



EFSI PRIVATE CREDIT TAILORED FOR SMEs PROGRAMME

supporting the
European Union's SMEs and Small Mid-Caps

OPEN CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES

Published on 21st December 2018 and updated on 27th July 2020

The objective of this Open Call for Expression of Interest (the "**Call**"), launched by the European Investment Fund (the "**EIF**") in cooperation with the European Commission (the "**EC**"), is to select eligible financial intermediaries to become EFSI Private Credit Financial Intermediaries under the framework of the **EFSI Private Credit Tailored for SMEs Programme** ("**EFSI Private Credit Programme**") supported by the European Union through the European Fund For Strategic Investments ("**EFSI**") and the EIF.

All applications under the EFSI Private Credit Programme submitted by the applicant to the EIF should conform to the terms of this Call.

In this Call, capitalised terms and expressions shall have the meaning attributed to them in this document and as defined in Annex II to this Call (the "**Investment Guidelines**"), as appropriate.

1. EFSI Private Credit Programme

Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p.1) (the "**EFSI Regulation**") established EFSI.

Pursuant to the agreement between the European Union (the "**EU**") and European Investment Bank (the "**EIB**") on the management of EFSI, the EIF has been entrusted to support the development of a private credit market aiming to enhance access to financing for SMEs and Small Mid-caps established or operating in EU Member States by diversifying the financing sources available to these entities.

Under the EFSI Private Credit Programme, the EIF will make **equity investments** in EFSI Private Credit Financial Intermediaries and may also provide **unfunded credit protection**¹ to other investor(s) making equity investment(s) in the same EFSI Private Credit Financial Intermediary.

The principal requirements for EFSI Private Credit Financial Intermediaries and an EIF Investment are

¹ EIF will provide unfunded credit protection for a specified investor's commitment in exchange for a fee. The unfunded credit protection fee will include a component to be paid on a running basis, together with a deferred fee component based on the performance of the Fund.

set out in the Investment Guidelines.

2. Financial Intermediaries

This Call is addressed to interested parties who may qualify as EFSI Private Credit Financial Intermediaries as defined and further specified in the relevant Investment Guidelines.

Financial Intermediaries including the managers of the Financial Intermediaries shall represent that they are not in any of the situations of exclusion, as further described in the Annex II of the Call.

Financial Intermediaries shall not use EIF Investment for illegal purposes, including money laundering, terrorism financing, tax fraud, and tax evasion, or for financing artificial arrangements aimed at tax avoidance.

The EIF Anti-Fraud Policy, the EIB Group Policy towards Weakly Regulated, Non-transparent and Non-cooperative Jurisdictions and Tax Good Governance, the EIF Transparency Policy and the Guidelines on EIF Restricted Sectors, shall apply to the investments made in the context of EFSI Private Credit Programme. For further information please refer to:

https://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf

https://www.eib.org/attachments/strategies/eib_group_ncj_policy_en.pdf

https://www.eif.org/news_centre/publications/eif-transparency_policy_01022016.pdf

https://www.eif.org/attachments/publications/about/2010_Guidelines_on_restricted_sectors.pdf

3. Application procedure

The Call shall remain open until 31st October 2020 or such other date as officially announced in the [EFSI Private Credit Programme's section on the EIF's website](#) (the "**Deadline**").

The interested applicants shall submit a formal Expression of Interest to the EIF before the Deadline by email to the address [EFSIPrivateCredit@eif.org]. The Deadline applies to the receipt of the email by the EIF.

An acknowledgement of receipt will be sent to the applicants by the EIF via e-mail within 30 days of receipt of the application, which shall confirm whether or not 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.

Each Expression of Interest shall:

- state in the subject of the email: "EFSI Private Credit Programme - Expression of Interest: [*name of the applicant*]"
- be prepared in English
- contain a scanned copy of Annex I duly completed and signed.

The applicant shall make available to the EIF the relevant information and documentation covering the points listed below, which are considered the minimum information required in the selection process²:

- name of the fund

² Information may be covered by a PPM (private placement memorandum) made available to the EIF.

- legal and governance structure³ of the fund and the manager (and investment advisor as applicable)
- regulatory status of the fund and the manager (and investment advisor as applicable)
- management team of the fund and geographical location of the team members
- target market(s), origination strategy and envisaged deal flow of the fund
- fund size (min/target/max) and currency
- fund investment strategy, including:
 - targeted number of finance facilities (including re-investments) and portfolio companies
 - geographical scope
 - targeted sectors
 - currency of the underlying assets
 - targeted allocation towards SMEs and Small Mid-caps
 - type of financing⁴
 - targeted portfolio risk
- track record of the lending activity related to European SME and Small Mid-caps, including default and work-out experience
- fundraising strategy, typology of investors and timing of closings
- management fees and other income to be received by the fund manager (and related parties as applicable) in connection with the investment strategy
- amount of any direct investment by the team members and fund manager (or related parties as applicable)
- expected gross and net IRR p.a. of the fund
- description of the credit assessment, approval and underwriting processes and policy; including any model used for rating or scoring and recovery assessment
- description of the portfolio monitoring and work-out policy.

The applicants may withdraw, in the same manner in which they applied, their Expression of Interest at any stage of the selection process.

Applicants may send questions regarding the Call to the same address used for the submission of the Expression of Interest above. The EIF shall analyse and may publish the resulting answers in the form of Frequently Asked Questions (“FAQs”) on the EIF’s website. The EIF reserves the right to update the FAQ document from time to time as and when it regards it appropriate.

The EIF reserves the right at any time to request clarification or the submission of additional or supplementary information in respect of an application, verify with any applicant or with a third party any information set out in any submission.

4. Selection Process

The applicants will be selected with due consideration being given to 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. Should any application for financing be submitted to the EIF without specifically referring to the Call for Expression, and should EIF consider this application eligible, the EIF shall inform the applicant thereof by e-mail that the application will be considered for selection under the EFSI Private Credit Programme and request that the applicant complete and return Annex I.

The EIF shall assess applications on an ongoing basis, using professional analysis and judgment, taking into account the terms set out in the relevant Investment Guidelines, including the assessment criteria

³ Showing ownership and cash flows, supported by legal and/or tax memorandum, if available.

⁴ Please include description of the finance products offered (by geography, if applicable), seniority, purpose, min/average/max maturity, min/average/max interest rate, floating/fixed rate, min/average/max amount, repayment features, embedded options, collateral and covenants.

in relation to the policy fit and the expected performance and following these general steps:

- (i) Screening
- (ii) Due Diligence
- (iii) Assessment and approval in accordance with EIF's internal assessment and decision making rules
- (iv) Negotiation and signature

The selection process includes EIF's assessment of the fund governance and expected performance, as set out in section 4.1, and of the policy fit of the application, as set out in section 4.2 below.

On the basis of the assessment of the performance and of the policy fit, the EIF will decide whether an investment proposal qualifies for an investment under the EFSI Private Credit Programme. The availability of financial resources under the EFSI Private Credit Programme will also be taken into account.

The decision to perform a due diligence visit shall be at the discretion of the EIF.

Prior to entering into a transaction, the selected investment proposal to be funded under the EFSI Private Credit Programme shall be submitted by the EIF to its relevant decision making bodies for approval and shall be subject to such prior approval before finalising the contractual negotiation process with the Financial Intermediary.

Following approval of the applications, the appropriate Fund Agreement shall be signed with the EFSI Private Credit Financial Intermediary. The ultimate decision on the form of the agreement shall be made at the discretion of the EIF. The terms of the Fund Agreement shall be in English.

In any phase of the selection process until and prior to entering into a legally binding agreement with an applicant, the EIF reserves full discretion to select applicants or not, and no applicant has any claim or other right or may expect to be ultimately selected as a EFSI Private Credit Financial Intermediary in the context of the EFSI Private Credit Programme. Any negotiation of the terms and conditions of the Fund Agreement by no means entails any obligation for the EIF to enter into such agreement with the relevant Financial Intermediary. Furthermore, the investment amount to be committed by the EIF to the fund, together with any other investor commitments to the fund benefiting from unfunded credit protection provided by EIF, will be at the sole discretion of EIF.

EIF will send via e-mail a rejection notice to applicants whose Expression of Interest was dismissed at any stage of the selection process. EIF may, but shall not be obliged to provide reasons for such rejection.

Those Applicants, whose Expression of Interest is rejected, shall have the right to submit a written complaint about the selection process by e-mail, registered mail or professional courier service, to the same address used for the submission of the Expressions of Interest above, within the timeline provisioned within the relevant EIB Group complaints policy. Any complaints will be dealt with within

the framework of and in accordance with the EIB Group complaints policy⁵.

Any personal data provided by the Applicants shall be processed by EIF in compliance with its Data Protection Statement (EIF statement on the processing operations of Applicants and Financial Intermediaries' personal data, as published on the EIF's website⁶) and the [Regulation \(EU\) 2018/1725](#) on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies offices and agencies and on the free movement of such data, as amended from time to time. The EIF may process personal data of final recipients, i.e. of individuals benefitting from EIF equity investments in financial intermediaries. More information here: Processing of Final Recipients Personal Data⁷.

http://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf

4.1 Key general assessment criteria

As part of the expected performance assessment, applications will be analysed based *inter alia* on the following criteria:

Fund governance

- a) Satisfactory legal and tax structure
- b) Independence of investment decision and approval processes

Fund management team

- a) Staffing, relevant experience, comprehensive and balanced skills/competencies
- b) Ability to provide adequate dedication for the life of the fund

Target market, origination strategy and envisaged deal flow

- a) Feasibility of origination strategy given track record, size of the market, potential market development and competitive landscape
- b) Credibility of targeted investment origination pace and consistency with envisaged portfolio diversification given target fund size

Fund investment strategy

- a) High portfolio diversification in terms of target number of investments (including re-investments)
- b) Coherence with the objectives of the EFSI Private Credit Programme
- c) Soundness and consistency of credit assessment, approval, underwriting, monitoring and work-out processes
- d) Based on EIF analysis, compatibility of the envisaged portfolio with the overall expected risk profile of the EFSI Private Credit Programme

Fund size

- a) Momentum of the fund manager to launch the fund in an effort to commence lending activities in a timely manner
- b) Credibility of reaching target fund size in a timely manner
- c) Track record of access to investors and previous fundraisings
- d) Evidence of support from other investors on the proposed fund

Alignment of interest

⁵ For further information visit <http://www.eib.org/infocentre/publications/all/complaints-mechanism-policy.htm>

⁶ https://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf

⁷ <https://www.eif.org/attachments/processing-of-final-recipients-personal-data.pdf>

- a) Level and basis for calculation of the management fee and other expected fee or cost
- b) Appropriateness of any envisaged variable remuneration linked to the overall fund performance
- c) Adequate direct investment by the team members, fund manager company and/or related parties

Expected returns

- a) Evidence that the fund is to be run on a commercial basis, that it can be expected to be financially viable and offer a risk-return profile attractive to market orientated investors

4.2 Assessment criteria for policy fit

Any investment under the EFSI Private Credit Programme shall, based on the proposed investment strategy of the Financial Intermediary, have a clear and demonstrated fit with the EU policies and objectives. The EIF will evaluate each investment proposal on the basis of whether the proposed investment meets at least one of the indicators below:

- a) the Financial Intermediary promotes a pan-European investment focus by targeting to invest in more than one Member State of the EU, based *inter alia* on its management team's track-record, strategy, pipeline, office location, composition, or on the fact that it targets to invest less than 75% of its invested amounts in any single Member State of the EU;
- b) the Financial Intermediary promotes a pan-European investment activity by attracting investors based in more than one Member State(s) of the EU, based *inter alia* on its manager's fundraising track-record or fundraising plans or strategy;
- c) the Financial Intermediary targets to invest in Member State(s) of the EU where, within the 5 years preceding the application for investment under the EFSI Private Credit Programme, specific laws or regulations or other initiatives were undertaken in the Member State(s) promoting the development of private credit markets/products or increasing the availability of market-based credit solutions;
- d) the Financial Intermediary significantly focuses on increasing the availability of tailor-made funding solutions, based on an investment strategy predominantly targeting facilities with one or more of the following features: (i) tenor of 5 years or more, (ii) flexible repayment schedules i.e. bullet repayments or grace periods of 12 months or more, (iii) unitranche financing, (iv) unsecured lending, or (v) tailored asset-based financing;
- e) the Financial Intermediary targets to support internationalisation of the portfolio companies;
- f) the Financial Intermediary is managed by a manager/management team, which for the first time is managing a credit fund predominantly focused on illiquid senior financing;
- g) the Financial Intermediary targets to invest in financing facilities originated through crowdfunding platforms;
- h) the Financial Intermediary targets to invest in Member State(s) of the EU where the measures of "willingness of banks to provide a loan" and/or "rejected loan applications and unacceptable loan offers" have weaker measurements than the EU average, in each case in accordance with 2017 SBA Fact Sheet published by the European Commission for the relevant Member State(s) (<https://ec.europa.eu/docsroom/documents/29489>).

If none of the indicators are met, the proposal will not be eligible an EIF Investment under the EFSI Private Credit Programme.

In addition, the investment proposal will be assessed taking into account *inter alia* the following principles:

- (i) additionality of the envisaged EFSI Private Credit Programme support, i.e. catalytic role in mobilising funding sources for the Financial Intermediary;
- (ii) contribution to the development of a structurally balanced private credit market.

5. Language and signing process

The Expression of Interest shall be prepared in English.

Financial Intermediaries acknowledge that they may be requested to use a digital signature for the purpose of signing the relevant legal documentation.

6. Publishing of information on the Financial Intermediaries

The EIF may publish on its website the list of Financial Intermediaries with whom the EIF concluded a Fund Agreement under the EFSI Private Credit Programme, a list of the Financial Intermediaries invested in and a list of Final Recipients thereunder as further specified in the respective Investment Guidelines.