SUPPORT FOR BUSINESS SOLVENCY IN RESPONSE TO THE COVID-19 PANDEMIC (March 2021)

This regulation, which came into force on 13 March 2021, aims to resolve issues regarding solvency and over-indebtedness of companies and self-employed professionals by means of three funds.

1. COVID line for direct aid for self-employed persons and companies (€7 billion)

A new COVID line is set up for direct aid for self-employed persons and companies, in order to reduce over-indebtedness underwritten between 1 March 2020 and 31 May 2021.

Self-employed persons and companies with their head office in Spain, whose annual turnover in 2020 has fallen by at least 30% compared to 2019, and whose activity is included under any of the National Classification of Economic Activities (CNAE) Codes, may access direct aid. This aid allows the aforementioned to settle their debts and pay suppliers, financial and non-financial creditors, as well as fixed costs incurred, provided that these obligations have been generated between 1 March 2020 and 31 May 2021, and are derived from contracts prior to 13 March 2021 (effective date of the Royal Decree-law).

Recipients

The recipients of the aid shall be non-financial companies and self-employed persons, provided that the registered address of the aforementioned is in Spain, or non-financial non-resident entities that do business in Spain by means of a permanent establishment.

Requirements and Commitments

Upon submitting the application for aid, recipients must meet the following **requirements**:

- Not have been sentenced by means of final judgement to the penalty of forfeiting the opportunity to obtain subsidies or public aid or due to offences of wilful malfeasance, bribery, embezzlement of public funds, influence peddling, fraud and illegal levying or town-planning offences.
- Not have provoked the definitive termination of any contract signed with the Government.
- Be up to date with repayment obligations in relation to subsidies or public aid.
- Be up to date with the fulfilment of tax obligations and as regards Social Security.
- Not be declared to be in a state of insolvency.
- Not have their tax residence in a country or territory which, in accordance with the regulations, is described as a tax haven.

The recipients of these measures must make the following **commitments**:

- The respective activity for the aid must be maintained until 30 June 2022.
- Dividends may not be distributed in 2021 and 2022.

- No pay rises may be approved in senior management for a period of two years once any of the measures has been implemented.

2. COVID line for the restructuring of financial debt (€3 billion)

Possibility to extend the expiry date of loans granted with a government guarantee as of 17 March 2020, beyond the date set in accordance with Royal Decree-law 34/2020 of 17 November. It also envisages the possibility to convert these loans into equity loans, while maintaining the cover of the government guarantee.

3. Recapitalisation fund for companies affected by COVID (€1 billion)

Recapitalisation of medium-sized companies which are viable in the medium and long-term, and are affected by the consequences of the pandemic with regard to their balances and their markets.

4. New measures on insolvency to support the continuation of companies

The Insolvency Act is amended in order to maintain the special privilege in the event that the issuer of which the holders of internationalisation debentures and bonds were traditionally beneficiaries becomes insolvent.

5. Other measures

1. Extraordinary extension of the deadline for carrying out and justifying projects financed by the General Secretariat for Industry and SMEs.

At request of the beneficiary and in exceptional circumstances, an extension is permitted of the deadlines for carrying out and justifying industrial projects which benefit from aid or financing from the General Secretariat for Industry and SMEs that had already been subject to an extended deadline for execution previously. For this to be permitted, it must be justified that these circumstances have happened unexpectedly and are directly linked to the states of alarm resulting from the COVID-19 crisis.

2. The deferment of tax debts without interest is extended by four months and the deadlines for returning public credit managed by the General Secretariat for Industry and SMEs are extended.

The period in which late payment interest shall not be accrued for deferments of tax payments which had already been established in Royal Decree-law 35/2020, of 22 December, on urgent measures to support the tourism and retail sector, hospitality industry and regarding tax, is extended by four months.

3. Possibility to hold exclusively telematic meetings in 2021.

All limited companies and other legal entities subject to private law (civil societies, cooperatives and associations) which have not been able to amend their articles of association in order to allow general meetings or meetings of members or partners to be held via telematic means, may continue to use these means throughout the 2021 financial year. This therefore guarantees the rights of any minority members or partners that are unable to physically travel to the place where the aforementioned meetings are held.

4. The CNMV (National Securities Market Commission) shall have the power to control the advertising of cryptocurrencies.

The CNMV is given the power to keep the advertising of cryptocurrencies and other similar assets and instruments under government control.