



## OPEN CALL FOR EXPRESSION OF INTEREST

### TO SELECT FINANCIAL INTERMEDIARIES UNDER THE CYPRUS ENTREPRENEURSHIP FUND (CYPEF II)

The objective of this **Open Call for Expression of Interest** (the “Call”), launched by the European Investment Fund (the “EIF”), is to select eligible financial institutions to become Financial Intermediaries under the Cyprus Entrepreneurship Fund (CYPEF II), as further described below.

All applications to be submitted to the EIF under the CYPEF II - Portfolio Risk Sharing Loan (PRSL) Facility shall conform to the Call. All capitalised terms and expressions shall have the meaning attributed to them in this Call document, including as may be defined in the Indicative Term Sheet annexed hereto, as appropriate.

These documents and information are indicative, non-binding, published for information purposes and might be subject to change. None of the information contained herein constitute a commitment from the EIF.

To learn more about the CYPEF, please visit:

[https://www.eif.org/what\\_we\\_do/resources/cypef/index.htm](https://www.eif.org/what_we_do/resources/cypef/index.htm)

## 1. Cyprus Entrepreneurship Fund

### *Product to be Implemented*

The CYPEF is implemented through a favourably priced portfolio risk sharing loan (“PRSL”) product whereby financing is lent to Financial Intermediaries with the requirement that it be on-lent to Eligible Final Beneficiaries. Together with cash resources from Financial Intermediaries, portfolio risks are shared with the Financial Intermediaries, aiming today to address the main Eligible Final Beneficiaries financing constraints the COVID-19 crisis has currently produced.

### *CYPEF - past and present*

The CYPEF was founded by the Republic of Cyprus (RoC) with the view to support and strengthen entrepreneurship in Cyprus by facilitating access to finance for small and medium-sized enterprises. CYPEF Phase A was financed through a EUR 100 million loan granted to the RoC by the EIB on 13 December 2013 and is being managed by the EIF following the signature of a relevant agreement on 17 February 2014. CYPEF Phase A funds were deployed the local financial institutions, providing funds to local SMEs in the amount of EUR 136.8 million.

On 18 April 2021 EIB and the Government of Cyprus signed a loan agreement to extend the funding allocated to CYPEF. The increase is considered a COVID-19 response measure and results from a renewed partnership between EIB and Cyprus in the implementation of CYPEF. CYPEF will continue to be managed by the EIF and it will be supported by a EUR 200 million lending facility provided by EIB (two tranches of EUR 100 million, depending on demand). With the addition of this funding the total CYPEF portfolio is expected to reach EUR 540 million.

The CYPEF agreement, between the RoC and EIF, meets the objective of enhancing access to

finance for Final Recipients, and it is envisaged that CYPEF products shall be offered at favourable terms, including reduced interest rates, reduced collateral requirements, extended loan maturities and grace periods.

## 2. Definitions and Interpretation

In this Call, capitalised terms and expressions shall have the meaning attributed to them below or as elsewhere defined in this document and its Annexes, unless the context requires otherwise.

<b>PRSL Agreement</b>	Means the Portfolio Risk Sharing Loan agreement entered into between the EIF and a Financial Intermediary for an Operation under the CYPEF II Facility.
<b>Applicant</b>	Means an entity applying to this Call as a potential, local, registered Financial Intermediary.
<b>Data Protection Statement</b>	Means the EIF statement on the processing operations of Applicants and Financial Intermediaries' personal data, as published on the EIF's website: <a href="http://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf">http://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf</a>
<b>Deadline</b>	Means at the latest by 31 December 2024, or such different date as may be announced officially on the EIF's website. EIF may determine that the Deadline will end on an earlier date depending, inter alia, on the availability of the budgetary resources for the CYPEF II Facility. Any change in the Deadline will be announced officially on the EIF's website.
<b>Expression of Interest</b>	Means an application to the Open Call for Expression of Interest submitted to the EIF within the Deadline, conforming to the provisions of Annex I as applicable.
<b>Financial Intermediary</b>	Means financial entities selected as Financial Intermediaries by the EIF with the objective of implementing the CYPEF II Facility.
<b>Indicative Term Sheet</b>	Means the indicative terms and conditions under the CYPEF II Facility as set out in Annex II of this Call.
<b>Non-Compliant Jurisdiction ("NCJ")</b>	Means a jurisdiction <ul style="list-style-type: none"> <li>(i) listed in the Annex I of the European Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes;</li> <li>(ii) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards;</li> <li>(iii) listed in the Annex of the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU)</li> </ul>

	<p>2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies;</p> <p>(iv) rated as “partially compliant” or “non-compliant”, including corresponding provisional ratings, by the Organisation for Economic Cooperation and Development and its Global Forum on Transparency and Exchange of Information for Tax Purposes against the international standard on exchange of information on request;</p> <p>(v) included in the Financial Action Task Force statement “High Risk Jurisdictions subject to a Call for Action”; or</p> <p>(vi) included in the Financial Action Task Force statement “Jurisdictions under Increased Monitoring”,</p> <p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.”</p> <p>Where the relevant support is not reserved for operations, projects or activities implemented in the same jurisdiction where the concerned Applicant is incorporated, the Applicant shall not be incorporated in or invest through a Non-Compliant Jurisdiction.</p> <p>Please refer to the EIB’s website<sup>1</sup> for an FAQ containing the most updated reference lists of Non-Compliant Jurisdictions or enquire with the EIF for confirmation of Non-Compliant Jurisdiction status.</p>
<b>Operation</b>	Means a transaction entered into between the EIF and a Financial Intermediary under a Portfolio Risk Sharing Loan Agreement.
<b>Participating Entity</b>	Means, in case a joint application to the Call is submitted covering the Applicant and at least one additional potential future Financial Intermediary, each and every additional potential future Financial Intermediary covered by such joint application.
<b>Targeted Activities</b>	Mean (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion); and (ii) tax avoidance practices.

### 3. Financial Intermediaries

This Call is addressed and restricted to Financial Intermediaries committing to support final beneficiaries established and operating in the Republic of Cyprus in line with CYPEF II Facility mandate requirements.

Applicants and Participating Entities, including the managers of the Financial Intermediaries, shall represent that, at the date the application is submitted, they are not in any of the situations of exclusion, as further described in Annex I, as applicable, to this Call.

<sup>1</sup> <https://www.eib.org/en/about/compliance/tax-good-governance/faq>

Applicants including the managers thereof shall (i) comply with relevant international and EU standards and legislation, where applicable, on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and artificial arrangements aiming at tax avoidance and (ii) not be established in a Non-Compliant Jurisdiction unless the operation is physically implemented in the relevant Non-Compliant Jurisdiction and does not present any indication that it supports actions that contribute to Targeted Activities.

The EIF Anti-Fraud Policy, the EIB Group Policy towards Weakly Regulated, Non-transparent and Non-cooperative Jurisdictions and Tax Good Governance, EIB Group Anti-Money Laundering and Combating Financing of Terrorism Framework, the EIF Transparency Policy and the Guidelines on EIF Restricted Sectors, shall apply to all Agreements under the Facility. For further information please refer to:

[https://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](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.eib.org/attachments/strategies/eib_group_ncj_policy_en.pdf)

<https://www.eib.org/en/publications/eib-group-anti-money-laundering-policy-and-combating-finance-of-terrorism-framework>

[https://www.eif.org/news\\_centre/publications/eif-transparency\\_policy\\_01022016.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](https://www.eif.org/attachments/publications/about/2010_Guidelines_on_restricted_sectors.pdf)

The EIB Group is committed to continue maintaining a stringent policy against tax fraud, tax evasion, tax avoidance as well as money laundering and terrorism financing.

All EIF Operations are assessed in line with the standards of the due diligence process promoted by the EIB Group AML-CFT Framework and the EIB Group NCJ Policy. Operations with NCJ links are subject to enhanced due diligence to determine whether (i) the levels of transparency and integrity of the relevant operation are satisfactory to the EIB Group (in particular the contracting counterparty/ies and their beneficial owners must be clearly identified), (ii) the contracting counterparty/ies can provide plausible justifications for the NCJ location link or (iii) there is a risk that the operation is (or may be) misused for Targeted Activities. The enhanced vigilance may consider, on a risk-sensitive basis and as applicable, relevant elements of the Anti-Tax Avoidance Toolbox in Appendix 1 to the EIB Group NCJ Policy. All Applicants are therefore hereby notified that in the course of the EIF tax integrity due diligence process, information on contracting counterparty's full ownership diagram, including all direct/indirect 10% (or more) UBOs (or deemed controlling), may be requested and that additional questions may arise as part of this process.

For more information, please refer to the FAQ on the EIB Group NCJ Policy at the following site: <https://www.eib.org/en/about/compliance/tax-good-governance/faq>

#### **4. Application procedure**

Interested Applicants shall submit, before the Deadline, by e-mail to the EIF a formal Expression of Interest in a PDF duly signed form to the following relevant address: [info.cypef@eif.org](mailto:info.cypef@eif.org) indicated in Section 2 for each product.

The Deadline applies to the receipt of the email by the EIF.

The Expression of Interest shall be submitted to the EIF in the form of Annex I. It is to be noted that financial institutions may group together for the Facility through submitting a joint Expression of Interest. In the Expression of Interest one coordinating entity shall act as the Applicant. The Applicant shall apply in the name and on behalf of the Participating Entities and shall indicate to the EIF the basis for the joint application. Following selection of such joint application, one PRSL Agreement

may be signed with the Applicant and Participating Entities or, alternatively, separate PRSL Agreements may be signed with the Applicant and each Participating Entity. The ultimate decision on the form of the PRSL Agreement(s) shall be made at the discretion of the EIF, taking into account the nature of the underlying Operations.

An acknowledgement of receipt will be sent to the relevant Applicants by the EIF via e-mail, which shall state the confirmation that the Expression of Interest was received before the Deadline. The submission of Expression of Interest will only be considered as effective once this acknowledgement of receipt has been sent.

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: “Cyprus Entrepreneurship Fund (CYPEF II)- Expression of Interest: [name of the applicant]”;
- be prepared in English;
- contain the complete set of relevant documentation (including a scanned copy of the Expression of Interest duly completed and signed).

The EIF reserves the right at any time to request clarifications 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.

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

The EIF reserves the right, at any time to:

- make changes to the Call, the selection process or associated terms, dates and deadlines;
- replace the Call with another call for expression of interest;
- cancel the Call in its entirety.

## 5. Selection process

The Applicants<sup>2</sup> will be selected in accordance with the Cyprus Entrepreneurship Fund (CYPEF II) Facility own rules, policies and procedures applicable to the EIF. The EIF reviews regularly its guidelines and procedures, both in the context of regular annual reviews as well as in the context of the EIB Group developments, for example relating to Group Compliance standards.

The EIF shall assess applications on a continuous basis and “**first come, first assessed**” basis, using professional analysis and judgment, taking into account the objectives and the terms (Indicative Term Sheet) of the CYPEF II Facility.

Any personal data provided by the Applicants shall be processed by the EIF in compliance with its Data Protection Statement and the Regulation (EU) 2018/1725 on the protection of individuals 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 selection process of each Applicant typically comprises the following steps (as per below), provided that each preceding step was concluded with a positive result. The EIF reserves the right to skip steps in the selection process or perform streamlined screening or due diligence process for Financial Intermediaries in the EIF portfolio or approved by the EIF not more than 12 months before

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<sup>2</sup> Reference to Applicants throughout this section includes any existing EIF Financial Intermediary, if applicable.

the Call publication. This right will be exercised at the discretion of the EIF.

**Stage 1: Screening**

**Stage 2: Due Diligence**

**Stage 3: Approval Process**

**Stage 4: Negotiation and signature**

The selection process includes an EIF's assessment of the expected performance and of the policy fit of the proposal, as set out below at the relevant stages of the selection process.

On the basis of the assessment of the Applicant, the expected performance and of the policy fit, the EIF will decide whether a proposal qualifies for support under the CYPEF II Facility.

Stage 1 shall entail a preliminary assessment/screening of whether the proposal can be taken forward. Following positive outcome of Stage 1, EIF will perform a due diligence (Stage 2). The format of such due diligence (including desktop) will be at the discretion of the EIF, and whether the EIF can (in its view) include in its assessment information already in its possession (e.g. in case of established business relationship with a given Financial Intermediary). For further information about the due diligence information requirements, please see Annex III to this Call.

Following positive outcome of Stage 2 (and prior to entering into a PRSL Agreement with an Applicant), the proposal to be supported under the CYPEF II Facility shall be submitted by the EIF to its relevant decision making bodies for approval. EIF may obtain approvals for proposed applications from its governing bodies until the end of 2024.

Following positive conclusion of Stage 3, and the finalisation of the contractual documentation with the Financial Intermediary, the appropriate PRSL Agreement shall be signed with the Financial Intermediary (Stage 4). The ultimate decision on the form of the PRSL Agreement shall be made at the discretion of the EIF. The terms of the PRSL 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 consider or not Applicants, and no Applicant has any claim or other right or may expect to be ultimately selected as the Financial Intermediary in the context of the CYPEF II Facility. Any negotiation of terms and conditions of PRSL Agreement by no means entails any obligation for the EIF to enter into such agreement with the relevant Financial Intermediaries.

Applicants' proposals may be also placed on a reserve list at any stage of the process. Such applications may be taken forward over time. However, the EIF maintains the right to first process applications received in the meantime which positively pass the process stages described above.

The participation of any Applicant in the CYPEF II Facility will depend on the budget available and other considerations made by the EIF such as, without limitation, the outcome of the due diligence, if conducted, and the result of negotiations with the Applicant.

At any stage of process, the EIF may communicate, via e-mail, to the relevant Applicants whether their expression of interest has been taken forward, rejected or placed on a reserve list.

Those Applicants, whose Expression of Interest is rejected at any stage of the selection process, shall have the right to submit a written complaint by e-mail and registered mail or professional courier service, to the same address used for the submission of the Expressions of Interest above, within thirty (30) days of receipt of the rejection notice. Any complaints will be dealt within the framework of and in accordance with the EIB Group complaints policy<sup>3</sup>.

**Assessment criteria for expected performance and policy fit**

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<sup>3</sup> For further information visit <http://www.eib.org/infocentre/publications/all/complaints-mechanism-policy.htm>

As part of the expected performance assessment, the EIF will analyse the relevant rating systems, risk assessment tools and associated back-testing/review exercises as well as the expected portfolio characteristics (default rate, recovery rate, duration, composition, etc.). EIF will also carry out a compliance assessment (KYC/AML screening and tax integrity).

In addition, EIF will assess the policy fit by analysing the experience and ability of the Applicant to finance SMEs and MidCaps in light of the proposed volumes, based inter alia on track record of lending to final recipients, including in managing operations supported by the EIF and EIB. EIF will also assess the quality and plausibility of the implementation proposal, with particular focus on the implementation, the transfer of benefit (where applicable), marketing and rollout strategy, previous experience working with international financial institutions, etc.

## **6. 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 PRSL Agreement.

## **7. Publishing of information on the Financial Intermediaries**

The EIF may publish on its website the list of Financial Intermediaries with which the EIF concluded a PRSL Agreement under the CYPEF II Facility and a list of final beneficiaries thereunder as further specified in the Indicative Term Sheet.