EUROPEAN INVESTMENT FUND

REGIONE CAMPANIA

EUROPEAN UNION

Clarification on the Call for Expressions of Interest No. JER-007/2010/1
to select Financial Intermediaries that will receive resources from the European Investment Fund acting through the JEREMIE Holding Fund for Campania to implement the Funded Risk Sharing Financial Instruments for SMEs

Reference number: Call for EoI No. JER-007/2010/1

The Deadline for the submission of Expressions of Interest is the 17th of May 2010.

Question 1 (Q1):	Drawdowns: Could you please explain the exact mechanism in case of a request of drawdown? What about JHF co-funding for drawdowns? When is the 50% of the JHF credited to the FI? At the beginning of the month? Semi-annually? Every single drawdown? If the amounts made available by the JHF are disbursed up-front to the FI and the FI is unable to use the entire amount within the foreseen 24 months from the signing of the contract, does the FI just pay interest and/or a penalty?
EIF Answer:	The Financial Intermediary (hereinafter, "FI") undertakes to originate a new portfolio of loans to SMEs according to pre-determined volumes; EIF, acting through JHF, disburses funds to FI in tranches in advance or ex-post (see the Call: *"Disbursement in several tranches, either ex ante or ex post, based on actual utilisation. Decision on whether funding will be provided to the Financial Intermediary ex ante or ex post will be taken by EIF on the basis of EIF's assessment regarding the credit ability of the selected Financial Intermediary (as concluded during the evaluation/due diligence process).*") in EUR based on the forecast and agreed lending volumes, subject to a co-financing ratio (EIF can cover up to 50%).

	In case of ex-ante tranche disbursement, each tranche must be substantially disbursed (e.g. 80%) for new loans to SMEs prior to disbursement of the following tranche; Disbursed loans in full or in limited number of tranches included in the Portfolio are notified by the FI to EIF quarterly; To the extent funds drawn by the FI are not utilised (i.e. not disbursed for SME loans), the FI pays a commercial deposit interest rate on such funds; To the extent funds provided are utilised for SME loans, EIF acting through JHF, will share with the FI both (i) the interest on the SME loans included in the portfolio as well as (ii) the principal repayments under SME loans included in the portfolio, according to the risk sharing rate (equal to the co-financing rate), i.e. repayment of the facility granted by the EIF acting through JHF will reflect repayment of the SME loans included in the portfolio; Payments in relation to the included loan (loan repayments, interest and recoveries) received by the FI from SMEs will be credited to a general collection account and amounts due to EIF will be immediately segregated into an interest bearing EIF collection account (principal, interest, recoveries) held by EIF within the FI. No penalties are foreseen for the FIs.
Q2:	What is the procedure in case of losses? Can the FI decide the most appropriate credit recovery strategy or are there some constraints in this respect?
EIF Answer:	The origination, due diligence, documentation and execution of the SME loans (including recovery actions) included in the portfolio will be performed by the FI in accordance with a pre-set origination model agreed with EIF but otherwise applying its standard procedures;

	EIF acting through JHF will share the risk of SME loans included in the portfolio, according to the risk sharing rate. In case of default of the SME loan the loss amount being defaulted SME loan principal multiplied by the risk sharing rate shall be treated as a reduction of the FI's obligation to repay the funds to the EIF/JHF. To the extent there are recoveries and realisation of the collateral such amounts will be shared with EIF in accordance with the risk sharing rate.
Q3:	Will the JHF give a mandate to the FI to act in its name and behalf in order to sign the loan agreement and manage the transaction?
EIF Answer:	No, JHF will not give any mandate to the FI. EIF acting through JHF signs the Operational Agreement with the selected FI which subsequently will sign a loan agreement with the SMEs.
Q4:	Bad debts? Procedure? Can they be securitised? What happens afterwards?
EIF Answer:	The question is vague; we understand the question as follows "Is the FI allowed to take all the measures for credit recovery without pre-agreeing anything with EIF?" the FI selected will be free to decide autonomously the best credit recovery policy.
Q5:	What is the impact of a guarantee/collateral on the FI's portion of the loan? Given the pari passu nature of the co-funding, what happens if the FI asks for a guarantee? Does it have to cover or be shared with JHF portion too? Can the FI part of the loans benefit from a guarantee from the State Guarantee Fund?
EIF Answer:	If the FI obtains any guarantee/collateral for the loans, it is to be shared on a pari passu basis.

	Provided that the State Guarantee Fund is financed by national funds and not by structural funds, the loans could benefit of the so-called Fondo di Garanzia per le PMI – L. 662/1996.
Q6:	Is there a direct risk of the JHF vis-à-vis SMEs?
EIF Answer:	There is not direct relationship between EIF acting through JHF and SMEs According to Funded Risk Sharing Product's terms and conditions EIF acting through JHF will fund and share the risk of portfolio of SMEs' loans originated by the FI Please see answer to Q5.
Q7:	Is there a direct relationship between the JHF and the SME or the Microenterprise?
EIF Answer:	No, as is indicated in the call: "*the Financial Intermediary shall have the sole direct client credit relationship with each SME*", the JHF's relationship is exclusively with the FI. (See answer 1 above).
Q8:	If an eligible loan is approved and committed by the FI, is it automatically agreed by JHF? Or is a specific authorisation and approval by JHF necessary too?
EIF Answer:	If a portfolio of eligible SMEs' loans is approved by the FI it is considered automatically agreed by JHF. Further authorisations are not necessary.
Q9:	Do the Financial Covenants indicated in par. 3 of Annex 2, refer to the FI vis-à-vis the JHF or do they refer to the final beneficiary vis-à-vis the FI?
EIF Answer:	The financial covenants refer to the FI vis-à-vis the EIF acting through the JHF.
Q10:	Is the 3% maximum management fee computed annually on the full amount of the fund? Is it computed on the amount of the portfolio managed by the FI, or the amount disbursed by the JHF.

	How is it paid to the FI?
EIF Answer:	Management fee is calculated as a percentage of the pro rata share (i.e. on the co-funding contributed by EIF acting through the JHF of the outstanding portfolio) of the quarterly average outstanding portfolio and paid on a quarterly basis in arrears.
Q11:	What is to be understood by "high risk" and "standard risk"? (Appendix 2, Table A and Table B of the Call for Expression of Interest for SMEs). Does "standard risk" mean "Investment grade" (up to BBB-)? Is high risk from BB+ downwards?
EIF Answer:	"High risk" or "standard risk" are defined in accordance with the risk assessment classification or the internal rating of the FI. The FI has to indicate what is high or standard risk according to its internal credit policies.
Q12:	Are the collateral % to be considered as the highest amounts to be applied to each of the two categories?
EIF Answer:	FI is invited to provide the highest % applied to each of the two categories. If, according to the internal policies, FI distinguishes more sub-categories, FI is invited to provide data on each sub-category.
Q13:	Is Risk Margin requested in Table B e C of Annex 1, assumed to include the cost of funding?
EIF Answer:	No, it is without cost of funding
Q14:	Is Risk Margin requested Table B of Annex 1 assumed to include the detailed commissions requested in table C?
EIF Answer:	No

Q15:	Is the Pricing as indicated (in table C) to be considered as final and committed? (cfr. Annex 1 – Appendix 2 note under table C "The offer will form……..and will become a contractual obligation for the applicant"
EIF Answer:	Pricing offers will form part of the selection of FIs. Therefore, the offer will be transposed into contractual requirements to be negotiated with the FI selected.
Q16:	Are tables with additional details and data admissible - such as listing different maturities? Can tables with historical data making reference to shorter periods than those indicated in the call be acceptable?
EIF Answer:	Please provide the information requested in the Call. In case such information is not available, please provide information the reasons and provide the information that is available. However, it is underlined that it is expected that all information is provided.