

COVID-19 Bridging loans for self-employed persons and companies

At its extraordinary meeting on 25 March 2020, the Federal Council (« Bundesrat ») discussed liquidity assistance for self-employed persons and companies. These are to be given fast access to loans to bridge Corona-related liquidity bottlenecks and can be applied to the banks from 26 March 2020.

Bridging loans are intended to provide companies with sufficient liquidity to cover their ongoing fixed costs despite Corona-related revenue losses.

Affected companies can apply for bridging loans up to a maximum of 10% of their annual turnover up to a maximum of 20 million Swiss francs from their respective banks.

Conditions

The conditions for applying for a loan are as follows:

- The company must have been established before the COVID-19 pandemic in Switzerland, i.e. before 1 March 2020;
- it must be significantly affected economically by the COVID-19 pandemic, in particular with regard to its turnover;
- It is financially sound, i.e. it is not in bankruptcy or restructuring proceedings or in liquidation.

Maturities and interest

THE COVID-19 loans are granted for a term of five years, with the period being extended by up to two years in the event of hardship.

For COVID-19 loans up to 500,000 Swiss francs, the interest rate is 0.0 percent. Loans above this amount (up to CHF 20 million) are subject to a differentiated arrangement: on the guaranteed share of the loan (85%) interest rate is 0.5 percent. On the remaining amount of the loan (15%), it is for the parties to the credit agreement, i.e. the bank and the borrower have to agree on an appropriate interest rate.

There is an adjustment mechanism for interest rates, i.e. the Federal Finance Department adjusts the interest rate annually based on market developments.

Intended use

The loans can only be used to cover ongoing rental or material costs (the personnel costs are to be covered largely by the COVID measures in the areas of short-time working).

During the duration of the loan, the following operations are explicitly prohibited:

- Distribution of dividends, royalties («Tantiemen») and reimbursement of capital contributions
- Group loans must not be replaced by a bridging loan
- the granting of active loans or the refinancing of private and shareholder loans designed as active loans.
- Extraordinary amortization or extraordinary interest payments on existing bank loans
- The bridging loans granted are only intended to secure the liquidity of the applicant. Any transfer of credit funds to a related person/company abroad, e.g. in the context of a cash pooling, is not permitted.
- Contracts with intra-group service companies and third parties should not be amended at the expense of the applicant.

Refinancing of bank overruns since 23 March 2020 at the lending bank is explicitly permitted..

Procedure

The granting of COVID-19 loans is based on two different procedures depending on the amount of credit requested:

Simplified procedure for loans up to 500,000 Swiss francs (COVID-19-CREDIT):

- The self-employed person or company completes the electronically provided standardised COVID-19 credit agreement, thereby declaring that it meets the eligibility requirements. She submits the loan agreement to her bank or, if she is a customer of PostFinance AG, to PostFinance AG.
- The bank or PostFinance AG checks whether the applicant is a customer and meets the requirements for a COVID loan according to the self-declaration. No further credit checks are carried out.

Procedure for loans from 500,000 to 20,000,000 Swiss francs (COVID-19-KREDIT-PLUS):

The procedure should also be kept simple for credit amounts of this amount, but the credit verification must be more comprehensive:

- The credit-seeking company completes a standardised, electronically provided loan application. Only the banks are the only one-stop shop for submitting the loan application.
- • The eligibility requirements and the calculation of the maximum amount of credit (10% of turnover) are carried out in accordance with the simplified procedure.
- • In addition, the Bank performs an industry-standard credit check.

Penalties

The borrower is aware that he will be held criminally responsible for fraud (Art. 146 Criminal Code), forgery of documents (Art. 251 Criminal Code), etc. and punishable by imprisonment up to five years or penalty can be punished.

In addition, a fine of up to CHF 100 000 will be used to penalise anyone who intentionally obtains a loan under the COVID-19 Solidarity Guarantee Ordinance with false information or who does not use the credit funds to ensure the liquidity needs mentioned above.

For further information

For further information we refer to the following websites:

- <https://covid19.easygov.swiss/> (application are also available on this site but not in English)
- <https://covid19.easygov.swiss/banken/> (list of participating banks)

The information is only available in the official languages of Switzerland. We recommend you to ask your house bank whether they can provide you with an application in English.

We strive to provide accurate and up-to-date information. However, there is no guarantee for the information listed above. In a specific case, it is essential to clarify the facts and to assess them on the basis of the legal provisions and detailed administrative instructions.

We are at your disposal to prepare a loan application and any further questions in this regard.