

LEGAL UPDATE

6 April 2020

COVID-19 GLOBAL PANDEMIC: MEASURES TO AID WITH CREDIT FOR BUSINESSES AND SMES

INTRODUCTION

In the face of the evolving Covid-19 global pandemic and its adverse impact on the Singapore economy, the Singapore Government has, in recent weeks, announced a number of measures which seek to stabilize businesses and help them tide through the challenges posed by, and the impact of, the pandemic.

This update highlights the key financing schemes which are administered by Enterprise Singapore and the recent enhancements which businesses and/or small and medium enterprises (“SMEs”) can leverage on as well as some other measures recently announced by the Government to address the cash flow and credit concerns of SMEs.

TEMPORARY BRIDGING LOAN PROGRAMME

The Temporary Bridging Loan Programme (“TBLP”) was originally slated to be launched in March 2020 for one year to provide cash flow support for enterprises within the tourism sector only, with a maximum loan quantum of \$1 million. Under a Supplementary Budget announced by the Government on 26 March 2020 (known as the Resilience Budget), the TBLP has now been expanded to cover all sectors from 1 April 2020 and the maximum loan quantum has been increased to \$5 million, with interest rate capped at 5% per annum. Enterprises may also request for a one year deferment of principal repayment of the

loans provided under the TBLP, subject to assessment by the PFIs (as defined below). Risk-share on such loans by the Government will be 80%.

Please click [here](#) on the eligibility to qualify for the TBLP.

ENTERPRISE FINANCING SCHEME

The Enterprise Financing Scheme (“EFS”) involves the provision of targeted financing schemes by various participating financial institutions (which include most major banks in Singapore) (“PFIs”) to better support Singapore SMEs throughout their various phases of growth. The EFS covers various areas of the enterprises’ financing needs including working capital needs, investment of domestic and overseas fixed assets and trade needs.

The Unity Budget that was presented by the Government on 18 February 2020 included enhancements to working capital loans provided under the EFS by increasing the maximum loan quantum from \$300,000 to \$600,000 for one year from March 2020. Under the Resilience Budget, the maximum loan quantum has now been significantly increased until 31 March 2021 from \$600,000 to \$1 million per borrower subject to an overall loan exposure limit of S\$50 million per borrower group. Enterprises under the EFS may also apply for up to one year deferral of principal repayment to help manage their debt, subject to assessment by the PFIs.

Under the Resilience Budget, enhancements to trade loans provided under the EFS include doubling the maximum loan quantum for each borrower group from \$5 million to \$10 million until 31 March 2020. Further, the maximum Government risk-share (i.e. in the event of loan default) increased to 80% (from 50% and 70% for young companies previously).

Please click [here](#) on the eligibility to qualify for the EFS.

LOAN INSURANCE SCHEME

Enterprises can also secure short-term trade financing loans via the Loan Insurance Scheme (“LIS”) from PFIs.

Loans under the LIS are insured by commercial insurers which co-share loan default with the PFIs in the event of enterprise insolvency. A portion of the insurance premium is subsidized by the Government. Under the Resilience Budget, the Government will now increase its subsidy of the

insurance premiums from 50% to 80% for one year commencing 1 April 2020.

Please click [here](#) on the eligibility to qualify for the LIS.

Please also click [here](#) for further details on the enhancements to TBLP, EFS and LIS (see Annex B-7 of the Resilience Budget).

OTHER MEASURES FOR SMES

On 31 March 2020, MAS announced various MAS and financial industry support measures for individuals and SMEs, including deferment of payment of principal on secured term loans taken up by SMEs up to 31 December 2020 at the borrower's option, subject to assessment of the quality of the security. SMEs will need to seek to "opt-in" to this relief scheme. Further, SMEs may also choose to extend the tenure of their loans by up to the corresponding principal deferment period.

On 1 April 2020, the Singapore Ministry of Law also announced that a new bill, the COVID-19 (Temporary Measures) Bill ("Bill") will be introduced in Parliament this week. The proposed Bill seeks to offer companies and individuals targeted and temporary reliefs from certain contractual obligations because of COVID-19.

In the context of SMEs, the Bill is complementary to the measures announced by MAS on 31 March and covers SME secured loans with specific security located in Singapore, namely commercial or industrial property in Singapore, or plant, machinery or fixed assets in Singapore that are used for business purposes. The proposed Bill will provide temporary cash-flow relief for businesses who may risk having such assets forfeited by prohibiting the commencement of legal action for a default on a loan covered under the proposed Bill during a prescribed six-month period. Other than this prohibition however, the contractual rights of banks (including the right to charge fees and interest for non-payment or late payment) are not affected. Accordingly, SMEs seeking the protection of the proposed Bill should be mindful that the relief is temporary and there is a risk they may end up paying more in the future.

The Covid-19 pandemic has had significant and unprecedented impact on every industry. Businesses and SMEs will likely face challenges in unlocking and preserving cash flow and meeting financial obligations in the months ahead, and should carefully consider if they qualify for relief under any of the abovementioned schemes and/or protection under the proposed Bill, so as to avail themselves to the same if suitable to their needs.

REFERENCES

Please click on the following links to access the documents:

1. https://www.singaporebudget.gov.sg/budget_2020/resilience-budget
2. <https://www.gov.sg/article/4-ways-the-resilience-budget-is-helping-singapores-businesses-stay-afloat>
3. <https://www.enterprisesg.gov.sg/campaigns/budget-2020/access-financing>
4. <https://www.enterprisesg.gov.sg/supplementary-budget-2020>
5. <https://www.mlaw.gov.sg/news/press-releases/temporary-relief-for-inability-to-perform-contractual-obligations-due-to-coronavirus-disease-2019-covid-19-situation>
6. <https://www.mas.gov.sg/news/media-releases/2020/comments-by-mas-on-covid-19-temporary-measures-bill>

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