

COVID-19 crisis

CMS's assessment of the situation for our global clients





The economic impact of COVID-19 is hitting industries very differently. In recent days, we have been seeing that large and internationally active companies are striving hard to adapt their operations and business models to the reality of the global crisis.

Many companies have already successfully dealt with immediate questions such as supply chain management, scaling down businesses, managing employees, cash flow management and liquidity reserves. Large corporates are also examining immediate measures such as short-time labour programmes and tax benefit changes which are being introduced by governments.

In our view, corporates are increasingly focusing on mid- to long-term stabilisation measures and potential restructuring for the post-COVID-19 crisis phase. Beyond the short-term, small-scale rescue measures for smaller businesses, and following policy changes at global level (e.g. the Temporary Framework from the EU Commission), states are preparing to introduce larger mid- to long-term guarantee schemes, lending products and even equity injections to soften the effects of the economic crisis.

A key challenge for an international corporate is to make sense of the cross-border implications on availability and restrictions on the eligibility for stabilisation programmes and to anticipate roadblocks for the efficient use of these stabilisation measures. It will be challenging for global companies to identify the cross-border requirements and implications for these measures, especially in connection with existing subsidies, with pre-COVID-19 situations, with specific needs and circumstances (e.g. dividends and cash-pools).

Conversations with clients to date have shown that corporates who are already looking further

ahead are considering the post-crisis setup of their structures and businesses in order to adapt to a new macro-economic and market landscape. In addition, countries are adapting their insolvency and restructuring laws to allow more headroom for companies under pressure. International rules on cross-border restructuring are however still quite complex and can only be tackled after the national processes are smoothed out. Hence, industries will face cross-border issues when implementing the required restructuring plans.

CMS is constantly updating its know-how on both the immediately available short-term aids and the mid- to long-term stabilisation measures that are becoming available in the various jurisdictions at this time. We are proud to have specialists on the ground in all of our seventy offices that can help global players solve their stabilisation, restructuring and post-crisis challenges.

CMS is at the forefront of all developments in finance, corporate, state aid and the related fields of tax and labour law on a global level. We are building up a database on available measures for our global clients to help them understand the crisis environment better.

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