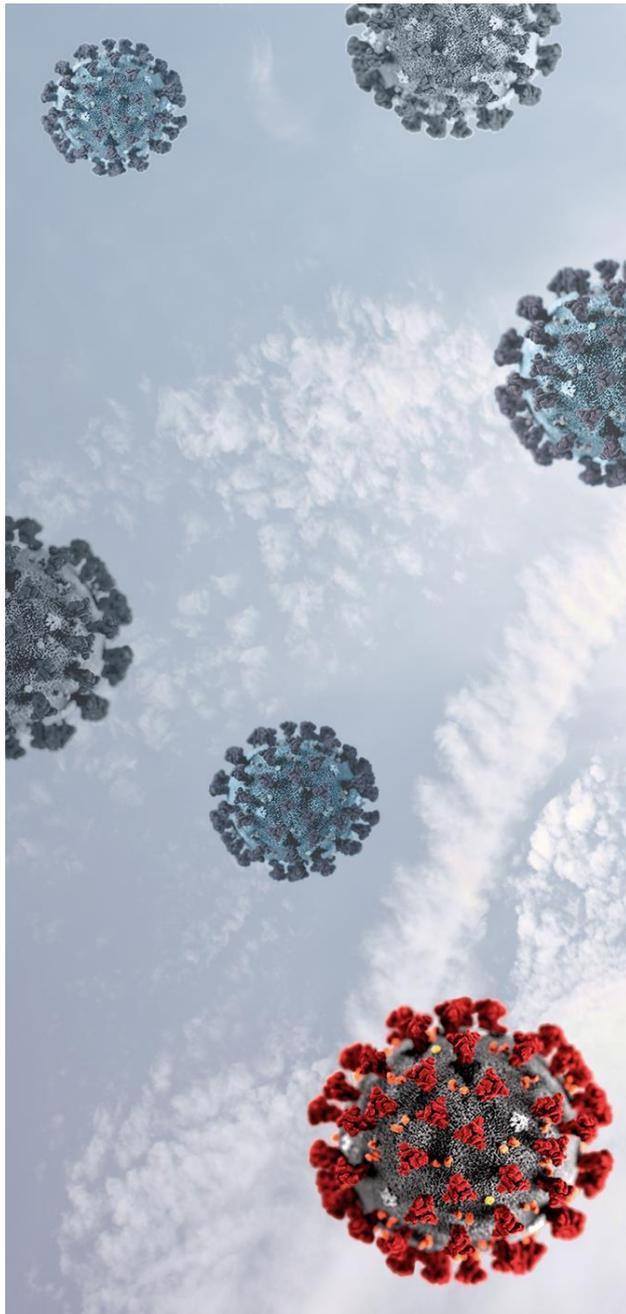

COVID-19: Support for companies

Newsletter | Portugal

Updated October 29, 2020



Exceptional measures implemented by the Portuguese government to support companies:

- > **Credit lines** (*updated*)
- > **Moratorium** (*updated*)
- > **State guarantees**
- > **Mutual guarantee company guarantees**



I. Credit lines

To mitigate the economic impact of the COVID-19 pandemic, the Portuguese government implemented, from the start of the pandemic and even before the declaration of the state of emergency, a package of temporary and exceptional measures to support companies. They include establishing several credit lines for businesses and adjusting existing incentive schemes and systems.

Adjustments to QREN and “Portugal 2020” incentive schemes and systems

Resolution of the Council of Ministers 10-A/2020 of March 13, as amended by Resolution of the Council of Ministers 11-A/2020 of March 23, redefines certain criteria regarding aid and incentives granted to companies under QREN and the “Portugal 2020” scheme, in particular:

- Shorter payment periods: Payments made as soon as possible after companies submit payment orders, which may be even made in advance and settled later with the clearance of the incentive to be paid by the intermediary or paying body, without the beneficiaries having to fulfill any formalities;
- Deferral of incentive repayment: 12-month deferral of the amounts payable until September 30, 2020 for reimbursable subsidies allocated under the QREN or the Portugal 2020 incentive scheme, without interest or any other penalty for the beneficiary companies;
- Eligibility of costs for canceled or rescheduled actions: Expenses incurred by beneficiaries in initiatives or actions canceled or rescheduled for reasons associated to COVID-19 as part of projects approved by Portugal 2020 or other operational schemes, in particular in the fields of internationalization and professional training, are eligible for reimbursement; and
- Consideration of COVID-19 as *force majeure* for Portugal 2020 aid: The negative impact of COVID-19 resulting in the insufficient materialization of actions or goals can be regarded as *force majeure*, i.e., not attributable to the beneficiaries, in the evaluation of the goals established by contracts under the Portugal 2020 incentive scheme.

Aid to export - Credit insurance increase

Also under Resolution of the Council of Ministers 10-A/2020 of March 13, the Portuguese government increased credit insurance for export with State guarantees to support export and customer diversification, in particular for non-European Union markets, in the following terms:

- From €100 to €200 million: for credit insurance line ceilings for the metallurgical, metal-mechanic, and mold sectors;



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- > From €100 to €200 million: for the bond insurance with State guarantees line for works abroad and other supplies; and
- > From €250 to €300 million: for the credit insurance line ceiling for short-term export.

Credit line for micro-companies in the tourism sector

The Portuguese government, through Legislative Order 4/2020 of March 25, opened a credit line for **€ 60 million** for micro-companies in the tourism sector. These funds will be made available by the Portuguese Tourism Board.

This line is intended for companies that i) employ fewer than 10 workers and whose annual turnover or total annual balance sheet does not exceed €2 million; ii) can prove their regularized status to the tax authorities, the social security administration, and the Portuguese Tourism Board; iii) can prove that their activity was negatively affected by the COVID-19 outbreak; iv) are licensed and registered with the National Tourism Registry, if applicable; v) are not in financial difficulties; and vi) were not subject to administrative or judicial sanctions in the last two years for using labor legally required to pay taxes and Social Security contributions, undeclared under the rules that impose that obligation, or being the subject of a court ruling for illegal dismissal of pregnant workers or workers who had recently given birth or were breastfeeding.

The following criteria, among others, apply to this credit line:

- > Amount to be made available to each enterprise: €750 per month for every position existing in the company on February 29, 2020, multiplied by the three-month period;
- > Maximum amount: €20,000;
- > Term: three months;
- > Reimbursement: three years (including a one-year vesting period);
- > No interest;
- > Guarantee: the shareholder's personal guarantee; and
- > The beneficiary must submit in July 2020 a document certifying that it is keeping the positions that existed on February 29, 2020.

Capitalizar 2018 – COVID-19 (*Closed line*)

As part of the Capitalizar 2018 Scheme, a specific “COVID-19” line for a **total of €400 million** was created, which remained in force until May 31, 2020.



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This line, which included sectors not eligible for other credit lines already announced by the Portuguese government, gave priority to SMEs, but could also include other companies that have suffered the negative impact of the COVID-19 pandemic.

To be eligible for this credit line, companies should be up to date with their social security and tax obligations and the banks and have a positive net worth in their last approved balance sheet (or in the approved interim balance sheet up to the transaction date).

The following criteria, among others, applied to this credit line:

- > Maximum amount per company: €3 million, respectively, with €1.5 million for operating fund and €1.5 million for cash purposes;
- > Mutual guarantee (to be provided by the mutual guarantee companies): Up to 80% of the debt principal;
- > Mutual counter-guarantee fund: 100%; and
- > Operation term: four years for the operating fund and one to three years for cash.

COVID-19 Line to Support the Economy

Under the COVID-19 Line to Support the Economy, **four specific supplementary credit lines** were made available for approximately €6.2 billion in additional financing for the economy, to be made available through credit institutions and guaranteed by the State.

These lines are intended for Portuguese companies, from micro-companies to midcaps, in the following sectors:

- > **Restaurants and similar businesses:** €600 million;
- > **Travel agencies, tourist entertainment, event organization and similar businesses:** €200 million; (*closed line*)
- > **Tourism companies:** €900 million; and
- > **Economic activity:** €4.5 billion. (*closed line*)

To be eligible for these credit lines, companies in each sector must: **i)** have a positive net worth in the last approved balance sheet (or in the approved interim balance sheet up to the transaction date) or, regardless of their respective net worth, have started operation less than 12 months before the date of application; **ii)** be up to date with their social security and tax obligations; **iii)** have no incidents pending with the banks and the Mutual Guarantees System; and **iv)** agree to maintain permanent positions until December 31, 2020, in accordance with the number of permanent positions verified at February 1, 2020.

Regarding the criteria announced for these credit lines, we would highlight the following:



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> **Restaurant and similar businesses; travel agencies; tourist entertainment; event organization and similar businesses:**

<u>Term of the credit line</u>	Until December 31, 2020						
<u>Maximum amount per company</u>	<table border="1"><tr><td>Micro-companies</td><td>€50,000</td></tr><tr><td>Small companies</td><td>€500,000</td></tr><tr><td>Medium companies, small mid and mid cap companies</td><td>€1.5 million</td></tr></table>	Micro-companies	€50,000	Small companies	€500,000	Medium companies, small mid and mid cap companies	€1.5 million
Micro-companies	€50,000						
Small companies	€500,000						
Medium companies, small mid and mid cap companies	€1.5 million						
<u>Mutual guarantee</u>	Up to 90%						
<u>Mutual guarantee company counter-guarantee</u>	100%						
<u>Operation term</u>	Up to six years with an 18-month vesting period						
<u>Maximum spread</u>	1.5%						
<u>Term for use</u>	Up to 12 months						
<u>Scope</u>	Financing of cash needs						
<u>Repayment</u>	Equal, successive monthly payments in arrears						

> **Tourism businesses and economic activity**

<u>Term of the credit line</u>	Until December 31, 2020								
<u>Maximum amount per company</u>	<table border="1"><tr><td>Micro-companies</td><td>€50,000</td></tr><tr><td>Small companies</td><td>€500,000</td></tr><tr><td>Medium companies</td><td>€1.5 million</td></tr><tr><td>Small Mid Cap and Mid Cap</td><td>€2 million</td></tr></table>	Micro-companies	€50,000	Small companies	€500,000	Medium companies	€1.5 million	Small Mid Cap and Mid Cap	€2 million
Micro-companies	€50,000								
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Credit lines established in the Plan for Economic and Social Stabilization

With the flattening of the COVID-19 infection curve and the slow return to the “new normal,” the Portuguese government issued a number of guidelines to restart the economy without losing control over the pandemic.

These guidelines were given in the Plan for Economic and Social Stabilization included in the Resolution of the Council of Ministers 41/2020 of June 6, in which the Portuguese government specified a set of interventions to guarantee gradual economic and social stabilization, without overlooking health care aspects.

We highlight the following important guidelines of the Plan for Economic and Social Stabilization:

➤ **Reinforcement of the volume of State guaranteed credit lines until the end of 2020 by €6.8 billion**

This reinforcement will make it possible to revitalize the public policy to promote financing criteria for companies through credit lines with a public guarantee, enabling: (i) the launch of credit lines with a public guarantee for a up to €1 billion intended to finance up to €50,000 for micro and small companies in all sectors; (ii) the continued availability of credit lines with a public guarantee, depending on the specific needs of the various activity sectors and the economy as a whole; (iii) the support to financing international transactions as part of the “COVID-19 lines to support the economy”, allowing companies to have the liquidity criteria to handle demand from foreign customers.

➤ **Potential introduction of a credit insurance instrument intended for domestic activity, by the State, for the risk of transactions involving goods and services in Portugal**

This measure establishes shared risk by the export company, the insurance company, and the State. Its goal is to prevent Portuguese companies from losing domestic customers to external competitors due to the absence of national mechanisms. This instrument would require adjustment with respect to the respective domestic legal framework and would follow the European Union rules for State aid; thus, it would require the authorization of the European Union.

➤ **Creation of an SPV to acquire debt issued by PME, with the subsequent placing of that debt in the capital market by issuing bonds, with the possibility of associating a mutual guarantee**

This mechanism continues the ongoing project to issue a tourism bond, which brings together a number of tourism SMEs, but it does so through a mechanism, new in Portugal, to speed up the financing of SMEs through the capital market, mainly making use of institutional investors.



> Sale and lease back transactions

Launching calls for €60 million as part of the real estate investment funds managed by Turismo Fundos-SGOIC S.A. for sale and lease back transactions, with the obligation of investing in modernization and energy efficiency or circular economy, with €40 million intended for tourism (50% associated with low-density territories) and €20 million intended for industry.

Specific credit line for cut flower and ornamental plant growers

Given the serious situation in the flower and ornamental plant sector, which has been particularly affected by the strong drop in demand, the government approved extraordinary temporary measures to minimize the costs associated with maintaining and restarting these activities.

These measures include the creation of a credit line providing soft loans to cut flower and ornamental plant growers to overcome cash and operating fund difficulties resulting from the disparity between supply and demand and the necessary adjustments to operators' activity.

This credit line was established by Decree Law 80/2020 of October 2, in accordance with Commission Regulation (EU) 1408/2013, amended by Regulation (EU) 2019/316 on *de minimis* aid in the agriculture sector, which establishes the following terms:

<u>Eligibility</u>	<ul style="list-style-type: none"> > Individuals > Companies that: <ul style="list-style-type: none"> o comply with the law and regulations for growing cut flowers and ornamental plants o are effectively operating in 2020 o have their registered office in Portugal o are up to date on their contributions to the tax and social security authorities; and o are not a company in difficulty, according to the meaning of Article 2 of Regulation (EU) 651/2014, relative to December 31, 2019
<u>Maximum total amount</u>	€20 million
<u>Individual amount</u>	<ul style="list-style-type: none"> > Amount per beneficiary limited to 25% of the total business volume for 2019 > Limit of €20,000 for growers
<u>Application and allocation</u>	<ul style="list-style-type: none"> > Submission of an application to the Agriculture and Fisheries Financing Institute (IFAP) > Allocation of the amounts by order of submission of the applications to IFAP, until the total maximum amount is reached



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<u>Form</u>	Repayable loan granted by credit institutions, or other institutions qualified to grant loans, that adhere to the agreement with IFAP
<u>Interest rate</u>	Nominal interest rate, with the maximum set in the IFAP agreement Interest rates will be paid on an annual basis in arrears
<u>Maturity</u>	Maximum term of four years, to be repaid on a yearly basis in equal installments, with the first repayment being due one year after the date scheduled for the first use of the credit.
<u>Term for use</u>	Up to 12 months after the signing of the contract
<u>Bonus</u>	Interest rate bonus equal to 80% of the benchmark rate to calculate bonuses (TRCB)
<u>Documents required</u>	Beneficiaries must submit a copy of their income statements for the 2019 financial year

COVID-19 Line to Support the Economy - Micro and small companies

Also, as part of the government's extraordinary measures to help normalize companies' businesses, a billion-euro provision, the COVID-19 Line to Support the Economy - Micro and small companies, was created for micro and small companies certified by IAPMEI.

This support line is governed by the following terms:

<u>Eligibility</u>	Individual business owners, as well as micro and small companies that: <ul style="list-style-type: none">> are certified by an IAPMEI electronic statement> have their registered office in Portugal> carry out an activity included in the list of Economic Activities given in the document announcing the credit line> had positive equity in the latest approved balance statement (not applicable to companies that started operation less than 24 months ago and individual business owners with no organized accounting)> had no non-regularized incidents with banks or the Mutual Guarantee System> have a regular tax status with the tax and social security authorities;> are not a company in difficulty, according to the definition given in Article 2 of Regulation (EU) 651/2014, relative to December 31, 2019
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	<ul style="list-style-type: none"> > agree to maintain permanent work positions until December 31, 2020, with respect to the number of verified positions on February 1, 2020 > have no approved or contracted financing transactions in the Mutual Guarantee Society, as part of a mutual-guarantee credit line or subline created to support the normalization of business activity during the pandemic > had a drop in invoicing of at least 40% in the monthly invoicing average from March to May 2020, compared to the monthly invoicing average in the two previous months, or to the monthly invoicing average in the same period in the previous year > are not considered entities with a registered office or management in countries, territories, or regions with a clearly more favorable tax regime; and > are not considered entities controlled by entities, including trusts of any kind, that have their registered office or management in countries, territories, or regions with a clearly more favorable tax regime 				
<u>Maximum total amount</u>	€1 billion				
<u>Individual amount</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; border-bottom: 1px solid black;">Micro enterprises</td> <td style="text-align: right; border-bottom: 1px solid black;">€50,000</td> </tr> <tr> <td>Small enterprises</td> <td style="text-align: right;">€250,000</td> </tr> </table>	Micro enterprises	€50,000	Small enterprises	€250,000
Micro enterprises	€50,000				
Small enterprises	€250,000				
<u>Application and allocation</u>	<ul style="list-style-type: none"> > Submission of the application to the credit institution > Applications for financing are independently examined and decided on by the bank, considering its credit risk policy. The bank notifies its approval or rejection within five business days from the application date > After the approval of the financing, the bank will send the operation to the Mutual Guarantee Society, as well as the elements required to analyze the risk of obtaining the mutual guarantee. The Mutual Guarantee Society notifies its approval or rejection within two business days, which may be extended to up to five business days > Once it is approved by the Mutual Guarantee Society, the financing must be contracted with the company within 60 days 				
<u>Eligible transactions</u>	Financing of cash needs				
<u>Transactions excluded</u>	<ul style="list-style-type: none"> > Financial restructuring and transactions involving the consolidation of outstanding loans 				



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	<ul style="list-style-type: none"> > Transactions intended to settle or replace, directly or indirectly, even if in different conditions, financing previously granted by the bank > Transactions to purchase land and second-hand buildings, as well as general buildings that did not already have (before their purchase) specific characteristics suitable for the technical requirements of the company's production process 								
<u>Accumulated transactions</u>	Companies may apply for more than one transaction through the same credit institution or several credit institutions								
<u>Form</u>	Short- and long-term bank loans								
<u>Maturity</u>	Maximum period of six years with a grace period of up to 18 months								
<u>Repayment</u>	Equal, successive monthly payments in arrears								
<u>Interest rate</u>	<p>Fixed or variable interest rate plus a limited spread in the following terms:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Loan maturity</th> <th style="text-align: left;">Maximum spread</th> </tr> </thead> <tbody> <tr> <td>Up to 1 year</td> <td>1.00%</td> </tr> <tr> <td>1 to 3 years</td> <td>1.25%</td> </tr> <tr> <td>3 to 6 years</td> <td>1.50%</td> </tr> </tbody> </table> <p>Interest rates are paid on a monthly basis in arrears</p>	Loan maturity	Maximum spread	Up to 1 year	1.00%	1 to 3 years	1.25%	3 to 6 years	1.50%
Loan maturity	Maximum spread								
Up to 1 year	1.00%								
1 to 3 years	1.25%								
3 to 6 years	1.50%								
<u>Term for use</u>	One single use of the entire amount, within 15 business days from the contract date								
<u>Guarantees</u>	<ul style="list-style-type: none"> > Independent guarantee at first demand, issued by the Mutual Guarantee Society, to secure the debt at any given time > Neither the bank nor the Mutual Guarantee Society will require any type of supplementary (personal or equity) endorsement or guarantee <p>A note receivable issued by the company may be requested, which does not constitute collateral, with the possibility of a third-party endorsement being completely excluded</p>								

COVID-19 Line to Support the Social Sector

This line has a total amount of €165 million and is intended to support social economy entities in the extraordinary social and economic context triggered by the COVID-19 pandemic.

This line is governed by the following terms:



<u>Eligibility</u>	<p>Social economy entities that are Private Social Solidarity Institutions or equivalent non-profit entities, equivalent to micro, small, and medium enterprises (SMEs) that:</p> <ul style="list-style-type: none">> had positive equity in the latest approved balance statement (not applicable to companies that started operation less than 24 months ago and individual business owners with no organized accounting)> had no non-regularized incidents with banks or the Mutual Guarantee System> have a regular tax status with the tax and social security authorities> are not a company in difficulty, according to the definition given in Article 2 of Regulation (EU) 651/2014, relative to December 31, 2019> are not considered entities with a registered office or management in countries, territories, or regions with a clearly more favorable tax regime; and> are not considered entities controlled by entities, including trusts of any kind, that have their registered office or management in countries, territories, or regions with a clearly more favorable tax regime
<u>Maximum total amount</u>	€165 million
<u>Individual amount</u>	€500,000
<u>Application and allocation</u>	<ul style="list-style-type: none">> Submission of the application to the credit institution> Applications for financing are independently examined and decided on by the bank, considering its credit risk policy. The bank notifies its approval or rejection within five business days from the application date> After the approval of the financing, the bank will send the transaction to the Mutual Guarantee Society, as well as the elements required for the risk analysis to obtain the mutual guarantee. The Mutual Guarantee Society notifies its approval or rejection within two business days, which may be extended to up to five business days> Once approved by the Mutual Guarantee Society, the financing must be contracted with the company within 30 business days
<u>Eligible transactions</u>	Financing of cash needs
<u>Accumulated transactions</u>	Social economy entities may submit applications for more than one transaction with the same credit institution or several credit institutions



<u>Form</u>	Short- and medium-term bank loans								
<u>Maturity</u>	Maximum period of 6 years, with a grace period of up to 18 months								
<u>Interest rate</u>	Fixed or variable interest rate plus a limited spread in the following terms: <table border="1"><thead><tr><th>Loan maturity</th><th>Maximum spread</th></tr></thead><tbody><tr><td>Up to 1 year</td><td>1.00%</td></tr><tr><td>1 to 3 years</td><td>1.25%</td></tr><tr><td>3 to 6 years</td><td>1.50%</td></tr></tbody></table> Interest rates are paid on a monthly basis in arrears	Loan maturity	Maximum spread	Up to 1 year	1.00%	1 to 3 years	1.25%	3 to 6 years	1.50%
Loan maturity	Maximum spread								
Up to 1 year	1.00%								
1 to 3 years	1.25%								
3 to 6 years	1.50%								
<u>Term for use</u>	Up to 12 months after the contract date								
<u>Guarantees</u>	<ul style="list-style-type: none">> Independent guarantee at first demand, issued by the Mutual Guarantee Society, to secure the debt at any given time> Neither the bank nor the Mutual Guarantee Society will require any type of supplementary (personal or equity) endorsement or guarantee <p>A note receivable issued by the company may be requested, which does not constitute collateral, with the possibility of a third-party endorsement being completely excluded</p>								

II. Moratorium, state guarantees, and mutual guarantee company guarantees – Decree-Law 10-N/2020, of March 26 and its amendments

Continuing the measures approved by Resolution of the Council of Ministers 10-A/2020 of March 13, the Portuguese government implemented, through Decree-Law 10-J/2020 of March 26, later amended by Law 8/2020 of April 8, a set of exceptional measures on credits for families, companies, private charities, and other social economy entities.



Although some credit institutions have implemented specific systems to lighten their customers' financial liabilities, the Portuguese government decided to establish a set of tools to reinforce the cash and liquidity of companies and families, so as to mitigate the effects of reduced economic activity.

This packet of measures took the form of three ways to help companies: i) a moratorium on compliance with obligations towards banks; ii) granting personal guarantees from the State; and iii) speeding up the granting of guarantees by mutual guarantee companies.

These measures have now been updated through the publication of Decree Law 78-A/2020 of September 29.

Regarding the measures introduced by Decree Law 10-J/2020, the main guidelines for the update established in Decree Law 78-A/2020 include the extension of the term of the moratorium until September 30, 2021, and the establishment of several limitations on the beneficiaries' activities.

We will now examine the measures established in Decree-Law 10-J/2020 and its recent amendments.

Beneficiaries of the exceptional measures approved by the government

Micro-companies, small, and medium companies can benefit from the measures established in Decree-Law 10-J/2020 of March 26, as well as any other company (regardless of its size) that is not part of the financial sector and meets the following cumulative criteria:

- They have their registered office and conduct their economic activity in Portugal;
- There were not, as of March 18, 2020, in default or breach of monetary obligations for more than 90 days, or, if so, did not meet the materiality criterion established in the Notice of the Bank of Portugal 2/2019 and Regulation (EU) 2018/1845 of the European Central Bank of November 21, 2018, and are not insolvent or in suspension or cessation of payments, or these procedures were on that date already being conducted by any of the institutions; and
- Are up to date with their tax, customs and social security obligations. Any debts incurred in March 2020 are not relevant for this purpose.

Individuals, regarding mortgage credits, as well as the financial lease of real estate properties for residential use and consumer credits for education (including academic and professional training), individual business owners, private charities, non-profit organizations, and other social economy entities can also benefit from these measures if they meet certain criteria.



Moratorium

Transactions included:

- Credit transactions granted by credit institutions, credit financial companies, investment firms, financial leasing companies, factoring companies and mutual guarantee companies, as well as branches of credit institutions and financial institutions operating in Portugal, to the beneficiaries specified above.

Transactions excluded:

- Credit or financing for the purchase of transferable securities or the acquisition of positions in other financial instruments, whether they are guaranteed by those instruments or not;
- Credit granted to the beneficiaries or systems, aid, or benefits, in particular fiscal ones, to establish their registered office or place of residence in Portugal, including for investment, with the exception of those citizens eligible for the Regressar Scheme;
- Credit granted to companies for individual use through credit cards by their members of the management and audit bodies, workers, and other partners.

Implications of adherence to the moratorium in the contractual contents:

- Total or partial prohibition, until September 30, 2021, of credit lines contracted and loan grants (whether they have been made available or not) contracted by March 27, 2020;
- Extension, for a period equal to the term of the measure, of all the credits with payment of capital at the end of the contract, in force on March 27, 2020, together, under the same terms, with all their associated factors, including interest rates and guarantees;
- Suspension, regarding credits with partial repayment of capital or with partial maturity of other monetary cash benefits, until March 31, 2021, (and until September 30, 2021, as regards capital contributions in general), of payment of the capital, rent, and interest with maturity scheduled until the end of that period, even if the beneficiaries are entitled to request, at any time, that only the repayment of capital or part of it be suspended;
- As a result of the provisions of the previous paragraph, the automatic extension of the contractual plan for the repayment of capital, rent, interest, commissions, and other charges for the same period as the suspension, to guarantee that there are no further charges other than those derived from the variability in the benchmark interest rate underlying the contract; and
- Extension of all the elements associated with the contracts falling under the measure, including guarantees (with no need for further formality or act with institutions



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promoting the respective registration, when required, with no need to submit any other document and with exemption from the chain of successive transactions).

Implications of the contractual effects and exercise of rights in insolvency proceedings, PER or RERE

The extension of payment deadlines does not give rise to any:

- > breach of contract;
- > activation of early maturity clauses;
- > suspension of the maturity of the interest due during the extension period, which will be capitalized at the value of the loan, depending on the time when they are due at the contract rate in force; or
- > inefficacy or cessation of the guarantees granted by the beneficiaries or by third parties.

If the beneficiary is declared insolvent or submits to PER or RER, the lending banks may exercise all the actions associated to their rights under the applicable legislation.

The credit moratorium may trigger payment of the due tax, subject to a case-by-case analysis.

Specificities of some credits:

- > Credits with financial collateral: the measures include the debtor's obligations to restore the maintenance margins, as well as the creditor's right to enforce the stop losses clauses.
- > Loans granted based on (total or partial) financing or guarantees from third parties that have their registered office in Portugal: the moratorium applies automatically, with no need for previous authorization from those entities, on the same terms as for the initial legal business.

Procedure for access:

- > Companies that intend to benefit from the moratorium must send to the lending bank, by mail or by email, a declaration of adherence signed by their legal representatives, together with supporting documents that certify their regular tax and social security status;
- > If they meet the criteria set by the measure, the lending bank will apply the moratorium within a maximum of five business days from receiving the declaration and the supporting documents certifying the regular tax and social security status, effective from the date of delivery of the declaration.



Limitations on beneficiaries' activity

The benefits associated with adherence to the moratorium will cease if there is a distribution of profits under any form, or a reimbursement of credits to the shareholder and the acquisition of own shares by the beneficiaries.

Personal guarantees provided by the State

Decree-Law 10-J/2020 of March 26 also established that, due to the national economic emergency caused by the COVID-19 pandemic, and within the maximum limits for granting personal guarantees established in the State Budget, the State and other public organizations can offer personal guarantees, in particular to guarantee credit transactions and other financial transactions, to ensure liquidity, or for any other purpose, to companies, private charities, non-profit organizations, and other social economy entities, as well as to any other entities in the European Union, including European institutions, instruments, or mechanisms, if authorized by the Minister of Finance.

Guarantees provided by mutual guarantee companies

Under Decree-Law 10-J/2020 of March 26, mutual guarantee companies may, as part of the exceptional and temporary measures to respond to the epidemiological situation caused by the novel coronavirus, grant guarantees to beneficiaries and individuals or legal persons that are not shareholders, if those guarantees are specifically authorized by the members of the government in charge of economy and finances, and if the financial products resulting from those guarantees are identified.



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Cuatrecasas has set up a Coronavirus Task Force, a multidisciplinary team that constantly analyses the situation emerging from the COVID-19 pandemic. For additional information, please contact our taskforce by email TFcoronavirusPT@cuatrecasas.com or through your usual contact at Cuatrecasas. You can read our publications or attend our webinars on our [website](http://www.cuatrecasas.com).

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