

19 March 2020

COVID-19: Update on Law Decree No. 18 of 17 March 2020 Businesses support measures

In response to the severe public health emergency and the economically-damaging nationwide confinement measures triggered by the Covid-19 (“**Covid-19**”) outbreak in Italy, on 17 March 2020 the Italian government has adopted Law Decree #Curaltalia¹ (the “**Decree #Curaltalia**”).

The Decree #Curaltalia provides for a **first set of economic support measures of up to EUR 25 billion** and **activates funds of up to EUR 350 billion**, to mitigate the financial impact on businesses and households and avoid that the temporary Covid-19 emergency produces permanent negative effects on the economy.

In addition to the measures foreseen under the Decree #Curaltalia, Italian government has announced that **further support measures will be adopted in April**, presumably funded also through the resources that the EU has announced will be made available to Italy.

The Decree #Curaltalia focuses on a mixture of:

- i. funds and measures to **strengthen the Italian public health system**, Civil Protection agency and other public authorities involved in the crisis management;
- ii. measures to **sustain employment and workers**, by (x) activating the so-called “social shock absorbers” (*ammortizzatori sociali*) – a measure which was initially limited to the “red zone”² and is now extended to the entire country - and (y) reducing the working hours(see [newsletter](#));
- iii. a mixture of **tax deferrals**, i.e. moratoriums, payment extensions on social charges and collections of tax debts, to support the liquidity of households and businesses(see [newsletter](#));
- iv. further **measures to sustain liquidity** of households, SMEs and micro enterprises **through the banking system and loan guarantees** granted by the Central Guarantee Fund; and
- v. **industry-specific measures**.

The Decree #Curaltalia further contains amendments to **general meeting rules** for the approving the annual financial statements, as these meetings must traditionally be held by 30 April.

This newsletter provides an overview of the main measures introduced by the Decree #Curaltalia to:

- **provide liquidity support businesses** through the Italian banking system;
- **support certain industries** particularly affected by the Covid-19;
- sustain **international export** of the Italian economy;
- regulate the **judicial system** and administrative acts;
- support **households and savings**.

¹ Law Decree no. 18 of 17 March 2020, published in the Official Gazette n. 70 (“**Decree #Curaltalia**”).

² The area that was first affected by Covid-19 in Italy, consisting of 11 municipalities in the Lodi Province and Vo’ in Veneto.

1. Measures to provide financial and liquidity support to companies through the banking system

Liquidity support to companies affected by the Covid-19 emergency through loan guarantees:

Cassa Depositi e Prestiti S.p.A. (CDP)³ is authorized to grant liquidity to companies that have suffered a loss in turnover due to the Covid-19 emergency by granting **guarantees on loans**. In practice, the measure provides that:

- banks, with the support of CDP, can more easily grant credit to businesses who suffered a contraction in revenues;
- CDP will support the banks who grant credit to these companies through specific instruments such as guarantees on loan portfolios (so-called “first loss” guarantees) and guarantees on single loans (“loan by loan” guarantee);
- the State grants CDP a guarantee of up to 80% of the exposure assumed.

An allowance of EUR 500 million is set aside for this measure.

2. Measures to support certain business sectors

a. Support to the transport sector

Measures in support of air transport:

To support the air transport sector, which is one of the most severely affected sectors following the Covid-19 outbreak - which was declared a natural disaster and an exceptional event - the following measures have been adopted:

- compensation for the damage suffered by businesses holding air transport licenses;
- increase by EUR 200 million of the allowance to the Special Fund for Wage and Employment Support and for the redeployment and retraining of staff in the air transport sector.

Measures in support of Alitalia and Air Italy:

As the Covid-19 emergency particularly affects Alitalia and Air Italy, both of which are in extraordinary administration (i.e. a Chapter 11-like procedure for large companies), the Decree #Curaltalia provides for the incorporation of a Newco which will either be wholly owned by the Ministry of Economy and Finance or controlled by a company with a majority public shareholding, including indirect public participation. The essential features of the Newco, including its corporate purpose, will be determined by decree to be issued by the Minister of Economy and Finance. Pending the sale of the businesses to the Newco, the commissioners of both extraordinary administration proceedings continue to carry out all acts necessary to ensure compliance with the extraordinary administration.

Provisions concerning maritime transport and road transport:

To mitigate the sudden reduction in maritime transport of goods and persons, the following measures have been adopted: (a) suspension of the so-called anchorage fee (*tassa di ancoraggio*); (b) suspension

³ Cassa Depositi e Prestiti S.p.A. is a joint stock company, majority owned by the Minister of Economy and Finance is the main Italian institution for economic development through long-term investments at local, regional and national level

of the payment of specific fees due for port operations⁴; (c) postponement of payments of customs duties; and (d) authorization for the circulation of vehicles that, under normal conditions, should have been tested and controlled.

b. Support for shipbuilding sector

Export credit measures:

to support export companies whose revenues are affected by the health emergency, the Ministry of Economy and Finance is authorized to issue the State guarantee in favor of SACE S.p.A.⁵ for **transactions in the ship building sector** for certain ships to be built by Italian companies that have already been decided by SACE at the effective date of the Decree #CuraItalia, for up to EUR 2.6 billion. Goal of this measure is to facilitate strategic commercial transactions for the Italian economy and maintain employment in this sector.

c. Measures for insurance companies

Immediate entry into force of the volatility adjustment for insurances⁶:

With regard to the capital requirements for insurance companies, the mechanism for calculating the volatility adjustment under Directive 2009/138/EC (the so-called “Solvency II Directive”) establishes that, in addition to an equal adjustment for all countries sharing the same currency (the so-called “currency adjustment”) based on the yield differential compared to the risk-free rate of a representative portfolio of investments of an average European company, in case of large localized fluctuations in a single market, a specific additional adjustment is triggered for that market (the so-called “country adjustment”).

Following the recent changes introduced to Solvency II with Directive (EU) 2019/2177, this adjustment - defined as the difference between the risk-adjusted country spread and the double of the currency spread - applies when this difference is positive and the country spread is greater than 85 basis points, instead of the 100 basis points originally envisaged.

Decree #CuraItalia provides that the 85 basis points threshold already applies starting from the 2019 financial year - and not from 1 July 2020 as originally provided for by Article 4(3) of Directive (EU) 2019/2177 – except for the adoption by EIOPA of the technical measures and their endorsement by the European Commission through its own implementing regulation to make the volatility adjustment actually applicable.

d. Measures to support companies in their relations with Public Administrations

Increase of the budget for development contracts and increase of FSC advances:

Considering the importance of the so-called “**development contracts**”, which allow to realize important development projects to strengthen the national production structure, the funds allocated to the performance of these contracts have been increased by EUR 400 million, up to a total of **EUR 2.37 billion**.

Likewise, the advances granted by the 2014-2020 Development and Cohesion Fund in the framework of the Operational Plans of the Central Administrations and the Development Pacts have been increased to

⁴ These fees are provided for by Articles 16, 17 and 18 of Law no. 84 of 28 January 1994.

⁵ A subsidiary of Cassa Depositi e Prestiti that provides credit and insurance support for exporting companies

⁶ See Article 51.

up to **20% of the resources allocated to single projects.**

e. Extraordinary measures to sustain media

Considering the essential role of the media during the Covid-19 emergency and in order to mitigate the loss of publicity income during this period, a special regime is introduced for obtaining tax credits relating to investments in media companies.

f. Support measures for sports sector

To support sports associations and companies, professionals and amateurs, the payment of any lease fees for sport infrastructures which cannot be not be utilized during the emergency period is postponed until 31 May 2020.

3. Measures to support export and internationalization

Measures to sustain tourism, Made in Italy and cultural activities:

As tourism and cultural activities are key to the Italian economy, the Italian government has created a **Fund for Integrated Promotion**, which should strengthen, also through the Italian Agency for the Internationalisation of Businesses (ICE), the already existing support measures to sustain the internationalization of Italian businesses and *made in Italy*, including the agro-alimentary business. This fund is endowed with EUR 150 million.

For cultural activities, a **Fund for Emergencies concerning Performances, Movies and Audiovisual Events** will be created, with an endowment of EUR 130 million, to support this sector in case events and performances are cancelled.

4. Measures relating to the civil, criminal, tax and administrative judicial proceedings

Postponement of hearings, sanitization and procedural activity:

The postponement of all civil, criminal, tax and administrative hearings (with some exceptions), already previously postponed until 22 March 2020 is **extended until 15 April 2020**.

Moreover, the term by which courts and judicial offices must adopt all necessary health and hygiene measures to avoid crowds in these places is extended until 30 June 2020.

The suspension also concerns any **acts or filings** to be made under the civil and criminal law proceedings, which is **suspended until 15 April 2020**.

This includes **also certain filings within insolvency proceedings** (such as the filing of the definitive composition agreement with creditors under a *concordato in bianco*).

Specific measures are provided with regard to statute of limitations and forfeiture, and for the expiry of the time-limits in criminal proceedings.

Suspension of administrative proceedings:

Moreover, for any administrative proceedings (*i.e.* involving national, regional or local public authorities and institutions), when calculating the ordinary or peremptory, preliminary, endoprocedural, final and enforcement time-limits relating to such proceedings pending on 23 February 2020 or started after that date, whether at the request of a party or *ex officio*, the period between 23 February and 15 April 2020 will not be considered.

This is to avoid that public authorities, pending the sanitization of the workplace and internal reorganization due to the state of emergency, incurs in delays or are deemed to have given silent consent.

Urgent measures concerning the Court of Auditors (*Corte dei Conti*):

The suspension of time-limits applicable to the functioning of the Court of Auditors is also extended to the **investigation and pre-trial stages** (and not only to collegial activities) relating to judicial activities of preventive, simultaneous or subsequent control. However, for proceedings relating to the preventive control of legitimacy, the suspension does not operate and the normal terms provided under current procedural law continue to apply.

5. Support measures for households and damaged investors

Changes to the Savings Indemnification Fund (*Fondo Indennizzo Risparmiatori/FIR*):

To grant liquidity support to damaged investors who are entitled to an indemnity, the rules concerning the Savings Indemnification Fund (FIR) are amended to allow the Technical Commission to grant an advance of 40% of the indemnity recognized to these investors. The term for filing a request for indemnification is extended until 18 June 2020.

Activation of Solidarity Fund First House:

The admission to the so-called Gasparrini fund is exceptionally extended to autonomous workers and self-employed persons, who must self-certify to have suffered in the quarter following 21 February 2020 a loss of revenues exceeding 33% of the revenues generated in the last quarter of 2019. Moreover, they will not be required to file the ISEE (Indicator of the Equivalent Economic Situation). For this purpose, the Gasparrini fund will receive an additional allowance of EUR 400 million.

Repayment of accommodation reservations and purchases of tickets for performances, museums and other cultural events:

Any accommodation reservations made but not consummated due the Covid-19 emergency and any tickets for performances, museums and other cultural events must be reimbursed by issuing a voucher for equal value.

Gianni, Origoni, Grippo, Cappelli & Partners has set up an in-house **Task Force** to constantly monitor the evolution of legislation in the regions affected by the Coronavirus and is at your entire disposal to support you in defining, drafting and implementing the most advisable strategies to limit the impact of the spread of the Coronavirus on the operations of your business and the management of your existing commercial relations. For our previous newsletters on this subject, please click [here](#).

For any questions, please send a mail to coronavirus@gop.it.

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