What is ENSI?

ENSI is an arrangement between the European Investment Fund (EIF) and National Promotional Institutions (NPIs) - and more generally, economic development institutions in the EU - to stimulate SME lending via the capital markets.

The initiative’s principal objective is to use securitisation techniques that will enable financial intermediaries to provide more funding to SMEs. Principally this will be through increased funding to the financial intermediaries; however ENSI could also help lower capital requirements, reduce portfolio concentrations and potentially even deconsolidate portfolios of SME exposures. Financial intermediaries can receive these benefits against a commitment to extend new SME lending and the proposed transaction fits within the current mandates and internal guidelines of the participating ENSI Partner Institutions.

ENSI objectives

- Stimulate the availability of finance to SMEs in Europe by guaranteeing and/or investing in European securitisation transactions backed by SME exposures.
- Provide funding and capital relief, reduction of portfolio concentration and/or deconsolidation of SME portfolios to financial intermediaries, subject to compliance with the applicable mandates and internal guidelines of the ENSI Partner Institutions.
- Provide additional market stimulation in the spirit of the European Fund for Strategic Investments (EFSI). The European Commission has indicated an allocation of certain funds under the EFSI SME Window towards securitisation transactions to be deployed by EIF, although the legal framework and exact timing is yet to be finalised.

What ENSI provides

- Single-contact access to a pool of joint support measures provided by ENSI partner institutions.
- A harmonised and transparent framework with streamlined procedures.
- Co-ordination and strengthening of promotional activities across European NPIs in a flexible, efficient and transparent manner.

How ENSI operates

Financial intermediaries may contact any ENSI Partner Institution for support in a SME securitisation transaction that corresponds to the guidelines of the ENSI indicative term sheet.

ENSI Partner Institutions will explore potential joint support measures with the financial intermediary to provide a solution that fits the financial intermediary’s funding and/or capital needs and the ENSI Partner Institutions’ mandates and risk appetites.

Where possible, the participating ENSI partner institutions will act as one party to the financial intermediary, thus easing the administrative burden. This includes pre-determined, standardised processes and requirements, such as a single application process and a joint due diligence.

Participating ENSI Partner Institutions will contribute their part of the ENSI support (e.g. investing in a tranche or providing a guarantee) as per their specific mandates.
ENSI Partner Institutions’ involvement

This initiative can be implemented in the context of cash and potentially synthetic securitisations, depending on the participating ENSI Partner Institutions’ specific mandates and risk appetite. Typical forms of ENSI Partner Institutions’ involvement in SME securitisation transactions are set out in the diagram and table below.
Main features of a securitisation transaction

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Typically for funding or regulatory capital relief.</td>
</tr>
<tr>
<td><strong>Buyer/Guarantor</strong></td>
<td>The NPI and/or EIF will likely purchase a participation in the securitisation. In addition, the participation may be guaranteed by EIF, another NPI or a third party.</td>
</tr>
<tr>
<td><strong>Transaction type</strong></td>
<td>True sale and potentially synthetic securitisations under the laws of the relevant EU Member States.</td>
</tr>
<tr>
<td><strong>Tranche</strong></td>
<td>Senior or mezzanine.</td>
</tr>
<tr>
<td><strong>Required rating(s)</strong></td>
<td>Strong preference for at least one public rating. The tranche’s rating should be consistent with the following minimum rating levels: 1. For senior tranches indicatively at least (1) public rating equivalent to (A3) or higher; 2. For mezzanine tranches indicatively either (i) (1) public rating equivalent to (Ba2) or higher or (ii) a guarantee from EIF.</td>
</tr>
<tr>
<td><strong>Weighted average life</strong></td>
<td>Weighted average life of a senior or mezzanine tranche should not exceed a maximum of (10) years.</td>
</tr>
<tr>
<td><strong>Jurisdiction</strong></td>
<td>EU Member States.</td>
</tr>
<tr>
<td><strong>Financial intermediary</strong></td>
<td>Financial or credit institution duly authorised to carry out lending or leasing activities according to the applicable legislation, established and operating in one or several of the EU Member States. Typically the financial intermediary applying for ENSI will be the originator of the assets.</td>
</tr>
<tr>
<td><strong>Securitised portfolio</strong></td>
<td>The securitised portfolio should consist of performing assets (e.g. loans, leasing or guarantees granted to SMEs and other enterprises with fewer than 500 employees for an amount of at least 75% of the outstanding principal amount of the portfolio) and may be subject to replenishment for a pre-defined time period. Each securitised portfolio should be sufficiently diversified, but consisting of a single asset class.</td>
</tr>
</tbody>
</table>

What ENSI requires from the financial intermediary

As ENSI intends to stimulate SME lending via capital markets, the financial intermediary will be required to show additional lending to SMEs commensurate to the involvement of the participating ENSI partner institutions’ requirements.

The financial intermediary shall retain the direct client credit relationship with each SME, with the origination, due diligence, documentation and servicing of the securitised assets being performed in accordance with its usual origination and servicing procedures.

The financial intermediary shall also provide information on the securitised portfolio and on any of the agreed additional lending to the participating ENSI partner institutions until the termination of the securitisation transaction. This will be substantially in the form described in the reporting requirement annexes of the term sheet.
ENSI Partner Institutions* and contact details

For more information, interested parties may contact any of the following ENSI Partner Institutions.

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* Some of the participating NPIs may need further internal developments or approvals to actively participate in ENSI operations.

** The Malta Development Bank Working Group is a member of the Working Group on the joint securitisation initiative and foresees the potential membership of the future Maltese promotional institution.

Important Disclaimer
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