# COVID-19: Liquidity aid for companies - guaranteed COVID bridging loans

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At the press conference of Friday, 20 March 2020, the Federal Council informed on an additional package of measures to cushion the economic consequences of the spread of the coronavirus (COVID-19).

In order to remedy liquidity bottlenecks that continue to exist despite short-time working compensation at companies affected by the forced closure and demand shortages, the Federal Council announced additional support measures.

In addition to:

- a deferral of payment of social security contributions;
- the extension of payment deadlines without interest on arrears in tax matters and for federal suppliers; and
- a legal standstill in debt collection until 4 April 2020;

emergency aid shall be provided in the form of guaranteed COVID bridging loans.

The following two types of bridging loans are envisaged:

- Loans of up to CHF 500'000: These loans are particularly tailored to SMEs. The credit shall be paid out immediately without any examination by the banks. The Confederation guarantees the bank 100% of the default risk. According to the Federal Council, these credit amounts should cover over 90% of the companies affected by COVID.
- Loans from CHF 500,000 to CHF 20 million: These loans are to be 85% guaranteed by the Confederation. In the spirit of shared responsibility, a brief credit assessment by the bank is required.

The Federal Council expects bridging loans of up to CHF 20 billion. The guarantee program shall build on existing structures of the four Swiss guarantee cooperatives. The applicable interest rates have not yet been fixed, but are expected to be very low.

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With this measure, the Federal Council wishes to provide the economy with the necessary liquidity again. When asked about the possibility of à-fonds-perdu measures, the Federal Council stated that the current situation necessitates rapid action and that measures requiring individual assessment are therefore not pursued at this moment.

According to the Federal Council, the emergency ordinance is already drafted and currently being approved by FINMA and the National Bank. The emergency credit requested from the Federal Councils will be submitted to their Finance Delegation for approval within the next few days. The Federal Council intends to publish the ordinance next Wednesday, 25 March 2020. The ordinance shall enter into force on Thursday, 26 March 2020. Questions from interested parties on the modalities of submitting these applications shall only be answered from the moment of publication. Pestalozzi will update you accordingly in due course on the upcoming developments.

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No legal or tax advice

This legal update provides a high-level overview and does not claim to be comprehensive. It does not represent legal or tax advice. If you have any questions relating to this legal update or would like to have advice concerning your particular circumstances, please get in touch with your contact at Pestalozzi Attorneys at Law Ltd. or one of the contact persons mentioned in this Legal Update.

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