the Bohemian-Moravian Guarantee and Development Bank (Českomoravská záruční a rozvojová banka, "CMZRB") to small- and medium-sized enterprises affected by the coronavirus situation for their operational financing.*

The loan is provided:

- from CZK 500,000 to CZK 15,000,000;
- to cover up to 90% of the respective expenses required for the business operation;
- with maturity of up to 2 years and an optional grace period of one year.

The overall current cap for these loans was **CZK 1.6 billion**. However, the number of prospective applicants has naturally been many times higher as this is one of the very few immediately accessible instruments of state aid to the businesses affected by the pandemic. With over 3,200 submitted applications so far, new applications have been suspended. However, CMZRB is currently preparing COVID II scheme, which is expected to increase the amount of aid up to **CZK 30 billion**. We strive to help our clients write their applications in such a way that enables the CMZRB to process them as swiftly as possible and with the greatest chance of success. **As part of our long-term cooperation with the CMZRB, we are in close contact on a daily basis, communicating collectively our clients' inquiries and assisting in wording answers to facilitate and speed up cooperation between both parties as the enormous interest makes the formally flawless processing crucial for the assessment of applications.** Within two weeks, businesses will be able to apply for a loan with similar parameters under the COVID II scheme **also via commercial banks**, with CMZRB guaranteeing the loan and subsidizing its zero-interest rate. Even though negotiations with banks over such a scheme have just started, **we are ready to guide our clients through the application process of the commercial banks**, which is likely to be different and subject to more stringent rules. In addition, it will be necessary to simultaneously prepare an application for a loan with a commercial bank and an application for guarantee with CMZRB.

In relation to coronavirus, we assume that there will be an extraordinary spike in applicants for and utilization of these instruments as well as other schemes subsidized by the state or the EU – for instance, **the European Investment Bank**

(EIB) announced to have mobilized EUR 40 billion for supportive measures. Businesses and mid-caps with up to 3,000 employees will also be able to apply for such beneficial loans with a significantly higher individual cap **via local banks which have entered into a framework agreement with the EIB** and are already offering subsidized projects. In these cases, we may expect quite soon that the conditions will be adjusted to the current situation and the support made available by the EIB will be raised. We of course very closely discuss the developments with stakeholder banks and assist in the preparations.

Having the expected economic impacts of the current situation in mind, we have created a **specialized COVID Task Force for finance services** personally coordinated by **Jaroslav Havel** as the law firm's managing partner bringing together our greatest experts who are partners for the key practice areas relevant for debt financing, financial regulation, litigation, debt restructuring and realization, insolvency and legislation. As such, we are most likely the only **law firm** accepted for the panel of legal service providers at **each of the ten largest banks** on the Czech market. Moreover, we cooperate on a long-term and **extensive basis with numerous key financial institutions** such as **the Czech National Bank, the Czech Banking Association, the Finance Ministry, the Industry and Trade Ministry and the Bohemian-Moravian Guarantee and Development Bank.** This unique position of our law firm makes us exceptionally well-equipped to handle any crisis situation in the field of finance given our expertise, close personal ties and relevant experience gained in hundreds of financial transactions which were implemented by one of the most active financial teams in the Czech Republic. Not only do we provide comprehensive legal and technical assistance to our clients but we are also perfectly versed in the area of financial regulation and, if need be, crisis-related legislation.

We highly appreciate the proactive approach of the financial sector including Czech banks, the Czech Banking Association, the CMZRB, the EIB and, of course, the Czech National Bank, and in particular their coordinated effort to help clients solve these problems that are often very severe and difficult to predict. We share this approach and endeavours, and strive to provide assistance in all possible ways.

Please do not hesitate to contact us at any time. We very well know that in these situations, operational and any other financing issues need addressing immediately, and that is why we are ready to assist you at any time you need.

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