

# COVID-19: KPMG support to financial institutions



## Ministry of Finance and Central Bank of Cyprus measures

The economic and social impact of the coronavirus (COVID-19) pandemic is unprecedented and rapidly evolving.

In the face of such enormous disruption, financial institutions have a fundamentally important role to play. This begins with central banks and underlying Governmental measures and ripples down to the real economy via commercial banks and other financial institutions as they provide funding liquidity and other measures to support viable businesses and individuals.

As of today, the Ministry of Finance ("MOF") and the Central Bank of Cyprus ("CBC") have already announced a number of measures, subject to eligibility criteria, the key provisions of which are as follows:

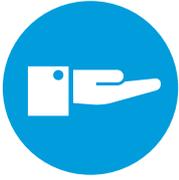
- Suspension of loan instalments, including interest, relating to 'eligible' loans, until 31 December 2020
- Capital relief of €1,4 billion to financial institutions. The CBC has instructed that this relief be transferred for the support of local businesses and households
- The CBC has issued a directive instructing commercial banks to provide new short-term liquidity assistance to viable borrowers (physical and legal entities), who have been adversely affected by the pandemic crisis, in the form of an overdraft or a short-term loan with a duration of up to 12 months. The amount of the liquidity finance shall not exceed:
  - Two times the payroll cost of the business (for 2019 or the last year available) or 25% of the total 2019 revenue of the business
  - 25% of the 2019 gross income of an individual in the case of physical persons
- Any new financing should be tested against debt sustainability and viability on the basis of financial information pertaining to periods pre the COVID-19 crisis, with suitable debt restructuring of existing exposures, if needed
- New facilities should be granted at favourable interest rates and with minimal administration or other costs
- Other Governmental support measures are currently under discussion



## What does this mean for financial institutions?

- Viable businesses and households affected by the pandemic must be supported
- Commercial banks and other financial institutions are expected to put in place a fast track credit application submission, appraisal and approval process so that businesses and households are facilitated with immediate support, be it in the form of loan payment holidays, in the provision of fresh finance and / or in the restructuring of existing debt.

It is necessary to set up a **simplified, uniform, fast-track procedure, with no or restricted inter-personal interaction**, given the circumstances, **to expedite and facilitate efficient management of possibly thousands of applications in a timely manner**, ensuring at the same time **full adherence to eligibility criteria** (if applicable) and allowing **prudent and diligent decision-making**.



## How can KPMG help?

KPMG's Restructuring practice has **many years of experience in assisting financial institutions in credit appraisal, underwriting, debt restructurings and workouts** using the latest technological innovations and tools to fast-track and expedite a uniform and efficient process, which assists financial institutions' decision-making, particularly in times of expectedly heavy workloads:

- Assist in the design, in cooperation with the financial institution's IT and other related functions, an **electronic platform** of receiving, en masse, borrower applications and requisite substantiating evidence (e.g. letters, personal financial statements, corporate financial statements, cash flow projections etc.) taking into account four categories of application (a) instalments postponement, (b) provision of new liquidity facilities, (c) debt restructuring, (d) reduction of interest rate and covering a broad borrower segmentation of physical persons, SMEs, large corporates, self-employed people
- Establish a **checklist procedure** of verifying each application's eligibility to the criteria set down by the MOF and / or the CBC, where applicable
- Introduce a **simplified and uniform credit underwriting procedure** to assess applications received under the MOF and / or the CBC measures (uniform information request, templated credit underwriting tests and thresholds etc.)
- Provide support with regard to the basic **credit underwriting assessment** and provide a standardised report / proposal to the financial institution's decision-making bodies
- Assist the financial institution with the **assessment of restructuring and workout applications** received
- Undertake, on certain occasions (e.g. large corporate cases), **case-specific analyses and independent evaluation** of business plans and cash flow projections and independent assessment of restructuring options
- Assist, in certain cases, the financial institution in individual **restructuring negotiations**.

The above are subject to revision on the basis of legislative amendments and new measures to be introduced and can be customized according to the exact needs of the financial institution.

## Agile support

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