



# COFAG Outline

Bridging Guarantees and Subsidies  
volume up to EUR 15 bn

updated 9.4.2020

- The COVID-19 Finance Agency (*COVID-19 Finanzierungsagentur des Bundes GmbH* - "COFAG") was incorporated by ABBAG on behalf of the Federal Ministry of Finance. The total amount for the financial measures controlled by COFAG in the form of guarantees, subsidies and loans is up to 15 billion Euro.
- The legal basis for the granting of the financial measures is Section 2 para 2 cif 7 of the ABBAG Act:

*„the provision of services and the taking of financial measures in favor of companies pursuant to Section 3b para para 1, which are necessary to maintain the solvency and bridge liquidity difficulties of these companies in connection with the spread of the SARS-CoV-2 pathogen and the resulting economic effects“*

# Aid-Instruments

- **Bridge-Financing-Guarantees** (page 5 seq)
  - for **large enterprises**: COFAG bridge guarantees in cooperation with Austrian Control Bank (OeKB)

large enterprises: enterprises with headquarters or permanent establishment in Austria, which employ 250 or more persons or whose annual turnover exceeds EUR 50 million and whose balance sheet total exceeds EUR 43 million (in accordance with European Commission Recommendation 2003/361/EC of 6 May 2003)

- for **small and medium enterprises**: COFAG bridge guarantees in cooperation with aws (Austrian Promotional Bank) or ÖHT (Austrian Tourism Bank) respectively
- **Fixed Costs Subsidies** (page 15 seq)



# Bridge-Financing-Guarantees



# Application

## Bridge-Financing-Guarantees

- *single point of contact* always the bank(s) of the entrepreneur
- depending on type of aid the application has to be filed with the following institutions:
  - large enterprises: OeKB
  - small- and medium enterprises: aws
  - enterprises in the hotel and tourism sectors: ÖHT
- application possible starting 8 April 2020 for large enterprises (small- and medium enterprises expected 15 April 2020)

# Pre-Requisites

## Bridge-Financing-Guarantees

- location and business activities in Austria
- **Shortage of Liquidity** (Liquiditätsengpass) on single-entity-basis in the period 1 March to 30 September 2020
  - i.e. likely surplus of expected payment obligations over incoming payments; in individual cases an extension of the observation period up to 12 months is also possible
  - to be reflected in the calculation: payments from operating business, current loan instalments and interest (if the due dates have already been fixed on 16 March 2020), taxes, duties
  - not eligible for financing: rescheduling of loans, investments or dividend payments, manager bonuses and share buybacks

# Application Requirements

## Bridge-Financing-Guarantees

- it is feasible on the basis of the expected earnings and the over-all financial planning that the repayment of the guaranteed financing is possible
- „healthy cooperation“-requirement
  - until 31 December 2019 no loss of half of the share or nominal capital
  - no insolvency proceedings have been opened against the borrower and, taking into account the guaranteed financing, there is no obligation of the borrower to file for insolvency
  - in case of large enterprises, in one of the last two years, either (i) the book value of the debt of the undertaking or group does not exceed 7,5 or (ii) the interest coverage ratio of the undertaking or group, calculated on the basis of EBITDA, is not less than 1,0.

(for Details and in respect to KMUs see European Commission notice (EU) 651/2014 of 17 June 2014)



# Conditions<sup>I</sup>

## Bridge-Financing-Guarantees

- loan amount is based on liquidity requirements, limited to twice the annual payroll total, 25 per-cent of annual turnover or EUR 120 million
- excess amounts are possible in exceptional cases based on a special approval by the supervisory board of COFAG
- term: 5 years maximum



# Conditions<sup>II</sup>

## Bridge-Financing-Guarantees

- maximum guaranteed amount: 90 per-cent of financing
  - the guaranteed financing has to be divided into two tranches (draw-downs shall be made on a proportionate basis in relation to tranche 1 and tranche 2)
  - the loan amount under tranche 1 shall equal the total loan amount multiplied by the guarantee quota (90%) in relation to the total loan amount
  - the terms and conditions for tranche 1 must not be worse than those applied to tranche 2
- all (re-)payments shall be allocated on a proportionate basis in relation to tranche 1 and tranche 2

# Conditions<sup>III</sup>

## Bridge-Financing-Guarantees

- guarantee fees
  - for large enterprises: 50 bps p.a. for a term of up to 1 year, 100 bps p.a. for a term between 2 and 3 years and 200 bps p.a. for an excess term
  - for small and medium enterprises : 25 bps p.a. for a term of up to 1 year, 50 bps p.a. for a term between 2 and 3 years and 100 bps p.a. for an excess term
- external interest rate maximum 1 per-cent

# Conditions<sup>IV</sup>

## Bridge-Financing-Guarantees

- in case **collateral** is granted for the financing in respect to large enterprises, such collateral must serve to secure tranche 1 (guaranteed loan part) and tranche 2 (non-guaranteed loan part) on a proportionate basis
- other than stipulated in Sec 1358 Austrian General Civil Code collateral, if any, shall serve COFAG already with the payment under the guarantee in the ratio 90:10 in same rank

# Conditions<sup>v</sup>

## Bridge-Financing-Guarantees

- repayment bullet at the end of the term; mandatory pre-payment in case the liquidity allows such pre-payment
- drawing of the guarantee: in case of a default with payment obligations under the terms of the loan agreement or in case of opening of insolvency proceedings over the borrower's assets or if insolvency proceedings are not opened due to lack of assets
- credit risk minimization effect confirmed by the Austrian Financial Market Authority
- general state-aid framework to be observed (page 20 seq)

# Conditions<sup>VI</sup>

## Bridge-Financing-Guarantees

- diverse obligations for applicant (entrepreneurs) stipulated
- inter alia, use of liquidity restrictions for large enterprises:
  - the applicant undertakes to adjust the withdrawals by the owner of the applicant's company or the distribution of profits to owners to the economic circumstances for the period of the granted bridging guarantee (ban on dividends and profit distribution from 16 March 2020 to 16 March 2021 and moderate dividend and profit distribution policy for the remaining term), not to dissolve any reserves to increase the balance sheet profit and not to use the liquidity gained from the guaranteed financing to pay (i) profit distribution, (ii) to buy back own shares and (iii) to pay bonuses to members of the Management Board or managing directors

# KMU Special Conditions

Bridge-Financing-Guarantees

- for small and medium size enterprises also guarantees with a 100 per-cent coverage may be issued für emergency loans with a nominal amount of up to EUR 500,000

# Fixed Costs Subsidies



# Application

Fixed Costs Subsidies

- via online-tool on the website of aws

<https://www.aws.at/corona-hilfsfonds/?ref=topnews>

- application possible from 15 April 2020 onwards



# Application Requirements<sup>I</sup>

## Fixed Costs Subsidies

- management and permanent establishment in Austria
- „healthy“ enterprise before COVID-19 crises
- fixed costs for the subsidies must be incurred from operating activities in Austria

fixed costs are e.g. the rent for business premises (if the rent could not be reduced and is directly related to the business activity), insurance premiums, interest expenses (if these could not be deferred), non-personnel, operational, contractual payment obligations (which could not be deferred or reduced), license costs, payments for electricity/gas/telecommunications; also losses in value of perishable and seasonal goods, provided that such losses are at least 50 percent of the value; also an appropriate entrepreneur's salary (whereby this is limited to 2,000 Euro per month in analogy to the hardship fund regulations)

# Application Requirements<sup>II</sup>

## Fixed Costs Subsidies

- from 16 March 2020 till the end of the COVID-measures (but no later than 16 June 2020), at least 40% loss of revenue caused by the COVID-19 impact
- management must take all reasonable measures to reduce fixed costs and maintain jobs in Austria
- general state-aid frame-work to be observed (page 20 seq)

# Amount of Subsidies

## Fixed Costs Subsidies

- staggered, depending on the loss of turnover of the company, if the fixed costs exceed EUR 2,000 within 3 months
  - 40 to 60 per-cent loss: 25 per-cent subsidy
  - 60 to 80 per-cent loss : 50 per-cent subsidy
  - 80 to 100 per-cent loss : 75 per-cent subsidy



# Framework State Aid Laws

fellner wratzfeld partner



# State Aid Laws<sup>I</sup>

overview general requirements

- COVID framework: temporary framework for State aid to support the economy in the light of the current COVID-19 outbreak, Communication from the Commission of 19.3.2020 C(2020) 1863 final, paras 24 et seq

- (i) guarantee premiums will respect the following minimum values (alternatively, Member States may notify schemes using the above table as a basis and modulating the duration, pricing and size of the guarantee, e.g. smaller guarantee size to compensate for a longer duration):

	credit risk marge for loan terms		
	1 year	2 to 3 years	4 to 6 years
<b>SMEs</b>	25 bps	50 bps	100 bps
<b>large enterprises</b>	50 bps	100 bps	200 bps

- (ii) the guarantee will be granted no later than 31 Dec 2020. 12 months to be covered for large companies.

# State Aid Laws<sup>II</sup>

## overview general requirements

- (iii) for loans extending beyond 31 Dec 2020, the amount of the loan may not exceed,
  - a. twice the annual wage bill of the beneficiary (including social security contributions and costs for personnel working at the location of the enterprise but formally on the payroll of subcontractors) for the year 2019 or the last available year. For enterprises established on or after 1 January 2019, the amount of the loan may not exceed the estimated annual wage bill for the first two years of operation;
  - b. 25 per-cent of the total turnover of the beneficiary in 2019; or
  - c. in duly justified cases, the amount of the loan may be increased, on the basis of a self-declaration by the beneficiary of its liquidity needs<sup>22</sup>, to cover liquidity needs for the next 18 months for SMEs and for the next 12 months for large enterprises from the date of grant.
- (iv) For loans due to expire on 31 Dec 2020, the amount of the loan may, in duly justified cases, be higher than described in (iii), provided that the proportionality of the aid is maintained.
- (v) The term of the guarantee is limited to a maximum of six years and the State guarantee covers a maximum of (a) 90 % of the amount of the loan where losses are borne proportionately and on equal terms by the credit institution and the State; or 35 % of the amount of the loan where losses are first allocated to the State and only then to the credit institutions (first loss guarantee) and in both cases (a and b) the amount covered by the guarantee must decrease proportionally if the amount of the loan decreases over time, for example, due to an incipient repayment.

# State Aid Laws<sup>III</sup>

## overview general requirements

- (vi) The guarantee may cover both investment and working capital loans.
- (vii) The guarantee may be granted to firms which were not in difficulty on 31 Dec 2019 (within the meaning of the General Block Exemption Regulation); it may be granted to firms which are not in difficulty and/or to firms which were not in difficulty on 31 Dec 2019 but which subsequently ran into difficulties or were placed in difficulties as a result of the COVID 19 outbreak.



## Contact

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