

## Risk Sharing Instrument for R&D and/or innovation driven SMEs and small Mid-Caps

(Dedicated Compartment of the Risk Sharing Finance Facility)

### Indicative RSI Guarantee Term Sheet

#### Important Disclaimer

This summary term sheet is for information purposes only. This document is an outline of the principal terms and conditions for the product described herein, which are subject to change and non-exhaustive.

This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of European Investment Bank (EIB), European Investment Fund (EIF) (the “**Relevant Entities**”) and/or any other person to enter into one or more transaction(s). Any finance commitment by any of the Relevant Entities can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The Relevant Entities do not act as adviser to you or owe you any fiduciary duty. None of the Relevant Entities make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.

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#### Context

The objective of the Risk Sharing Instrument for R&D and/or innovation driven SMEs and small Mid-Caps (“**RSI Facility**”) being the dedicated compartment of the Risk Sharing Finance Facility (RSFF) is to incentivise banks and other financial intermediaries to extend loans and leases primarily to SMEs but also to small mid-caps with significant Research, Development and Innovation activities, through effective portfolio credit risk transfer (via a guarantee).

An EIB global loan can potentially serve as funding along the guarantee provided by EIF under RSI Facility<sup>1</sup>.

#### Presentation of the Guarantee

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<sup>1</sup> The EIB Global Loan may fund up to 100% of the eligible SME Transactions originated by the Financial Intermediary provided that the aggregate principal amount of eligible SME Transactions signed during the allocation period by the Financial Intermediary has been at least twice that of the EIB allocation. The Financial Intermediary will transfer to the SMEs the funding advantage provided by the EIB Global Loan. Note that the granting of an EIB Global Loan is subject to a specific credit process. Please refer to the EIB website at [www.eib.org](http://www.eib.org).

The guarantee (the “**Guarantee**” or “**RSI Guarantee**”) shall be issued by EIF (the “**Guarantor**”) in the context of the RSI Facility for the benefit of a [specify relevant *Financial Intermediary*] (the “**Financial Intermediary**”). It shall partly cover the credit risk associated with underlying, newly extended loans and/or financial leases to SMEs and small mid-caps (“**SME Transactions**”) included in the guaranteed portfolio (the “**Portfolio**”).

In order to ensure an alignment of interest between the Financial Intermediary and the RSI Facility, eligible SME Transactions shall be covered by EIF at a guarantee rate of 50%. At any time the maximum liability in respect of losses on the Portfolio shall be the guarantee amount, which is calculated based on the size of the Portfolio built by the Financial Intermediary at such time. In any case, the Agreed Volume shall not exceed the equivalent of EUR 120 million for a selected Financial Intermediary and of EUR 180 million for selected Financial Intermediaries belonging to the same capital group.

The Guarantee shall constitute a direct financial guarantee and shall cover losses (relating to unpaid principal and interest) incurred by the Financial Intermediary in respect of each defaulted eligible SME Transaction.

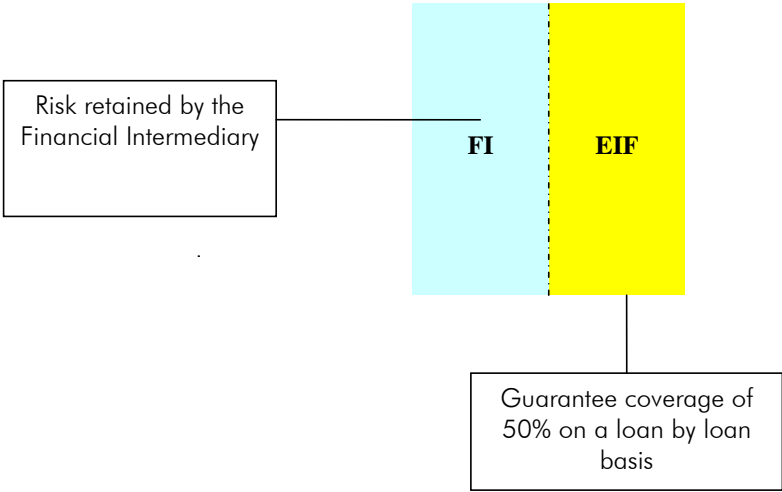
The origination, due diligence, documentation and servicing of the SME Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures.

In this context, the Financial Intermediary shall retain the direct client credit relationship with each SME and/or small mid-cap.

SME Transactions (according to pre-defined eligibility criteria on a loan-by-loan (or lease-by-lease) and portfolio basis) will be automatically covered, by way of submitting inclusion notices on a quarterly basis until the end of the relevant Availability Period.

The guarantee fee charged will be fixed and depend on the size of the SME Transaction and whether the loan/lease is granted to an SME or a small mid-cap.

Indicative terms of the Guarantee

<p><b>Structure</b></p>	<p>Portfolio direct financial guarantee providing credit risk coverage on a loan by loan (or lease by lease) basis for the creation of a portfolio of eligible SME Transactions. The Guarantee, provided by EIF, but jointly financed by the EU and the EIF, shall cover losses incurred by the Financial Intermediary in respect of each defaulted eligible SME Transaction in accordance with the 50% Guarantee Rate. The Financial Intermediary shall maintain an economic exposure of at least 20% of the outstanding amount of each SME Transaction (the "Relevant Portion") included in the Portfolio and it shall not enter into any credit support, guarantee or other transfer of risk arrangements with respect to the Relevant Portion.</p> 
<p><b>Governing Law and Language</b></p>	<p>The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of England.</p>
<p><b>Guarantee Currency</b></p>	<p>The Guarantee shall be expressed in the currency of the Portfolio, which can be EUR or local currency of the Financial Intermediary jurisdiction.</p> <p>In case the Portfolio is to consist of eligible SME Transactions denominated in EUR and local currency, the Guarantee will follow the FX Mechanism described below.</p>
<p><b>Availability Period</b></p>	<p>[24] months from the date of signature of the Guarantee Agreement, or such other period as decided by the EIF provided that in any case the Availability Period end date shall not fall later than 31 December 2015.</p> <p>During the Availability Period, eligible SME Transactions may be included by the Financial Intermediary in the Portfolio for cover. Such inclusion of SME Transactions shall occur automatically upon receipt by EIF of an inclusion notice submitted by the Financial Intermediary on a quarterly basis until the end of the Availability Period.</p> <p>For the avoidance of doubt, the SME Transactions so included shall be deemed to be covered by the Guarantee from the date of the signature of such SME Transactions.</p> <p>The SME Transactions to be covered by the Guarantee shall be:</p>

	<p>(i) SME Transactions entered into within the Availability Period; or</p> <p>(ii) SME Transactions not entered into before the end of the Availability Period but approved by Financial Intermediary during the Availability Period, which have been entered into between an SME and Financial Intermediary within 6 months from the end of the Availability Period but in any case not later than 31 December 2015.</p> <p>The Availability Period will be deemed to be terminated (unless otherwise decided by EIF) if:</p> <p>i) halfway through the Availability Period the Actual Volume does not exceed [30%] of the Agreed Volume or</p> <p>ii) the Maximum Loss Trigger has occurred or</p> <p>iii) the end of the calendar quarter following the receipt of the notification of the Availability Period termination from EIF. Such notification shall be sent to each and every Financial Intermediary upon achievement of at least EUR 1 bn of the aggregate principal commitments to SME Transactions included in the RSI Facility.</p>
<b>Financial Intermediaries</b>	Financial or credit institutions duly authorised to carry out lending or leasing activities according to the applicable legislation, established and operating in one or several of the EU27 countries <sup>2</sup> and associated countries <sup>3</sup> .
<b>Agreed Volume</b>	<p>The maximum aggregate amount of principal<sup>4</sup> of newly originated eligible SME Transactions to be included in the Portfolio, as agreed in the Guarantee Agreement.</p> <p>In case the Portfolio is to consist of eligible SME Transactions denominated in EUR and a local currency the Agreed Volume shall be denominated in Euro.</p> <p>At any time during the Availability Period, the Agreed Volume may be reduced by EIF if the Financial Intermediary materially lags behind its Portfolio ramp up time schedule as reflected in the Guarantee Agreement.</p> <p>At any time during the Availability Period, EIF may agree with Financial Intermediary to increase the amount of Agreed Volume if the ramp-up of the Portfolio has been substantially achieved or, considering the facts and circumstances, is certain to be achieved well before the end of the Availability Period.</p>
<b>Actual Volume</b>	<p>The aggregate amount of the principal committed to be available under newly originated eligible SME Transactions included in the Portfolio from time to time, provided that, for the avoidance of doubt:</p> <p>i) if any eligible SME Transaction is prepaid and/or repaid, then this shall not</p>

<sup>2</sup> Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

<sup>3</sup> Iceland, Liechtenstein, and Norway, Switzerland, Israel, Turkey, Croatia, the former Republic of Macedonia and Serbia; Albania and Montenegro, Bosnia & Herzegovina, Faroe Islands, Moldova; other countries may become associated during the course of FP7.

<sup>4</sup> In case of financial leases, the references to the 'principal amount' shall deem to have references to the 'capital amount', which means the purchase price of an asset leased by the Financial Intermediary to SMEs under SME Transactions, reduced by the amount of a down payment thereunder.

	<p>reduce the Actual Volume; and</p> <p>ii) if an SME Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such SME Transaction shall not be taken into account for the calculation of the Actual Volume.</p> <p>iii) The Actual Volume may in no circumstances exceed the Agreed Volume.</p> <p>In case the Portfolio is to consist of eligible SME Transactions denominated in EUR and a local currency, for the purpose of the calculation of Actual Volume, SME Transactions denominated in the local currency will be converted into EUR at the Relevant FX Rate.</p> <p>On a case by case basis, in order to rationalise the use of the capital and to incentivize Financial Intermediaries to achieve their Agreed Volumes, EIF may request a one-off commitment fee payable from Financial Intermediaries, should their Actual Volume as at the end of the Availability Period be substantially lower than the Agreed Volume.</p>
<b>Maximum Loss Trigger</b>	A trigger event shall occur if, on one or more specified date(s) during the Availability Period, Losses exceed a predetermined level.
<b>Guarantee Rate</b>	The Guarantee Rate shall be a percentage (50%) of each Loss covered by the Guarantee.
<b>Losses</b>	<p>The Guarantee shall cover Losses at the Guarantee Rate incurred by the Financial Intermediary, where Losses mean:</p> <p>i) Principal and/or interest<sup>5</sup> amounts (excluding default interest, capitalised interest, fees and other costs and expenses) due, payable and outstanding following occurrence of either an eligible SME Transaction Default or an eligible SME Transaction Acceleration provided that if such SME Transaction has not been accelerated after 90 days following the relevant eligible SME Transaction Default any interest that would be payable after that time shall not be covered; and</p> <p>ii) Any reduction in principal and/or interest amounts (excluding default interest, capitalised interest, fees and other costs and expenses) as a result of an SME Transaction Restructuring.</p> <p>The EIF will rank pari passu with Financial Intermediaries with respect to recoveries as further described in "Servicing and Loss Recoveries" below.</p>
<b>SME Transaction Default</b>	Means, in respect of an SME Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement that (i) the Financial Intermediary considers at any time (acting reasonably in accordance with its internal procedures and as reflected in its financial and regulatory reporting) that an SME is unlikely to meet its payment obligations under such SME Transaction (without recourse by the Financial Intermediary to action such as realisation of security); or (ii) an SME has failed to meet any payment obligation under the relevant SME Transaction which has continued for at least 90 consecutive

<sup>5</sup> In case of financial leases, the references to the 'interest amount' shall deem to have references to "lease interest", which shall mean the interest charged by the Financial Intermediary to the SME as set out in the relevant SME Transaction documentation or, when not available, interest determined by the Intermediary using the implicit or internal rate of return internal rate of return for the relevant SME provided that the method used for the purpose of such calculation shall be set out in the Guarantee Agreement

	calendar days.
<b>SME Transaction Acceleration</b>	Means, in respect of an SME Transaction, and unless otherwise specified in the specific terms of the Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such SME Transaction which has entitled the Financial Intermediary to accelerate payment of any amounts owed to it and the Intermediary has exercised such right of acceleration (or is prevented from exercising such rights of acceleration solely by application of mandatory laws and regulations preventing or staying the exercise of such right).
<b>SME Transaction Restructuring</b>	Means, in respect of an SME Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that the Financial Intermediary, acting in a commercially reasonable manner to prevent an SME Transaction Default and in accordance with its standard internal procedures, agrees (such agreement to be made in writing with the relevant SME) to the distressed restructuring of such SME Transaction such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant SME is reduced.
<b>Payment Demand Period</b>	<p>Payment Demands shall only be valid if they are (with respect to a Loss incurred during a calendar quarter in relation to an SME Transaction covered by the Guarantee) sent on any day during the month following such calendar quarter (or if not sent during such period, during any subsequent periods of one month following subsequent calendar quarters but not later than by the third Report Date following the occurrence of the Loss in relation to an SME Transaction covered by the Guarantee).</p> <p>In no case may a payment demand be made after the three months period following the Latest SME Transaction Maturity Date (as defined below).</p> <p>An indicative form of the payment demand schedule is presented in the Appendix 3 of this document.</p>
<b>Guarantee Payment Date</b>	Following the occurrence of a Loss on one or more eligible SME Transactions and subject to receiving valid payment demands, EIF shall make guarantee payments under the Guarantee within 60 calendar days of the relevant Report Date.
<b>Events of Default under the Guarantee</b>	Standard events of default (typically: failure to pay, breach of agreement, repudiation, Irregularity, illegality and bankruptcy). The occurrence of an event of default, if it has not been remedied within the relevant grace period (if any) may result in the termination of the Guarantee Agreement (such event, an <b>“Early Termination”</b> ). Upon Early Termination all amounts due by the EIF and/or Financial Intermediary would be calculated in accordance with the terms of the Guarantee Agreement as if the Report Date were the Early Termination date.
<b>Latest SME Transaction Maturity Date</b>	Means the earlier of (X) the latest day on which an SME Transaction included in the Portfolio is scheduled to be repaid by the relevant SME in accordance with the scheduled repayment provisions of the documentation governing such SME Transaction and (Y) the date which is the Maximum SME Transaction Maturity following the last day of the Availability Period.
<b>Guarantee Final Termination Date</b>	The Guarantee shall terminate on the earlier of: (i) six months following the Latest SME Transaction Maturity Date; (ii) the date on which an Early Termination (if any) has occurred, (iii) the date (if any) on which the EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee, and (iv) 30 June 2023.

## Guarantee Fee

<p><b>Guarantee Fee Amount and Percentage</b></p>	<p>The Guarantee Fee Amount will be expressed in the Guarantee Currency and payable by the Financial Intermediary to the EIF, with respect to each SME Transaction included in the Portfolio, on a quarterly basis, calculated as the product of: i) the appropriate Guarantee Fee Percentage and ii) the daily average principal amount of all SME Transactions outstanding on each day during the calculation period (calendar quarter) and iii) the Guarantee Rate.</p> <p>EIF may agree to the upfront payment of the Guarantee Fee, on the basis of the scheduled repayment profile of each SME Transaction and of an appropriate discount factor.</p> <p>The Guarantee Fee Percentage will be:</p> <ul style="list-style-type: none"> <li>- 0.25% per annum subject to (a) the final beneficiary be a micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36) as determined at the signature of the relevant SME Transaction included in the Portfolio and (b) the aggregate principal amount of SME Transactions included in the Portfolio committed to the same final beneficiary be equal or less than EUR 3 million (or equivalent in the Guarantee Currency) <sup>6</sup>;</li> <li>- 1% per annum otherwise;</li> </ul> <p>The Guarantee Fee is non refundable. However, if the Financial Intermediary becomes aware that one or more SME Transactions are non eligible SME Transactions and, by not later than the second Report Date following the calendar quarter on which such SME Transaction(s) were included in the Portfolio, causes such non eligible SME Transaction(s) to be removed from the Portfolio, then the Guarantor shall repay the portion of the Guarantee Fee which relates to such excluded SME Transaction.</p>
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## Eligible SMEs and Eligibility Criteria

<p><b>Eligible SMEs</b></p>	<p>Micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36) and small mid-caps (defined as enterprises with less than 500 employees) (jointly referred to as "SMEs").</p>
<p><b>Eligibility Criteria</b></p>	<p>SME Transactions entered into with SMEs and included in any Portfolio under any Guarantee Agreement shall comply with the following criteria. All the Eligibility Criteria shall be met at all times except all RSI Eligibility Criteria, the SME Eligibility Criteria i), ii), iii), iv) and vi) and SME Transaction Eligibility Criteria vii) b, which shall only be met on the signing date of the document(s) evidencing the relevant SME Transaction.</p> <p>With respect to each SME Transaction included in the Portfolio, the Financial Intermediary shall be required to retain appropriate records evidencing the fulfilment of the eligibility criteria by SMEs under SME Transactions included in</p>

<sup>6</sup> For the avoidance of doubt in case a new SME Transaction to the same final beneficiary is included in the Portfolio so that the aggregate principal amount of all SME Transactions covered by the Guarantee committed to the same final beneficiary exceed 3 million Euro (or equivalent in the Guarantee Currency) the Guarantee Fee Percentage of 1% per annum shall be applicable to such new SME Transaction.

the Portfolio.

**1. RSI Eligibility Criteria**

Eligible SMEs under SME Transactions included in a Portfolio shall comply with at least one the following RSI Criteria:

i) The SME intends to use the SME Transaction to invest in producing or developing products, processes and/ or services that are innovative and where there is a risk of technological or industrial failure as evidenced by the business plan, or

ii) The SME is an R&D and/ or innovation-driven “fast-growing enterprise”, as measured by employment or by turnover, i.e. is an R&D and/or innovation enterprise with average annualised growth in employees or in turnover greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period, or

iii) The SME shall have a significant innovation potential and/or be an “R&D and/or innovation-driven enterprise”, satisfying at least one of the following elements:

1. The SME’s certified accountant(s) have highlighted R&D and/or innovation expenses/investment in the SME’s latest financial statements in an amount at least equal to 20% of the SME transaction nominal;
2. The SME undertakes to spend an amount at least equal to 90% of the SME Transaction amount in R&D and/or innovation (RDI) expenses/investment (including new machines or new machinery, but excluding non-RDI related replacement and/or non-RDI related expansion investments) in the next 24 months as indicated in its business plan;
3. The SME has been formally awarded grants, loans or guarantees from European R&D and/or innovation support schemes (e.g. Seventh Framework Programme (FP7) and/ or through FP7 funding instruments (e.g. Joint Technology Initiatives, "Eurostars")) or national research and/or innovation support schemes over the last 24 months;
4. The SME has been awarded an innovation prize over the last 24 months;
5. The SME has registered at least one patent in the last 24 months;
6. The SME has received cash investment from an innovation driven venture-capital fund (life science/clean energy/technology);
7. The SME has, at the time of the signature of the SME Transaction, its registered seat in a science-, technology and/ or innovation park; and
8. The SME has benefited from tax credit or tax exemption related to investment in R&D and/or innovation in the last 24 months.



## ***2. SME Eligibility Criteria***

Eligible SMEs under SME Transactions included in a Portfolio shall comply with each of the following SME eligibility criteria:

- i) Eligible SMEs shall be micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36), as amended, restated, supplemented and/or substituted from time to time or Small Mid-caps (defined as enterprises with less than 500 employees full-time equivalent);
- ii) The SME shall not be a “firm in difficulty” within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2.), as amended, restated, supplemented and/or substituted from time to time;
- iii) The SME shall not have a substantial focus on one or more Restricted Sectors (which determination shall be made by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant SME);
- iv) The SME shall be established and operating in one or several of the Member States<sup>7</sup> and Associated Countries<sup>8</sup>.
- v) The SME shall not perform RDI activities which are related to human cloning, genetic heritage of human beings, human embryos, human stem cells, nuclear energy and/or military applications<sup>9</sup>; and
- vi) Any additional SME eligibility criteria as may be specified in the relevant Guarantee Agreement.

## ***3. SME Transaction Eligibility Criteria***

SME Transactions shall comply with each of the following eligibility criteria:

- i) Newly originated SME Transactions shall be entered into by the Financial Intermediaries no later than on the 31 December 2015 (save as specified in the “Adjustment to the Actual Volume” section);
- ii) The purpose of financing shall be (1) an investment in tangible or intangible assets, and/or (2) working capital;
- iii) The SME Transaction shall not be in the form of mezzanine loans, subordinated debt or quasi-equity. When an SME Transaction is a lease it shall be in the form of Finance Lease;
- iv) The amount committed by the Financial Intermediary under the SME Transaction shall not be lower than EUR 25,000; if an SME Transaction is

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<sup>7</sup> Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

<sup>8</sup> Iceland, Liechtenstein, and Norway (subject to amendment procedure of EEA agreement); Switzerland, Israel (subject to satisfactory conclusion of bilateral S/T agreements); Turkey, Croatia, the former Republic of Macedonia and Serbia; Albania and Montenegro, Bosnia & Herzegovina, Faroe Islands, Moldova; other countries may become associated during the course of FP7.

<sup>9</sup> In compliance with Article 6 of the *EU FP7* decision.

	<p>denominated in a currency other than Euro, an equivalent amount in the Guarantee Currency, as set at the date of entering into the Guarantee Agreement;</p> <p>v) v) The amount committed by the Financial Intermediary under the SME Transaction shall not exceed EUR 7.5 million (or such lower amount as specified in the relevant Guarantee Agreement);</p> <p>vi) The repayment schedule (which, for the avoidance of doubt, shall exclude any revolving facility) shall be fixed;</p> <p>vii) The Maturity of the SME Transaction shall:</p> <ol style="list-style-type: none"> <li>1. not be lower than of 24 months (or such longer period as specified in the relevant Guarantee Agreement); except in the case of a SME Transaction financing working capital whereby the minimum maturity shall be 12 months provided that it contains at least one year renewable option;</li> <li>2. not exceed 84 months (or such shorter period as specified in the relevant Guarantee Agreement) including the relevant grace period if any (referred to as the 'Maximum SME Transaction Maturity')<sup>10</sup></li> </ol> <p>viii) The customary spread applicable to the relevant eligible SME Transaction included in the Portfolio shall be reduced by the level of the Financial Benefit as specified in the Guarantee Agreement;</p> <p>ix) Any SME Transaction shall be denominated in EUR or local currency of the jurisdiction of the relevant Financial Intermediary jurisdiction<sup>11</sup>. If an SME Transaction is denominated in a non-EUR currency, equivalent amounts, as set at the date of entering into the Guarantee Agreement, to the minimum and maximum thresholds specified under iv) and v) above should be respected; and</p> <p>x) Any additional SME Transaction eligibility criteria as may be specified in the relevant Guarantee Agreement.</p> <p><b><i>4. Portfolio Eligibility Criteria</i></b></p> <p>Each Portfolio shall comply with each of the following criteria (or such other criteria as specified in the relevant Guarantee Agreement):</p> <p>i) Maximum industry concentration: the sum of the initial principal amount of all SME Transactions in the Portfolio forming part of a single industry sector (expressed by NACE Code – Rev.2 Division Level) shall not account for more than 30% of the Agreed Volume.</p>
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<sup>10</sup> Any rescheduling of principal or interest of an SME Transaction included in the Portfolio beyond the Maximum SME Transaction Maturity shall only occur as part of the distressed restructuring of such SME Transaction to avoid SME Transaction Default.

<sup>11</sup> Whenever the SME Transaction will be in EUR and not in the local currency, the Financial Intermediary will undertake that, pursuant to its Credit and Collections Policy, it will, prior to making a SME Transaction, assess the ability of the potential borrower of that SME Transaction to service the SME Transaction. This assessment shall include reference to the potential consequences of the devaluation of the local currency of the jurisdiction in which the potential borrower is incorporated and/or operates where the SME Transaction is to be made in a currency other than the lawful currency of the jurisdiction in which the potential borrower is incorporated or operates.

	<p>ii) Maximum geographical concentration: the sum of the initial principal amount of SME Transactions entered into with Eligible SMEs having their registered seat in the same region (NUTS II level 2), shall not account for more than 30% of the Agreed Volume<sup>12</sup>.</p> <p>iii) Any additional Individual Portfolio criteria (including, without limitation, a maximum Small Mid-Caps or SME concentration or a maximum currency exposure) as may be specified in the relevant Guarantee Agreement.</p> <p>Portfolio criteria might be adjusted further to the above following EIF due diligence of each Financial Intermediary.</p> <p>The breach of any of the eligibility criteria shall result in an exclusion of the relevant SME Transaction(s) from the Portfolio save as specified in the "Exclusion Process".</p>
<p><b>Restricted Sectors</b></p>	<p>a. Illegal Economic Activities</p> <p>Any production, trade or other activity, which is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity.</p> <p>Human cloning for reproduction purposes is considered an Illegal Economic Activity in the context of these Restricted Sectors guidelines.</p> <p>b. Tobacco and Distilled Alcoholic Beverages</p> <p>The production of and trade in tobacco and distilled alcoholic beverages and related products.</p> <p>c. Production of and Trade in Weapons and Ammunition</p> <p>The financing of the production of and trade in weapons and ammunition of any kind. This restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies.</p> <p>d. Casinos</p> <p>Casinos and equivalent enterprises.</p> <p>e. IT Sector Restrictions</p> <p>Research, development or technical applications relating to electronic data programs or solutions, which</p> <p>(i) aim specifically at:</p> <p>(a) supporting any activity included in the EIF Restricted Sectors referred to under a to d above;</p> <p>(b) internet gambling and online casinos; or</p> <p>(c) pornography,</p> <p>or which</p> <p>(ii) are intended to enable to illegally</p> <p>(a) enter into electronic data networks; or</p>

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<sup>12</sup> To be defined for each Guarantee Agreement

	<p>(b) download electronic data.</p> <p>f. Life Science Sector Restrictions</p> <p>When providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes; or (ii) Genetically Modified Organisms (“GMOs”), EIF will require from the EIF counterpart appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.</p> <p>The binding list of Restricted Sectors shall be set as of the date of the Guarantee Agreement.</p>
<b>Finance Lease</b>	Means, unless otherwise specified in the specific terms of the Guarantee Agreement, any ‘hire-purchase’ or a lease contract which would be treated as ‘finance lease’ within the meaning of the International Accounting Standard (IAS) 17 (Leases) as published and amended from time to time by the International Accounting Standards Board (IASB) and as implemented by the European Union. <sup>13</sup>
<b>Fraud</b>	Shall have the meaning as set out in Article 1 in the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities’ financial interests (OJ C 316, 27.11.1995, p.49) <sup>14</sup>
<b>Irregularity</b>	Shall have the meaning as set out in Article 1.2 in Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p.1) <sup>15</sup>
<b>Exclusion Process</b>	At any time, EIF may (but shall not be obliged to) verify whether an SME Transaction included in the Portfolio is an eligible SME Transaction and whether its inclusion in the Portfolio is in compliance with the terms of the Guarantee.

<sup>13</sup> In the case of Financial Leases, a Guarantee Agreement specific to Financial Leases may be used.

<sup>14</sup> Fraud affecting the EU’s financial interests shall consist of:

(a) in respect of expenditure, any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union,
- non-disclosure of information in violation of a specific obligation, with the same effect,
- the misapplication of such funds for purposes other than those for which they were originally granted;

(b) in respect of revenue, any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the general budget of the European Union or budgets managed by, or on behalf of, the European Union,
- non-disclosure of information in violation of a specific obligation, with the same effect,
- misapplication of a legally obtained benefit, with the same effect.

<sup>15</sup> Any infringement of a provision of EU Law resulting from an act or omission by a an economic operator which has, or would have, the effect of prejudicing the general budget of the EU or budgets managed by them either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

	<p>If an Intermediary becomes aware that an SME Transaction is or becomes a non eligible SME Transaction or any other undertakings, requirements or requests of the Guarantee are not complied with or satisfied in connection with such SME Transaction the Financial Intermediary shall include such information in the immediately following Report delivered to the EIF.</p> <p>If an SME Transaction does not comply with Eligibility Criteria it shall be deemed to be excluded from the Portfolio (and shall not be covered by the Guarantee) as of the date on which it became a non eligible SME Transaction.</p> <p>However if an eligible SME Transaction is or becomes a non eligible SME Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary after a payment demand relating to such SME Transaction was served by the Financial Intermediary to the EIF such transaction shall be deemed to be covered by the Guarantee.</p> <p>Similarly if an eligible SME Transaction becomes a non eligible SME Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary but before a payment demand relating to such SME Transaction was served by the Financial Intermediary to the EIF, then such SME Transaction shall be deemed to be covered by the Guarantee if the Financial Intermediary accelerated payment of all amounts owed to it under such SME Transaction no later than on the Report Date immediately following the date on which it became aware of the same. However if the Financial Intermediary does not proceed to the acceleration of such SME Transaction within the timeframe specified above then this SME Transaction shall be excluded from the Portfolio as of the date on which it became a non eligible SME Transaction.</p> <p>The Actual Volume shall be reduced following an exclusion from the Portfolio by the aggregate committed principal amount of the SME Transactions so excluded.</p>
<p><b>Right of Clawback by EIF</b></p>	<p>EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid under the Guarantee by EIF in excess of the Loss, any excess amount paid by EIF as a result of an exclusion of an SME Transaction from the Portfolio.</p>
<p><b>Adjustment of the Actual Volume</b></p>	<p>In respect of each eligible SME Transaction included in the Portfolio, if on the date which is (such date, the “<b>Adjustment Date</b>”):</p> <ol style="list-style-type: none"> <li>1. the end of a disbursement period (when amounts cease to be available for utilisation by an Eligible SME),</li> <li>2. the date on which the commitment made available for utilisation under eligible SME Transaction is cancelled,</li> </ol> <p>the committed amount of principal has not been fully drawn by an Eligible SME, the Actual Volume shall be adjusted to reflect the actual amount of principal drawn by the relevant SME. The Financial Intermediary shall reflect any such adjustment in the Report immediately following such Adjustment Date.</p> <p>If the Actual Volume is adjusted pursuant to this section or section Exclusion Process as described above (the amount of reduction of the Actual Volume, the “<b>Adjusted Portion</b>”), the Financial Intermediary may include one or more further eligible SME Transactions in the Portfolio up to the aggregate of Adjusted Portions and to extent that the Actual Volume does not exceed the Agreed Volume and if such inclusions are made until the second Report Date following the Report Date where a Party has been effectively notified about the adjustment</p>

	<p>of the Actual Portfolio Volume.</p> <p>The replacements shall be made pursuant to the terms described in the Availability Period section above.</p>
<b>Relevant FX Rate</b>	<p>Means the relevant foreign exchange reference rate displayed by the European Central Bank from time to time on its website (<a href="http://www.ecb.int">www.ecb.int</a> for the time being) and which is based on the daily concertation procedure between central banks within and outside the European System of Central Banks or, if such rate is not or is no longer available at the relevant time, any replacement to such rate as agreed by the Parties.</p>
<b>FX Mechanism</b>	<p>(a) In case the Portfolio is to consist of eligible SME Transactions denominated in EUR and a local currency, for the purpose of the calculation of the Actual Volume, the amount of principal of SME Transactions denominated in a local currency shall be determined using the Relevant FX Rate prevailing at the date of the signature of the Guarantee Agreement.</p> <p>(b) For the purpose of paying amounts claimed by the Financial Intermediary under the Guarantee, any amounts in respect of an SME Transaction shall be paid by the Guarantor in the Guarantee Currency [or, at the option of the Guarantor, in EUR, where Euro equivalent of such amounts shall be determined using the Relevant FX Rate not earlier than four business days prior to the date of payment by the Guarantor to the Intermediary].</p> <p>(c) For the purpose of paying Loss Recoveries to the Guarantor (if applicable), any amounts in respect to an SME Transaction shall be paid to the Guarantor in the Guarantee Currency [or, at the option of the Guarantor, in EUR, where Euro equivalent of such amounts shall be determined using the Relevant FX Rate not earlier than four business days prior to the date of payment by the Financial Intermediary to the Guarantor].</p> <p>(d) For the purpose of paying the Guarantee Fee Amount to the Guarantor (if applicable), the Guarantee Fee Amount in respect of an SME Transaction shall be paid to the Guarantor in the Guarantee Currency [or, at the option of the Guarantor, in EUR, where Euro equivalent of such amounts shall be determined using the Relevant FX Rate not earlier than four business days prior to the date of payment by the Financial Intermediary to the Guarantor].</p>

#### SME Transaction conditions

<b>Pricing and collateral requirements for eligible SME Transactions</b>	<p>Eligible SME Transactions shall be extended to the Eligible SMEs on the basis of the pricing and collateral policy proposed by the selected Financial Intermediaries when applying for the RSI Guarantee.</p> <p>Note for collateral policy: The collateral policy proposed by the Financial Intermediaries shall take into consideration the risk coverage provided by the Guarantee.</p> <p>Note for pricing policy: When proposing their pricing policy, the Financial Intermediaries should take into consideration that the Guarantee will cover the Guarantee Rate of the risk exposure of each eligible SME Transaction and that it will include a Guarantee Fee.</p> <p>The Financial Intermediary shall undertake to reduce the overall interest rate (through a reduced SME Transaction risk spread) charged by the Financial Intermediary, as case may be, under each eligible SME Transactions included in</p>
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	<p>the Portfolio. The level of such reduction (<b>Financial Benefit</b>) proposed by the Financial Intermediary shall be assessed and confirmed by EIF following analysis and due diligence and shall be deemed to be an eligibility criterion for SME Transactions to be included in the Portfolio.</p>
<p><b>Servicing and Loss Recoveries</b></p>	<p>The Financial Intermediary shall perform the servicing of the Portfolio, including monitoring and recovery actions.</p> <p>The Financial Intermediary shall take recovery actions (including the enforcement of any security) in relation to each defaulted eligible SME Transaction in accordance with its internal guidelines and procedures.</p> <p>Loss Recoveries<sup>16</sup> mean each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of a Loss where the Guarantor has paid amounts under the Guarantee in respect of such Loss. Loss Recoveries shall be shared between the Guarantor and the Financial Intermediary pro rata to the Guarantee Rate<sup>17</sup>.</p> <p>EIF shall be entitled to its portion of the Loss Recovery up to the date on which the Financial Intermediary, acting in good faith and in commercially reasonable manner determines in accordance with its internal guidelines and recovery procedures that the recovery period for the relevant defaulted eligible SME Transactions shall be terminated.</p> <p>The Financial Intermediary shall send to the EIF at any relevant time, but not later than 30 days of the end of each calendar quarter a recovery notice with accompanying Loss Recoveries schedule and shall pay to EIF any relevant amount, within three months of the end of each calendar quarter in which Loss Recoveries are recovered or received by the Financial Intermediary. An indicative form of the Loss Recoveries schedule is presented in the appendix 2 to this document.</p>

### Miscellaneous

<p><b>Reporting</b></p>	<p>Financial Intermediaries shall provide EIF within 30 calendar days<sup>18</sup> after the end of each calendar quarter (the '<b>Report Date</b>') with quarterly information in a standardised form, including among others, information on the SMEs covered by the Guarantee, new eligible SME Transactions provided and eligible SME Transaction amounts outstanding (the '<b>Report</b>').</p> <p>An indicative quarterly report template is attached in the appendix 1 of this document.</p>
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<sup>16</sup> In relation to SME Transactions which are financial leases, "Loss Recoveries" means each and every amount (including, in case assets leased to an SME are repossessed by the Financial Intermediary (i) any amount received by the Financial Intermediary as a result of the sale of such assets, and/or (ii) in case such assets are re-leased, the purchase price of such assets agreed with the new lessee), net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of a Loss, where the Guarantor has paid amounts under the Guarantee in respect of such Loss.

<sup>17</sup> The Financial Intermediary will have the right to net-off the Recoveries first against default interest and expenses

<sup>18</sup> Financial Intermediaries shall provide EIF such information within 20 calendar days with respect to information related to the last calendar quarter of each year

	<p>Other reporting may be required from the Financial Intermediary as per specific schedule to the Guarantee Agreement<sup>19</sup>.</p> <p>Regular controls and verifications will be performed by EIF in order to ensure compliance with the specifications and provisions of this Guarantee.</p>
<b>Monitoring and Audit</b>	<p>Financial Intermediaries and the relevant SMEs covered by the Guarantee shall agree to allow and to provide access to documents and premises related to the relevant Guarantee for the representatives of the Ministries, the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIF, EIB and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with the SMEs.</p>
<b>Compliance with Laws</b>	<p>Financial Intermediary shall comply in all respects with all laws (whether national laws or laws of the European Union) to which it may be subject the breach of which may (i) adversely impact the performance of the Guarantee Agreement or (ii) adversely prejudice the interests of, inter alia, the Guarantor, the Commission and the National Authorities under the Agreement.</p> <p>The Financial Intermediary shall include in the documentation applicable to each eligible SME Transaction included in the Portfolio, representations, warranties and undertakings from the SME for the purpose of ensuring that each such eligible SME Transaction shall comply with the Eligibility Criteria above.</p>
<b>Publicity</b>	<p>Financial Intermediaries, in line with applicable law, shall carry out adequate marketing and publicity campaigns - as specified in the Guarantee Agreement - aimed at making the RSI Facility known to the SMEs in the relevant countries.</p> <p>In particular, the selected Financial Intermediary will be contractually required to:</p> <ul style="list-style-type: none"> <li>• Product labelling. The name of the product should clearly point to [Risk Sharing Instrument for R&amp;D and/or innovation driven SMEs and small Mid-Caps (RSI Facility) - Dedicated Compartment of the Risk Sharing Finance Facility];</li> <li>• Promote RSI Facility and the RSI Guarantee through its website;</li> <li>• Make available promotional leaflets in all branches promoting this Guarantee;</li> <li>• All documents concerning this Guarantee, including amongst others, loan applications, SME Transaction agreements, promotional material to the SMEs, etc, will contain a statement mentioning that the SME Transaction was made possible with the financial support of the European Union's Seventh Framework Programme for Research and Technological Development contribution (FP7). Appropriate text and logos is envisaged to be provided to the selected Financial Intermediary during the phase of contractual negotiations;</li> <li>• Financial Benefit: The Financial Benefit made possible due to the RSI Guarantee should be identified at the time of signature of the SME</li> </ul>

<sup>19</sup> Financial Intermediaries might be requested to provide a certain degree of information on the R&D and/or innovation content of the SME transactions (PS: this is to create the necessary comfort on the European Commission side that the RSI is well-targeted - at least during the early implementation period. The European Commission requests will be coordinated by EIF)



	Transaction contract and formally communicated to the SME. The financial benefit offered could also be used as a marketing tool from the Financial Intermediary. The Financial Intermediary shall maintain records evidencing the Financial Benefit for each SME Transaction included in the Portfolio.
<b>Transfer</b>	The Financial Intermediary shall not be entitled to transfer any or all of its rights and obligations under the Guarantee without the consent of the EIF.

**Appendix 1.**

**Indicative form of the quarterly Report**

<b>Portfolio Level</b>	<b>Amount QQ/YY</b>	<b>Cumulated</b>
<b>SME Transactions</b>		
Number of SME Transactions signed		
Number of SME Transactions disbursed (at least partially)		
Number of SMEs		
SME Transactions amount committed		
SME Transactions amount disbursed		
SME Transactions repayment amount		
SME Transactions outstanding principal amount		
Defaulted SME Transactions amount (principal + interest)		
Number of Defaulted SME Transactions		
Loss Recovery		
Payment Demand amount		
Number of Excluded SME transactions		
Total amount of Excluded SME Transactions		

Agreed Portfolio Volume  
Actual Portfolio Volume

**Limits**

QQ/YY

**Portfolio  
Limit  
Cumulated**

**SME Transaction Eligibility Criteria**

Minimum SME Transaction Maturity in months (limit as identified in the specific schedule of the Guarantee Agreement)

Maximum SME Transaction Maturity in months (limit as identified in the specific schedule of the Guarantee Agreement)

**SME Portfolio Eligibility Criteria**

Maximum industry concentration

Maximum geographical concentration

## PART A - NEW OPERATIONS<sup>1</sup>

### A1\_SMEs

A.1.1. Fiscal number	A.1.2. Region	A.1.3. Country	A.1.4. Date of establishment	A.1.5. Sector	A.1.6. Number of employees	A.1.7. Total turnover	A.1.8 Total Assets	A.1.9. SME internal scoring/rating (Rating Class)	A.1.10 Borrower type	A.1.10. RSI Criteria	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional
	List of nuts codes	List of ISO Country codes	Date	NACE code, division level	Number	Number	Number	List of ratings	List of borrower types: (SME, Mid Cap)	List of RSI eligibility criteria	

### A2 New SME Transactions

A.1.1. Fiscal number	A.2.1. SME Transaction ID	A.2.2. Currency	A.2.3. Purpose	A.2.4. Total project cost	A.2.5. Principal amount	A.2.6. Maturity (months)	A.2.7. Grace period (months) (if any)	A.2.8. Signature date	A.2.9. First disbursement date	A.2.10 First Installment Date	A.2.11 Amortization style	A.2.12 Payment Frequency	A.2.13. Interest Rate	A.2.14. Risk Spread	A.2.15. Type of Collateral	A.2.16. Collateral Value	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional
		List of ISO Currencies	List of purposes	Number	Number	Number	Number	Date	Date	Date	List of amortization styles	Number of annual payments	Numerical	Numerical	List of collateral types	Numerical	

<sup>1</sup> In the case of Financial Leases, a specific reporting schedule shall be used.

**PART B - LIST OF INCLUDED OPERATIONS**

A.1.1. Fiscal number	A.2.1. SME Transaction ID	B.1 Cumulative disbursements	B.2 SME Transaction outstanding principal amount	B.3 End of disbursement	B.4 SME Transaction average daily outstanding principal amount	B.5 Delinquent SME Transaction
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
		Number	Number	Yes/No flag	Number	Number of months

**PART D – EXPIRED SME TRANSACTIONS**

A.1.1. Fiscal number	A.2.1. SME Transaction ID	D.1. Repayment date
<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory (dd/mm/yyyy)</i>

**PART E - EXCLUDED SME TRANSACTIONS**

A.1.1. Fiscal number	A.2.1. SME Transaction ID	E.1. Event date	E.2. Type	E3 Excluded
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

**PART F - MODIFICATIONS (NON-EXHAUSITVE LIST OF TABLES)**

**1. Change of SME Fiscal Number**

<b>A.1.1.</b> Fiscal number	<b>A.2.1.</b> SME Transaction ID	<b>A.1.1.</b> New Fiscal number
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**2. Change of SME name and address**

<b>A.1.1.</b> Fiscal number	<b>A.1.2.Old</b> SME Name	<b>A.1.2.New</b> SME Name	<b>A.1.3.Old</b> Address	<b>A.1.3.New</b> Address
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**3. Change of SME Transaction ID**

<b>A.1.1.</b> Fiscal number	<b>A.2.1.</b> Old SME Transaction ID	<b>A.2.1.</b> New SME Transaction ID
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**4. Change of SME Transaction principal amount**

<b>A.1.1.</b> Fiscal number	<b>A.2.1.</b> SME Transaction ID	<b>A.2.5.</b> Old SME Transaction principal amount	<b>A.2.5.</b> New SME Transaction principal amount
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**5. Change of SME Transaction maturity**

<b>A.1.1.</b> Fiscal number	<b>A.2.1.</b> SME Transaction ID	<b>A.2.7.Old</b> SME Transaction Maturity	<b>A.2.7.New</b> SME Transaction Maturity
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**6. Change of SME internal rating**

<b>A.1.1. Fiscal number</b>	<b>A.1.11.Old Old SME internal scoring/rating (Rating Class)</b>	<b>A.1.11.New New SME internal scoring/rating (Rating Class)</b>	<b>Effective date of rating change</b>
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**Appendix 2.**

**Indicative form of the Loss Recoveries schedule**

A.1.1. Fiscal number	A.2.1. SME Transaction ID	C.5. Recovery payment currency	C.6. Loss Recovery Date	C.7 Loss Recovery amount
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
		List of ISO Currencies	Date	Number



### Appendix 3.

#### Indicative form of the Payment Demand schedule

<b>A.1.1.</b>	<b>A.2.1.</b>	<b>C.1.</b>	<b>C.2.</b>	<b>C.3.</b>	<b>C.4.</b>
<b>Fiscal number</b>	<b>SME Transaction ID</b>	<b>SME Transaction Defaulted, Accelerated or Restructured</b>	<b>Date of default, acceleration or restructuring</b>	<b>Loss amount on principal</b>	<b>Unpaid interest covered</b>
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
		List of values	Date of default, acceleration or restructuring	Number	Number