



## The Cyprus Entrepreneurship Fund ("CYPEF") Portfolio Risk Sharing Loan ("PRSL")

### CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER THE PRSL

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The objective of this Call for Expression of Interest (the "Call"), launched by the European Investment Fund ("EIF"), is to select eligible financial institutions to become financial intermediaries under the PRSL, as further described below.

All applications for PRSLs under CYPEF to be submitted to EIF should conform to the Call.

In addition to this explanatory document, the Call contains the following documents:

- Annex I: Expression of Interest to be completed by applicants, including Appendices 1-3; and
- Annex II: indicative term-sheet for the PRSL.

#### 1. Background

The Republic of Cyprus ("RoC") has established the CYPEF with the view to facilitate access to finance for Cypriot SMEs, thereby supporting and strengthening entrepreneurship in the country. The CYPEF is being financed by a loan from the European Investment Bank ("EIB") to RoC.

The CYPEF is being managed and operated (on behalf of the RoC) by the EIF and it is envisaged to implement, over time, different financial products to better satisfy market conditions and needs. CYPEF's operations are initiated with the deployment of a portfolio risk sharing loan product ("CYPEF PRSL", "PRSL" or the "Facility"). Loans provided to SMEs under the Facility shall benefit from improved funding conditions, such as reduced interest rates and potentially lower collateral requirements.

On a continuous basis until the Deadline (as described below), EIF will select eligible financial institutions to become financial intermediaries under the Facility.

The objectives and main indicative terms of the operational agreements to be entered into between EIF and the financial intermediaries pursuant to the Facility are further described in Annex II to this Call.

## 2. Financial Intermediaries

This Call is addressed and restricted to financial institutions committed to SME financing, duly established and authorised to carry out lending activities in the Republic of Cyprus<sup>1</sup>.

Eligible financial institutions shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which they may be subject and shall not be established, and shall not maintain business relations with entities incorporated, in territories whose jurisdictions do not co-operate with the European Union in relation to the application of the internationally agreed tax standard, or their tax practice do not follow the Commission Recommendation of 6 December 2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805).

Financial institutions shall acknowledge the EIF Anti-Fraud Policy which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing (please refer to [http://www.eif.org/news\\_centre/publications/anti\\_fraud\\_policy.htm?lang=-en](http://www.eif.org/news_centre/publications/anti_fraud_policy.htm?lang=-en)) and shall take appropriate measures (as may be further specified in the operational agreements) to facilitate the implementation of such policy.

## 3. Language and governing laws

The expression of interest (in the form attached in Annex I to this Call) shall be prepared in English.

The terms of the PRSL agreements shall be in English. The PRSL agreement shall be governed by the laws of England.

## 4. Application procedure

Financial institutions interested ("Applicants") in applying under this Call should submit an application (the "Expression of Interest") to EIF by the Deadline to be considered as a possible financial intermediary under the PRSL, depending, inter alia, on the availability of the budgetary resources for PRSL, as described below.

In accordance with Annex I to this Call, the Expressions of Interest should include the Applicant's identification and has to provide the information requested in Appendix 3 to the Annex I (the "Information Requirements"), together with supporting documents.

The Information Requirements should place particular emphasis on:

- Expected added value of the PRSL for SMEs in respect of:
  - reduced pricing (in respect of funding and risk related components of pricing) , and
  - potentially reduced collateral requirements on the SME loan;
- Envisaged actions for the successful implementation of the Facility, particularly with regard to its launch (timing, target customers, promotional activities, type of products, changes to the underlying legal documentation, etc.);
- Estimated absorption capacity in terms of expected volumes of SME loans ("SME Transactions") to be included in the PRSL portfolio;
- Origination and credit risk management process;
- Expected characteristics of the PRSL portfolio (split per rating, industry, etc).

Note on joint applications:

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<sup>1</sup> Any economic activity to be financed under the CYPEF needs to be performed within the area effectively controlled by the Government of the Republic of Cyprus.

Financial institutions may group together and submit a joint Expression of Interest. In this case, the Expression of Interest has to specify which of the financial institutions (“Participating Entities”) will act as the Applicant. The Applicant shall apply in its own name and in the name and on behalf of the Participating Entities and shall indicate to the EIF the basis for the joint Expression of Interest. Following selection of such joint Expression of Interest and an agreement on all terms and conditions, one operational agreement may be signed with the selected Applicant acting in its own name and in the name and on behalf of the other Participating Entities; alternatively, separate operational agreements may be signed with the selected Applicant and each of the Participating Entities. The ultimate decision on the form of the operational agreement(s) shall be made by EIF.

All information required under Appendix 3 to the Annex I must be provided for the Applicant and each and every Participating Entity, covered by the joint Expression of Interest.

## 5. Submission of Expression of Interest

The Expression of Interest shall be submitted before the Deadline (see paragraph below) both by (i) email and (ii) registered mail or professional courier service. The Expressions of Interest sent by registered mail or professional courier service shall consist of a closed single package, and shall contain the Expression of Interest, together with its attachments, in paper form and in removable electronic storage medium (e.g. CD-ROM).

The Deadline is 31 December 2016 provided that EIF may, at its sole discretion, determine that the Deadline will end on an earlier date or will be extended, depending, inter alia, on the availability of budgetary resources for the PRSL product. Any change in the Deadline will be announced officially in the CYPEF dedicated web page on EIF’s website.

The Deadline applies (i) in case of e-mails to the date of receipt of the e-mail by EIF and (ii) in case of registered mail or professional courier service to the date of dispatch proven by the post office stamp or a dispatch receipt.

The Expressions of Interest shall indicate the name of the Applicant and be sent to the following address:

Postal Address:  
European Investment Fund  
Attention: Regional Mandates Team (CYPEF)  
Guarantees and Securitisation  
37B, avenue J.F. Kennedy  
L-2968 Luxembourg  
LUXEMBOURG

An electronic version of the Expression of Interest should be sent to: [info.cypef@eif.org](mailto:info.cypef@eif.org) stating in the subject of the email “CYPEF PRSL – Expression of Interest: [name of the Applicant]”.

An acknowledgement of receipt will be sent to the relevant Applicants by EIF via e-mail, which shall state the following:

- Unique application identifier (Expression of Interest number);
- Confirmation that the Expression of Interest was received before the Deadline.

The acknowledgement of receipt shall not be construed as a declaration of completeness of the Expression of Interest and the documents submitted therewith, nor any kind of assessment or acceptance of the same.

The Applicants may withdraw, in the same manner as specified above, their Expression of Interest at any stage of the Selection process.

## 6. Selection procedure

Financial intermediaries will be selected in due consideration of the general principles of transparency, equal treatment and non-discrimination, in compliance with EIF's policies, rules, procedures and statutes and in conformity with best business and market practices.

Following the receipt of the Expression of Interest, EIF shall select the Applicants pursuant to the selection process outlined in the following sections of this Call. The selection procedure involves:

- Assessment of compliance of Expressions of Interest with the formal criteria,
- Assessment of Expressions of Interest based on the evaluation criteria.

Following the pre-selection based on the Expression of Interest, EIF shall perform a due diligence process of the pre-selected Applicant, as a result of which EIF will decide whether or not to propose to its Board of Directors for approval the entering into a PRSL agreement. The contractual negotiation process will not be concluded prior to the approval of the EIF Board of Directors, and is in any case not concluded until EIF and the Applicants have agreed on all relevant terms and conditions.

In any phase of the selection process before entering into a legally binding agreement with an Applicant, EIF reserves full discretion to consider or not Applicants (and Participating Entities, in case of joint Expressions of Interest) and no Applicant has any claim or other right or may expect to be ultimately selected as financial intermediary under CYPEF PRSL. Any negotiation of terms and conditions of agreements by no means entails any obligation for EIF to enter into such agreement with the relevant Applicant.

### 6.1. Pre-selection

Expressions of Interest for the CYPEF PRSL will be assessed by EIF for pre-selection on the basis of the Expressions of Interest, on a "first come, first assessed" basis and therefore funds could be allocated to one or more successful Expressions of Interest depending on the budgetary resources available under the Facility at the time of selection.

The pre-selection comprises: i) formal assessment of the Expression of Interest and ii) the overall quality of its contents, as further described in the sections below. When assessing the Expression of Interest, EIF will use its professional analysis and judgement.

Only Expressions of Interests that meet the formal criteria as further described in the section 6.1.1. below may continue to go through the quality assessment process. EIF may contact the Applicants in case of any errors, inaccuracies, omissions or any other type of defect or to clarify items of technical nature in the Expression of Interest before or after the Deadline.

For the quality assessment, as further described in section 6.1.2. below, EIF will evaluate the overall quality of the Expression of Interest. All criteria listed under section 6.1.2 are assessed at the discretion of EIF with equal importance, which means the pre-selection process does not give specific weight to any one of these criteria.

All Applicants will be sent a notification about the result of the pre-selection process. Pre-selected Applicants are advanced to the due diligence phase of the selection process as referred to in section 6.2. Applicants listed on the reserve lists may be considered for pre-selection depending upon the availability of budgetary resources.

EIF may suspend or abandon the pre-selection process at any time and no Applicant may claim any right to be pre-selected or included on the reserve list as described above.

### 6.1.1 Formal assessment

EIF shall assess whether the Expression of Interest for the CYPEF PRSL has been submitted and prepared in accordance with the provisions of this Call and whether all required representations, information and supporting documentation required thereunder have been provided (in the form requested, where specified), including the below.

The Applicant (and each Participating Entity in case of joint Expressions of Interest) shall:

- i. be established and operating a branch network in the Republic of Cyprus;
- ii. be authorised to carry out its business in the Republic of Cyprus under the applicable regulatory framework;<sup>2</sup>
- iii. not be in a situation of exclusion, based on a representation in the form outlined in Appendix 2 of Annex I to the Call;
- iv. is not established in territories whose jurisdictions do not co-operate with the European Union in relation to the application of the internationally agreed tax standard, or their tax practice do not follow the Commission Recommendation of 6 December 2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805); and
- v. not perform any illegal activities according to the applicable legislation of the country of establishment of the Applicant (or Participating Entity), based on a representation in the Expression of Interest.

### 6.1.2 Quality assessment

After the formal check of the received Expressions of Interest and after having obtained any additional information or clarifications from Applicants, if and as needed, EIF will pre-select the Applicants according to the evaluation criteria set out below, in no particular order of priority:

- i. Overall financial standing of the Applicant (and each Participating Entities in case of joint Expressions of Interest);
- ii. Operational capability of the Applicant (and each Participating Entities in case of joint Expressions of Interest) (to assess and manage risk and to comply with the terms and conditions of the PRSL agreement);
- iii. Ability to provide the required data for EIF to properly conduct its analysis and assessment of the Applicant's (and each Participating Entity's in case of joint Expressions of Interest) track record and future activity;
- iv. Ability to comply with the terms and conditions of the PRSL agreement, particularly to provide or to support financing to SMEs within a predefined timeframe (i.e. absorption capacity);
- v. Expected impact of the PRSL, inter alia in terms of new financing volumes to be generated, number of SMEs, geographical reach, proposed interest rate reduction (if any) on the portion of the SME loan funded by the Applicant (and each Participating Entities in case of joint Expressions of Interest) and / or reduced collateral requirements on the entire SME loan;
- vi. Ability to comply with the specific reporting requirements.

## 6.2. Due diligence

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<sup>2</sup> It is noted that, according to the Protocol 10 of the Accession Treaty of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union, the application of Community Acquis shall be suspended in those areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control. In addition, according to the Protocol 3 of the above mentioned Treaty, the Sovereign Base Areas of the United Kingdom of Great Britain and Northern Ireland, in Cyprus, are not included in the eligible areas.

Pre-selected Expressions of Interest will be followed up with on-site due diligence visits, carried out in accordance with EIF's internal rules and procedures, where financial and operational matters relating to the PRSL agreement implementation shall be analysed in more detail. The aim of the due diligence is to assess on-site, the content of the Expressions of Interest based on, *inter alia*, the ability to build up the envisaged PRSL portfolio, the favourable lending conditions to SMEs suggested by the Applicant (if any), the risk nature of the envisaged PRSL portfolio, the quality of origination, risk management, collection recovery/workout processes, systems and ability to comply with the reporting requirements. The due diligence process does not comprise legal negotiations.

### 6.3. Selection

Subject to the satisfactory outcome of a due diligence and after having obtained any additional information requested during the process, EIF may request its Board approval for a PRSL agreement to be entered into with the selected financial intermediary. EIF has no obligation to select a (pre-) selected Applicant. The participation of any financial institution will depend, *inter alia*, on the budget available for CYPEF PRSL and other considerations made by EIF such as, without limitation: outcome of the due diligence, result of negotiations with the institution.

EIF, EIB and the RoC will publish, from time to time, on their websites the list of financial intermediaries with whom EIF signed CYPEF PRSL agreements.

### 6.4. Re-allocations / Allocations during the implementation of the Facility

During the implementation of the operational agreement(s), and with a view to maximising the efficient use of the resources of the Facility and maximising the impact of the Facility, EIF shall have sole discretion to allocate any available amounts, including any additional budget being allocated to the Facility.