

## CORONAVIRUS: LUXEMBOURG STATE-BACKED GUARANTEE SCHEME FOR NEW BANK LOANS

The law of 18 April 2020 establishing a guarantee scheme supporting the Luxembourg economy has been published in the Official Journal and entered into force on 18 April 2020. The intention of the Luxembourg Government is to create a complementary financial mechanism in the form of a EUR 2.5bn Luxembourg State-backed guarantee for loans granted, between 18 March and 31 December 2020, by Luxembourg credit institutions. This briefing summarises key aspects of the new regime.

### ELIGIBLE BORROWERS

This new guarantee regime will be available to loans made for any commercial, industrial or artisanal company having a valid business licence, any agricultural and vinicultural cooperative company as well as certain legal and natural persons exercising liberal professions.

There are no restrictions in terms of the size of a company but large companies need to pay a higher guarantee premium than SMEs.

Companies carrying out the following activities will not be eligible:

- promotion, ownership, rental and trading of real estate; and
- holding of interests in other companies.

Furthermore, the companies must have been viable before 18 March 2020 (i.e. declaration of the state of crisis) to benefit from the scheme.

### CONDITIONS OF THE GUARANTEE

The Luxembourg state-backed guarantee will be available to any credit line, investment credit or overdraft credit facility granted, between 18 March and 31 December 2020, by any Luxembourg credit institution to an eligible borrower encountering temporary financial difficulties as a result of the Covid-19 pandemic.

A credit institution wishing to make a loan benefiting from such guarantee will have to enter into an agreement with the Luxembourg State Treasury and then notify each granted loan thereto. Where the Luxembourg State Treasury receives a notification for several loans for the same borrower, it will grant the guarantee in chronological order of the demands received, up to the limit of the overall cumulated amount per borrower as further explained below. The

#### Key aspects

- Luxembourg State guarantee for new bank credit lines up to 85% for a total amount of 2.5 billion euros.
- Applies to loans granted between 18 March and 31 December 2020 with a maturity of up to 6 years.
- Applies to SMEs and large enterprises viable prior to 18 March 2020.

*This briefing speaks as of 18 April 2020.*

credit institution will have the obligation to verify that each loan complies with all the eligibility criteria.

The Luxembourg State guarantee will only apply to loans having a maturity of up to 6 years and cover 85% of the capital, interest and accessories remaining due until the expiration of the term (unless the loan is called before under a credit event). The guarantee will not apply if a credit event occurs within two months following the disbursement of the loan.

The maximum amount of loans eligible for the guarantee is capped at the amount representing 25% of the turnover of the concerned company in 2019 (or, if not available, the last available year). Special rules apply for young innovative enterprises and companies created after 31 December 2019.

The loan agreement has to specify that the reimbursement becomes immediately due in the event of discovery, after the loan has been granted, of non-compliance with the conditions foreseen in the bill, i.e. the provision of intentionally incorrect information by the borrower.

The loan benefiting from this guarantee may not simultaneously benefit from other forms of Luxembourg State guarantees.

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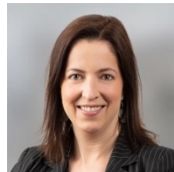
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