



STRATEGIC BANKING CORPORATION OF IRELAND
BREXIT LOAN SCHEME
OPEN CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES
(Published on 21 November 2017)

1. Introduction

The Strategic Banking Corporation of Ireland (SBCI) is launching an Open Call for Expression of Interest (the ‘Call’) to identify and select Financial Intermediaries to deliver the Brexit Loan Scheme (the “Scheme”), as further described below. Proposals submitted to the SBCI must conform to the requirements of the Call.

Interested Applicants should express their interest by completing and submitting an Expression of Interest as per the template (Annex I) included in the Call. Applicants must complete, sign and return to the SBCI all the documents listed in Annex I, II and III. **Closing date for receiving Applications for this Call: 1 December 2017**

The timetable for this Call, which may be subject to change, is:

Activity	Timing
Issue of Open Call for Expression of Interest	21 November 2017
Deadline for request for any clarifications or additional information	24 November 2017
Deadline for submission of the Expression of Interest	1 December 2017

All Applicants will be, as soon as possible after evaluation, notified of the outcome of their application.

In this Call, capitalised terms and expressions shall have the meaning attributed to them in **Section 8** or as elsewhere defined in this document and its Annexes, unless the context requires otherwise.

1.1 Background

On 29 March 2017, the UK government invoked Article 50 of the Treaty of the European Union, signalling the UK's exit from the European Union, setting it on course to leave the EU in March 2019. As the implications of Brexit unwind, there is potential for a significant disruption to the Irish economy. The UK is one of the most important individual trading partners for Ireland, with trade flows between the two countries of circa €1bn per week.¹ Modelling done by the Economic and Social Research Institute (ESRI) suggests that a hard Brexit could have the effect of reducing these trade flows by approximately 20%.² Ireland is also unique in that it shares a land border with the UK, which may bring many logistical, physical and infrastructural challenges.

The importance of Ireland's Small and Medium Enterprise (SME) and Small Midcap sector cannot be overstated as is evident by the enormous contribution made by SMEs to the Irish economy both in terms of employment numbers and gross value added. According to the most recent Central Statistics Office figures there are circa 240,000 active enterprises within the State supporting employment of 1.2 million people.³ Where trading conditions become more difficult, as a result of Brexit, access to finance will likely become more acute. In response to that risk, the SBCI, the Department of Business Enterprise and Innovation (DBEI) and the Department of Agriculture Food and the Marine (DAFM) have partnered to develop a Scheme designed to support SMEs/ Small Midcaps that are impacted by Brexit.

The objective is to create a **Brexit Loan Scheme of up to €300m** to facilitate the provision of low cost flexible working capital loans to impacted Irish SMEs/Small Midcaps. The Scheme will be provided by the SBCI through interested Applicants selected in accordance with the Call.

1.2 The Scheme

Applicants are invited to apply to participate in the Scheme offered by the SBCI in partnership with DBEI, DAFM, and supported by the Innovfin SME Guarantee Facility, with the financial backing of the European Union under Horizon 2020 financial instruments.

The Scheme entails the issuance by the SBCI of a guarantee to cover the credit risk of newly originated "SME/Small Midcap loans" included in the covered portfolio (up to a maximum of 80% of each loan) during the defined "Inclusion Period". Newly originated loans under the Scheme are referred to as "Eligible Beneficiary Transactions".

2. Potential Applicants

This Call is open to Applicants who meet the requirements set out in **Annex IV**. Further details of the selection criteria are set out in **Annex V**. Applicants must have the necessary capability to lend to Irish SMEs/Small Midcaps and deliver the rules of the Scheme set out in **Annex VI**.

1 <https://www.dfa.ie/media/dfa/alldfawebstitemedia/ourrolesandpolicies/ourwork/statevisit2014/Economic-Facts.pdf>

2 <https://www.esri.ie/news/new-report-on-the-economic-consequences-of-brexit-for-ireland/>

3 <http://www.cso.ie/en/releasesandpublications/ep/p-bii/bii2014/sme/>

The SBCI shall select one or more Applicants to implement the Scheme in accordance with the procedure described below in **Section 4**.

3. Application

Applicants must provide the following:

1. Completed Expression of Interest - Annex I
2. Completed Statement Regarding Situations of Exclusion - Annex II
3. Information Requirements as set out in Annex III

Expressions of Interest together with attachments must be submitted by email to:

brexitschemeopencall@sbc.gov.ie

Subject: Brexit Scheme 2017

Applications must be received by SBCI by the Deadline. The security of the information provided, the method of transfer and the timely delivery of the application are the sole responsibility of the Applicant. The Deadline for receipt of Expressions of Interest is **close of business on 1 December 2017**. Any change in the Deadline will be announced on the SBCI's website.

Requests for Additional Information

Applicants can make requests for additional information in advance of submitting an Expression of Interest. Any requests for additional information should be submitted by email and received no later than 12:00 noon, 24 November 2017 to: brexitschemequeries@sbc.gov.ie

The SBCI will endeavour to respond to all requests for additional information not later than 16:00 on 27 November 2017 but does not undertake to respond to all requests received. Please note that the SBCI's responses to any queries or clarification requests may be circulated to all Applicants at the SBCI's discretion.

4. Selection Procedure

The SBCI may reject, at its discretion, incomplete or unsigned applications, Applicants that are in non-compliance with any of the elements of the Statement Regarding Situations of Exclusion (**Annex II**) and Applicants not complying with the Applicant Eligibility Criteria (**Annex IV**). Without prejudice to the discretion to reject an application, the SBCI shall be entitled to:

- seek clarification from an Applicant in respect of the application;
- request the Applicant to provide the information or items which has/have not been provided or has/have been provided in an incorrect form;
- waive a requirement which, in the SBCI's opinion is minor or procedural; and/or

- amend the relevant requirements of this Call and invite Applicants to adjust their applications on the basis of the revised requirement.

Applicants that meet these criteria will be further assessed on the basis of the Selection Criteria detailed in **Annex V**.

Applicants should not consider that submission of a complete application will give rise to any claims, or other rights, or legitimate expectations to be selected for the Scheme. The SBCI can cancel the Call without notice at any stage of the procedure. Applicants should only participate in the Call on the understanding that they would not be entitled to any form of compensation, should the SBCI decide to interrupt or cancel the Call.

Participation in the Call shall be taken as acceptance of all the terms and conditions mentioned in the Call.

5. Assessment

The SBCI will assess the eligibility of the Applicant's Expression of Interest in accordance with the Applicant Eligibility Criteria set out in Annex IV. If an Applicant's Expression of Interest meets the Applicant Eligibility Criteria, the SBCI will assess the Expression of Interest in accordance with the Selection Criteria detailed in Annex V.

6. Selection and Allocation

Selection of successful Applicants for the Scheme will be made within a period of approximately 60 calendar days after the Deadline. The SBCI has no obligation to enter into an agreement with a selected Applicant. The selection shall be deemed complete upon written confirmation by the SBCI to the Applicant. Upon request, Applicants not selected may ask the SBCI for information on the reasons for their non-selection.

Successful Applicants will be allocated a share of the Scheme in accordance with the following methodology:

Allocation is the lower of A and B, where:

A = $(AS / TAS) * \text{the Maximum Portfolio Volume (which shall be deemed to be €300m for the purpose of this calculation)}$,

B = the amount of the Scheme requested by the Applicant

AS = a successful Applicant's Total Score

TAS = the aggregate of all successful Applicants' Total Scores

If the amount allocated to a successful Applicant is greater than the amount requested by that Applicant, the surplus (i.e. A-B) will be allocated to the other successful Applicants using the same methodology, adjusted for the exclusion of that successful Applicant.

The indicative terms of the agreement that may be entered into between the SBCI and a successful Applicant are summarised at Annex VII.

7. Publishing of Information

The SBCI may publish, from time to time, on its website a list of selected Applicants, which may include the name and the registered addresses of the Applicant and the respective amounts allocated to it under the Scheme.

8. Definitions and Interpretations

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.

Maximum Portfolio Volume	At the time of signing, the maximum amount of Eligible Beneficiary Transactions that may be included in the portfolio shall be €225 million (being 75% of €300m), but the maximum amount shall increase to €300 million upon the service of an extension notice by the SBCI.
Applicant	Means any entity applying to this Call.
Applicant Eligibility Criteria	Means the criteria listed in Annex IV.
Call	Means this Open Call for Expression of Interest.
Commission Recommendation	Commission Recommendation 2003/361/EC, concerning the definition of micro, small and medium sized enterprises, as amended, restated supplemented and/or substituted from time to time.
Deadline	Means 1 December 2017.
Excluded Activities	Research activities aiming at human cloning for reproductive purposes or research activity intended to modify the genetic heritage of human being or research activity intended to create human embryos or research activity that is prohibited in Ireland.
Exclusion Criteria	Means the situations of exclusion listed in Annex II.
Eligible Beneficiary Transactions	Means newly originated SME/Small Midcap Loans included in the portfolio during the Inclusion Period.
Expression of Interest	Means an application to this Call submitted to SBCI within the Deadline, conforming to the provisions of Annex I.
Financial Intermediary	Financial or credit institutions duly authorised to carry out lending activities according to any applicable legislation, established and operating in one or several of the EU28 countries and associated countries ⁴ . Such institution shall comply with relevant standards and applicable

⁴ associated countries means: (i) EEA countries other than Liechtenstein; and (ii) other associated countries to Horizon 2020 which are third party countries being party to an international agreement with the EU in accordance with Article 7 of the Horizon 2020 Regulation

	<p>legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which it may be subject.</p> <p>The Financial Intermediaries:</p> <p>a) shall not be established in a Non-Cooperating Jurisdiction;</p> <p>b) shall not meet any of the Exclusion Criteria;</p> <p>c) shall not perform R&I activities which are related to:</p> <p>(i) illegal activities according to the applicable legislation in the country of the Financial Intermediary or</p> <p>(ii) Excluded Activities.</p> <p>d) shall not have a substantial focus on any Restricted Sector.</p>
Inclusion Period	The inclusion period will cover 31 March 2018 to 31 March 2020 (or as otherwise set out in the Guarantee Agreement) during which Eligible Beneficiary Transactions may be disbursed, such that they may be included by the Financial Intermediary in the Portfolio.
Scheme Eligibility Criteria	The eligibility criteria listed in Annex VIII
Non-Cooperating Jurisdiction	A jurisdiction which does not co-operate with the European Union in relation to the application of the internationally agreed tax standard, or their tax practices do not follow the Commission Recommendation of 6.12.2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805).
Portfolio	Means the portfolio of Eligible Beneficiary Transactions originated by a successful Applicant and covered by the Scheme.
Restricted Sectors	Illegal economic activities, tobacco and distilled alcoholic beverages, weapons and ammunition, casinos, human cloning or genetically modified organisms or IT sectors relating to internet gambling, online casinos or pornography or which are intended to enable illegal entry of electronic data networks or illegal download of electronic data.
Selection Criteria	Means the criteria listed in Annex V.
Small Mid-Cap	An enterprise within the meaning of Article 1 of the Title 1 of the Annex of the Commission Recommendation which: <ul style="list-style-type: none"> a) Has up to 499 employees calculated in accordance with Articles 3,4,5 and 6 of the title 1 of the Annex of the Commission Recommendation; and b) Is not an SME
SME	Micro, small or medium-sized enterprise which employs fewer than 250 persons and which has an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
SME/Small Midcap Loan	Means a term loan provided by a successful Financial Intermediary to an SME/Small Midcap and which complies with the eligibility rules of the Scheme.

ANNEX I

Template for Expression of Interest to select Applicants for participation in the Brexit Loan Scheme

Applicant identification

Information required	
Name of the Entity	
Name of Applicant	
Person authorised to submit Expression of Interest	
Contact Details	Address (registered office): Telephone: Fax: E-mail:
Legal Form	
VAT Number	

Dear Sir or Madam,

We are submitting our Expression of Interest on behalf of [Applicant] in response to the Open Call for Expression of Interest in the Brexit Loan Scheme implemented by the SBCI.

The undersigned duly authorised to represent the [Applicant], by signing this form certifies/certify and declare(s) that the information contained in this Expression of Interest and supporting documentation is complete and correct in all its elements.

The undersigned declares that he/she or the company or organisation that he/she represents:

- a) is submitting this Application in response to the Open Call for Expression of Interest to participate as a Financial Intermediary in the Brexit Loan Scheme implemented by the SBCI.
- b) Is satisfied that all information contained in this application is complete and correct in all its elements;
- c) if selected, commits to complying with all requirements set by the SBCI for the successful delivery of the Scheme;
- d) is authorised to carry out lending activities to SMEs/Small Midcaps in the State; and
- e) is a Financial Intermediary as defined in the Open Call for Expression of Interest.

Yours sincerely,

Signature(s):

Stamp of the Applicant (if applicable):

Name and position in capital letters:

Applicant's name:

Place:

Date (day/month/year):

Annex II – Statement Regarding Situations of Exclusion

STATEMENT REGARDING SITUATIONS OF EXCLUSION

The undersigned [name of the signatory(ies) of this Declaration], representing the following legal person: [name of the Applicant] (the “Financial Intermediary”)

full name:

official legal form:

full address:

VAT registration number:

declares that the Financial Intermediary is not in one of the following situations of exclusion (as of the date of this declaration): -

- a) the Financial Intermediary is bankrupt or being wound up, having its affairs administered by the courts, in this context, has during the last five (5) years, has entered an arrangement with creditors, has suspended business activities, the subject of proceedings concerning those matters, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) during the last five (5), the Financial Intermediary or persons having powers of representation, decision-making or control over it has been convicted of an offence concerning its professional conduct by a judgment which has the force of res judicata, which would affect its ability to implement the Scheme. Alternatively, where such judgments exist the undersigned declares that the Financial Intermediary can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;
- c) during the last five (5) years, the Financial Intermediary or persons having powers of representation, decision-making or control over it has been the subject of a judgment which has force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity. Alternatively, where such judgments exist the undersigned declares that the Financial Intermediary can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;
- d) guilty of misrepresentation in supplying information to the SBCI required for selection, or fails to supply this information;
- e) listed in the central exclusion database set up and operated by the Commission of the European Union under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database.

Full name Date (day/month/year): Signature(s)

Annex III – Information Requirements

This section details the information which the Applicant must provide. Applicants should seek to address each of these as closely as possible. Where any requested information is unavailable, or cannot be disclosed, Applicants should make this clear in their proposal. A word limit of 3,000 words applies to each application. The word limit does not apply to information contained in publications such as annual reports etc.

Information to be supplied by all Applicants:

Proposals should be focused on lending to viable Irish SMEs/Small Midcaps impacted by Brexit that are eligible for loans under the Scheme detailed in **Annex VI**.

The proposal should provide details covering the areas below, but not limited to: -

Funding Structure

- The amount of the Scheme being requested by the Applicant – i.e. the portion of the Maximum Portfolio Volume which the Applicant requests.
- Applicants must be capable of lending a minimum of €10m during the Scheme.

Loan Pricing

- The maximum interest rate the Applicant will apply to Eligible Beneficiary Transactions
- Applicants may apply a range of interest rates, however the maximum interest rate applied will be the determinant of the Applicant's score for the purposes of the Selection Criteria set out in Annex V

Lending Strategy

- Demonstrate ability to access eligible SMEs/Small Midcaps effectively by describing distribution channels already in place or will put in place (including number of branches, number of employees, business segments, etc.).
- Plans for launching the Scheme to the market including necessary pre-implementation actions (adoption of IT systems, loan documents, marketing etc.) to facilitate compliance with the indicative rules of the Scheme as outlined in **Annex VI**.
- Information detailing plans as well as capacity to generate lending to SMEs/Small Midcaps inadequately served or generally extending access to finance to SMEs/Small Midcaps currently not targeted by the Applicant.

Experience

- Applicant's share of the SME and Small Midcap finance market, main competitors, trends and outlooks.
- SME/Small Midcap lending volumes - current and budgeted. Track record of ability to originate loans.
- Details of Applicant's SME/Small Midcap portfolio (e.g. distribution per credit grade, region, subset of SME/Small Midcap sector if available), historic performance of existing SME portfolio by reference to default/loss rates and credit rating profile for the last 5 years.

- Applicant’s strategy in relation to the SME/Small Midcap sector (positioning, strengths and weaknesses, core products).
- Details of extent to which portfolio risk will be diversified by sector, geography and size of loans to businesses.
- Details of team, describing expertise appropriate for meeting the requirements of the Scheme.
- Details of prior/proven experience (inclusive of compliance with relevant operational and reporting requirements) with the deployment of other similar products.

Systems and Processes

- Information regarding internal credit risk assessment criteria and management procedures for financing the SME/Small Midcap sector.
- Other information relevant to the Applicant’s SME/Small Midcap sector financing activity.
- Proposal for meeting the data requirements set out in Annex IX.

Structure

- General description of the Applicant (date of establishment, number of employees, capital structure and shareholders, banking group, organisational structure, distribution network, number of branches, etc.).
- Description of internal organisation set-up (and roles) for the implementation of the Scheme, including the team (or unit) and/or internal mechanisms.

Financial Details

- Details of Financial Standing. See table below.
- Copies of annual reports (including full set of financial statements with independent auditor’s report) for the last three years.

EUR: - '000	Year (N-3)	Year (N-2)	Year (N-1)
Net profit			
Return on equity (%)			
Total assets			
Total Loan Book			
Total SME/Small Midcap Loan Book (in % of Total Loan Book)			
Cost/income (%)			
Shareholders’ equity			
Tier 1 capital ratio (%) (or applicable equivalent, if relevant)			
Solvency ratio (%) (or applicable equivalent, if relevant)			

ANNEX IV

Applicant Eligibility Criteria

Applicant Eligibility Criteria

The Expressions of Interest received shall be assessed for eligibility on the basis set out below.

1.	ELIGIBILITY CRITERIA	System of appraisal (for SBCI use only)
		Yes/No
1.1	The Applicant currently lends or intends to lend to Irish SMEs/Small Midcaps.	
1.2	The Applicant is authorised to carry out lending activities within the State.	
1.3	The Applicant and its senior management do not meet any of the Exclusion Criteria.	
1.4	The Expression of Interest is signed.	
1.5	The Applicant is a Financial Intermediary.	
1.6	The Expression of Interest is complete including relevant supporting information.	
1.7	The Expression of Interest is submitted within the Deadline.	

Annex V

Selection criteria for participation in the Brexit Loan Scheme

Selection Criteria

The Expressions of Interest, provided all eligibility criteria are met, will be further assessed for selection on the basis set out below. A maximum of 100 points can be awarded per Applicant.

	SELECTION CRITERIA PHASE 1	Marks
1.1	Quality and plausibility of the Applicant’s proposal for implementation of the Scheme within the timeframe, with particular focus on: operational readiness, rollout strategy and marketing/publicity of the Scheme and the plan for building a Portfolio.	20
1.2	Financial standing of the Applicant as evidenced by external credit rating and/or the SBCI’s financial analysis of the Applicant.	10
1.3	Experience and ability of the Applicant to provide finance to SMEs/Small Midcaps including Applicant’s track record in loan origination and credit management.	20
<ul style="list-style-type: none"> • Minimum score of 40 marks required to progress to Phase 2 • Maximum of 5 applicants may progress to Phase 2 		

	SELECTION CRITERIA PHASE 2	Marks																								
2.1	<p>Applicant to determine the maximum interest rate it will apply to Scheme loans – marks to be awarded as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Max Loan Price</th> <th style="text-align: left;">Marks</th> </tr> </thead> <tbody> <tr><td>4.00%</td><td>0</td></tr> <tr><td>3.90%</td><td>5</td></tr> <tr><td>3.80%</td><td>10</td></tr> <tr><td>3.70%</td><td>15</td></tr> <tr><td>3.60%</td><td>20</td></tr> <tr><td>3.50%</td><td>25</td></tr> <tr><td>3.40%</td><td>30</td></tr> <tr><td>3.30%</td><td>35</td></tr> <tr><td>3.20%</td><td>40</td></tr> <tr><td>3.10%</td><td>45</td></tr> <tr><td>3.00%</td><td>50</td></tr> </tbody> </table>	Max Loan Price	Marks	4.00%	0	3.90%	5	3.80%	10	3.70%	15	3.60%	20	3.50%	25	3.40%	30	3.30%	35	3.20%	40	3.10%	45	3.00%	50	50
Max Loan Price	Marks																									
4.00%	0																									
3.90%	5																									
3.80%	10																									
3.70%	15																									
3.60%	20																									
3.50%	25																									
3.40%	30																									
3.30%	35																									
3.20%	40																									
3.10%	45																									
3.00%	50																									

<ul style="list-style-type: none"> • Applicant's Total Score is Phase 1 score + Phase 2 score (i.e. a maximum of 100) • Successful Applicants will be allocated a share of the Scheme in accordance with the following methodology: <p>Allocation is the lower of A and B, where:</p> <p>A = (AS / TAS) * the Maximum Portfolio Volume (which shall be deemed to be €300m for the purpose of this calculation)</p> <p>B = the amount of the Scheme requested by the Applicant</p> <p>AS = a successful Applicant's Total Score</p> <p>TAS = the aggregate of all successful Applicants' Total Scores</p> <p>If the amount allocated to a successful Applicant is greater than the amount requested by that Applicant, the surplus (i.e. A-B) will be allocated to the other successful Applicants using the same methodology, adjusted for the exclusion of that successful Applicant.</p> <p>For example If Applicant A's total score is 90 marks and Application B's score is 80 and Applicant C's score is 70, then Applicant A is allocated $90/240 * €300m = €112m$.</p> <p>If the amount allocated is greater than the amount requested by the Applicant, the surplus will be allocated to the other successful Applicants using the same weighting methodology.</p> <p>Please note that where an Applicant submits a pricing matrix (i.e. a range of pricing across different loan sizes) the score will be applied against the highest interest rate on that matrix.</p> <p>For more details on allocation see Section 6.</p>	
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ANNEX VI

Indicative Rules of the Brexit Loan Scheme

Loan Features

- Loan amount from €25,000 to a maximum of €1,500,000 per business. Financial Intermediaries must provide the full range of loans – i.e. a different minimum or maximum threshold may not be set.
- Maximum loan interest rate of 4.00%. Applicants can price loans on a portfolio or individual basis up to a maximum of 4.00%.
- Loan term of 3 years, or shorter if requested by the SME. Loan term must be a minimum of 1 year.
- Loans <=€500,000 to be made on an unsecured standalone basis.
- Loans >€500,000 may be secured however a personal guarantee may only be sought in circumstances where it is required to capture supporting security, or where it is an uncollateralised personal guarantee and is limited to a maximum of 20% of the loan amount.
- Borrowers should have the option to avail of interest only repayments for the first 1/3rd term of the loan.
- Interest rate fixed for the term of the loan.
- Interest shall be payable by the borrower at the end of interest periods of not longer than 90 days (as interest which accrues after a period of 90 days shall not be covered by the Scheme.)
- Loans to be in the form of term loans in euro.
- Loans to be available over a 24-month period from initial launch.
- Loans with a fixed repayment schedule and not a bullet repayment profile (i.e. where the entire principal amount is repayable at maturity only).
- Loans may not be affected by irregularity⁵ or fraud.
- Loan amounts and term of the loan are dependent on State Aid thresholds.
- The Financial Intermediaries' standard credit criteria must apply to all loan applications.

Loan Purposes

Can be used for: -

- Future working capital requirements.
- To fund innovation, change or adaption the business to mitigate the impact of Brexit (subject to any conditions imposed on the purpose of the loan by the Scheme Eligibility Criteria applicable to the relevant borrower.)

Cannot be used for: -

⁵ Where irregularity means as set out in Article 1.2 of the Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p.1), any infringement of a provision of European Union law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Union or budgets managed by it, either by reducing or losing revenue accruing from own resources collected directly on behalf of the European Union, or by charging an unjustified item of expenditure.

- Financing of undertakings in financial difficulties.⁶
- Refinance of existing debt (e.g. Terms loans/Leases/Hire Purchase/ etc.).
- Finance of specific export operations, or finance contingent upon the use of domestic over imported products, the purpose should not apply to financing the establishment and operation of a distribution network in other States, or current expenditure linked to the export activity.⁷

Who can apply

Small Medium Enterprises

Micro, small and medium sized enterprises as defined in in Commission Recommendation 2003/361/EC.

Small Mid-Cap Enterprises

For the purposes of this Scheme, Small Midcaps are defined as enterprises, as defined in Article 1 of the Title 1 of the Annex of the Commission Recommendation 2003/361/EC that a) have up to 499 employees calculated in accordance with Articles 3,4,5 and 6 of the Title 1 of the Annex of the Commission Recommendation and b) are not SMEs as defined in the Commission Recommendation.⁸

Eligible SMEs and Small Midcaps must be based in Ireland and/or have their principal activities in Ireland and must be unlisted.

Who cannot apply

SME/Small Midcaps that: -

- Are undertakings in financial difficulty.
- Are in the primary agriculture, aquaculture and fisheries sector.
- Are bankrupt or being wound up or having its affairs administered by the courts.
- In the last 5 years have entered an arrangement with creditors, in the context of being bankrupt or wound-up or having its affairs administered by the courts.
- Have been convicted of an offense concerning professional conduct by judgement, fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity where such illegal activity is detrimental to the European Union’s financial interests.
- Are performing research and innovation activities that are related to illegal activities or Excluded Activities.
- Have a substantial focus in any of the Restricted Sectors.

⁶ Having the meaning given to the term “undertaking in difficulty” under the Block Exemption Regulation (Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty).

⁷ Cannot be used for specific export orders (e.g. individual export invoice) for a trade finance product (e.g. export exchange document)

⁸ As defined:http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/call/innovfin-sme-guarantee-frequently-asked-questions.pdf

Eligibility

The SME/Small Midcap must satisfy certain conditions by way of completing a signed self-declaration to be eligible to apply for a loan, including the Scheme Eligibility Criteria as set out in Annex VIII. The SBCI will complete these checks and send confirmation of qualification checks to the Borrower which they will need to provide to the Financial Intermediary along with a business plan and evidence of qualification under the Scheme.

This does not impose any obligation on the Financial Intermediary to provide a loan. Confirmation of qualification checks from the SBCI is simply a confirmation that the relevant SME/Small Midcap has confirmed to the SBCI that it meets the eligibility criteria for this Scheme. It does not (a) give any assurance as to the credit risk or credit suitability of the relevant SME/Small Midcap and/or (b) prevent any loan to that SME/Small Midcap being subsequently excluded from the portfolio if it transpires that that loan and/or that SME/Small Midcap does not meet the eligibility criteria. The process of excluding such a loan is outlined in Annex VII hereto.

State Aid

This Scheme will operate under de minimis State aid rules. The legal basis for de minimis is the Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

The aid attributable to the Scheme loans will be advised to beneficiaries of the Scheme. A guaranteed loan does not preclude an SME from obtaining other State Aid in the form of grant or other funding from the State. No SME may receive more than €200k⁹ of de minimis State aid, including that arising from the current Scheme application, in any three-year fiscal period.

Data Requirements

The information requirements that must be provided under the Scheme are set out on in Annex IX.

Use of Information

- The information provided by the SME/Small Midcap will be shared with the SBCI (and its authorised agents) DBEI, DAFM, the European Commission and EIF.
- The European Investment Fund shall be entitled to publish information on Financial Intermediaries and SMEs/Small Midcaps supported under the Scheme. Certain exceptions apply which will be outlined in the guarantee agreement.

Period of the Scheme

The Scheme will operate from 31st March 2018 to 31st March 2020 or as otherwise set out in the guarantee agreement.

⁹ €100,000 in the road freight transport sector

ANNEX VII

Indicative Terms of the Agreement
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SUBJECT TO CONTRACT, FURTHER DUE DILIGENCE, CREDIT APPROVAL AND SATISFACTORY DOCUMENTATION

Outlined below are the basic terms and conditions proposed for the agreement which may be entered into between the SBCI and any successful Applicant. It should be clearly understood that such terms are cursorily outlined and contain only a few of the more important points that would ultimately need to be agreed upon and documented in the agreement. These provisions are indicative only and not legally binding.

<p>1. Claims under the guarantee</p>	<p>80% of the principal and permitted interest due in respect of an Eligible Beneficiary Transaction included in the Portfolio, following acceleration or a payment default which is continuing for 90 days and incurred no later than the termination date (the “Defaulted Amounts”).</p> <p>The amounts guaranteed shall exclude default interest, capitalized interest, fees or other costs and expenses and any interest that accrues after a period of 90 days.</p>
<p>2. Agreed Portfolio Volume</p>	<p>(1) Prior to the SBCI serving a notice (the “Extension Notice”) on the Financial Intermediary, the maximum amount the SBCI will guarantee shall be 75% of the Maximum Portfolio Volume allocated to the Financial Intermediary, and (2) after the SBCI serving the Extension Notice, the maximum amount SBCI will guarantee shall be 100% of the Maximum Portfolio Volume allocated to that Financial Intermediary.</p>
<p>3. Maximum Portfolio Volume</p>	<p>A maximum amount of EUR 300,000,000 of the principal and permitted interest due in respect of all Eligible Beneficiary Transactions included in the Portfolio allocated to the Financial Intermediary.</p>
<p>4. Portfolio Inclusion Process</p>	<p>Loans may be included in the Portfolio during the availability period which meet the eligibility criteria being:</p> <ul style="list-style-type: none"> • the criteria in respect of the loan and borrower summarised in Annex VI and any other such criteria as may be determined by the SBCI; and • the Scheme Eligibility Criteria. <p>The SBCI shall provide details of the covenants, representations, events of default and/or other terms that they may require to be contained in the loan documentation governing the Eligible Beneficiary Transactions.</p>

	<p>The SBCI reserves the right to terminate the availability period on notifying the Financial Intermediaries if certain portfolio triggers are met in respect of cumulative defaults and uptake of the Scheme, summarised as follows:</p> <p>(a) on a date (to be specified) that is halfway through the Availability Period, if the actual portfolio volume (across the entire portfolio) is less than 30% of the Maximum Portfolio Volume; and/or</p> <p>(b) on the Default Trigger Date (as defined below) the aggregate Defaulted Amounts incurred up to such date are more than 13.4% of the actual portfolio volume (across the entire portfolio) on such date, where</p> <p>the Default Trigger Date shall be a date (to be specified) that is approximately 1 year and 3 months through the Availability Period, or if earlier, on the date that 50% of the Maximum Portfolio Volume has been utilized.</p> <p>The SBCI shall consult with the Financial Intermediary prior to such trigger dates if it considers that there is a risk that such triggers could be met.</p> <p>No further transactions may be included in the portfolio once a trigger notice has been served following the occurrence of either of the above trigger events.</p> <p>Restrictions on minimum credit grades may apply.</p>
<p>5. Portfolio Exclusion Process</p>	<p>If a loan included in the portfolio is or becomes ineligible (other than by reason of the Financial Intermediary's ineligibility) as a result of circumstances beyond the Financial Intermediary's control and of which the Financial Intermediary was not aware (and could not, acting diligently, have become so aware at an earlier date), the Financial Intermediary may either procure that the relevant loan is accelerated and make a demand in respect of that loan (which demand may be included in the covered portfolio, subject to the terms of the agreement) or exclude that loan from the covered portfolio.</p>
<p>6. Guarantee Term</p>	<p>The agreement shall terminate on the earliest of:</p> <ul style="list-style-type: none"> • nine months following the last maturity date on the Eligible Beneficiary Transactions; • The date on which the agreement terminates following an event of default; • Nine months following 31 March 2023 (or, if the inclusion period has been extended by the SBCI at its discretion, 3 years and nine months following the end of that inclusion period)
<p>7. Right of clawback</p>	<p>The SBCI shall be entitled to claw back (with interest) any amounts paid by it in excess of the Guarantee Amount or paid in respect of a loan not included in the covered portfolio, or excluded from the covered portfolio.</p>

<p>8. Loss Recoveries</p>	<p>All recoveries in respect of Defaulted Amounts shall be shared pro rata between the Financial Intermediary and the SBCI.</p> <p>The Financial Intermediary shall use all reasonable efforts to maximize recoveries in accordance with its internal guidelines and procedures.</p> <p>Any payments made by the SBCI in respect of a Defaulted Amount shall not be recorded by the Finance Provider as a reduction in the monies due by the relevant borrower until such time as the Finance Provider has (a) used all reasonable efforts to maximize recoveries in accordance with its internal guidelines and procedures and (b) determined in good faith and in a commercially reasonable manner and in accordance with its internal guidelines and standard recovery procedures, that no further recoveries are available and the recovery period for the relevant loan shall be terminated.</p>
<p>9. Repeating Representations:</p>	<p>The Agreement shall contain repeating representations, including the following:</p> <ul style="list-style-type: none"> • status, power and authority, authorisations and regulatory standards; • binding obligations, no conflict, governing law and enforcement and proceedings; • no default, no misleading information; • excluded activities and restricted sectors; • that the documents governing the Eligible Beneficiary Transactions are legal, valid, binding and enforceable; • that each Eligible Beneficiary Transactions included in the portfolio complies with the eligibility criteria.
<p>10. Ongoing Covenants:</p>	<p>The Agreement shall contain ongoing covenants, including in relation to the following:</p> <ul style="list-style-type: none"> • information undertakings; • monitoring and audit (including consenting to the carrying out of audits in respect of the scheme); • maintenance of records; • to comply with all laws to which it may be subject, where the breach may adversely impact performance of the agreement or prejudice the interests of the SBCI, the EIF, the Commission and/or the European Investment Bank in respect of the scheme; and • maintain title to the Eligible Beneficiary Transactions.
<p>11. Events of Default</p>	<p>Events of default shall include the following:</p> <ul style="list-style-type: none"> • Non-payment (except where caused by an administrative or technical error and remedied within 2 business days); • Breach of other obligations, except where remedied within 14 days if capable of remedy; • Insolvency and insolvency proceedings; • Repudiation and rescission; • Unlawfulness; • Misrepresentation.

12. Term and Termination	<p>On the occurrence of an Event of Default, the non-affected party may terminate the agreement and promptly thereafter the Financial Intermediary may send a report and a payment demand in respect of any current Defaulted Amounts to the SBCI. The agreement shall then terminate save in respect of any rights accrued at termination (and certain surviving provisions which are to be specified).</p>
13. Changes to the Parties	<p>No party may assign any of its rights or transfer any of its rights or obligations under the agreement, without the prior written consent of the other party.</p> <p>If the SBCI notifies the Financial Intermediary that it wishes to transfer all of its rights and/or obligations under the agreement to an affiliate, the Financial Intermediary shall act reasonably in considering such request provided it is satisfied that such transfer does not adversely affect the interests of the Financial Intermediary thereunder.</p>

Annex VIII

Scheme Eligibility Criteria

Loan applicants will be eligible to apply for loans once the applicant meets the criteria set out below. The right to apply does not impose any obligation on a Financial Intermediary to provide a loan to an applicant.

SMEs/Small Midcaps must meet a) one of the following Brexit Criteria listed in 1-4 below; and b) one of the Innovation Criteria listed in 5-8 - in order to be eligible to apply for this Scheme

Brexit Related Criteria (1-4)

1. Do you export products, services or raw materials to the UK¹⁰ equating to at least **15%** of your turnover?
2. Do you import products, services or raw materials from the UK equating to at least **15%** of your turnover?
3. Does your combined exposure (1 and 2 above) equate to at least 15% of your turnover?
4. Are you **indirectly*** exposed to the UK by transacting business in products, services or raw materials with an enterprise that is directly exposed to the UK equating to **15%** of your turnover?

***Indirect exposures arise when business is conducted with an enterprise that is itself exposed to the UK.**

Innovation Related Criteria (5-8)

5. Do you have innovation potential? SMEs/Small Midcaps may choose one of the following sub categories to satisfy Criterion 5:
 - a) Will you spend at least 80% of the transaction on research and innovation activities? (remainder on costs necessary to enable such activities)
Evidence required: (i) Appropriate details of the activity undertaken and (ii) a business plan where such expenditures are evidenced.
 - b) Have you registered at least one technology right in the last 24 months and the purpose of the borrowing is to enable use of this technology?
Evidence required: Appropriate documentation of technology right registration dated less than 24 months before to be provided.
 - c) Do R&I costs represent at least 10% of the total operating costs in at least one of the last three years?
Evidence required: Appropriate evidence of such information provided by certified accountants.
 - d) Have you been awarded an R&D or Innovation prize by an EU Institution or Body in the last two years?

¹⁰ UK – United Kingdom of Great Britain and Northern Ireland (includes England, Scotland, Wales and Northern Ireland)

Evidence required: Appropriate evidence of an innovation prize delivered less than 24 months before to be provided.

- e) Have you received a grant, loan or guarantee from a European R&I scheme? E.g. Horizon 2020/FP7 or national research or innovation support scheme in the last three years?

Evidence required: Appropriate evidence of award granted 36 months before to be provided.

- f) Are you SME or small Midcap that has received an investment over the last 24 months from a venture capital investor/business angel?

Evidence required: Appropriate evidence of the investment to be provided.

6. Do you intend to use the funds in producing, developing or implementing new or substantially improved products, processes or services that are innovative, where there is a risk of technological or industrial failure as evidenced by an external valuation?

Evidence required: Appropriate evidence of (i) declaration of intent and (ii) business plan where such risks of failure are evidenced and evaluated by an external expert.

7. Are you a “fast growing enterprise “operating for less than 12 years with an average annualised employee or turnover growth greater than 20% a year, over a three-year period? You must have ten or more employees at the beginning of the reference period.

Evidence required: Appropriate evidence of (i) enterprise’s business plan being significantly based on carrying out R&D and/or innovation activities, (ii) growth rate and (iii) employees at beginning of observation period.

8. Are you operating for less than seven years and research and innovation costs represented at least 5% of operating costs in at least one of the three years preceding the loan application?

Evidence required: Appropriate evidence of such information provided by the certified accountants.

Annex IX – Information Requirements Under the Scheme Initial Loan Reporting

Fields	Collected by	Details
1) Data outlined below is required on each loan via the SBCI Portal		
Borrower Name	SBCI	
Contact Name	SBCI	
Contact Telephone Number	SBCI	
Contact Email	SBCI	
Registration or Identification Number	SBCI	Company Registration Number, VAT Registration Number or Tax Identification Number
Borrower Status	SBCI	Private Limited Company/Sole Trader/Partnership/Limited Partnership
Family Business	SBCI	Y or N
Address	SBCI	Borrower Address
EIRCODE	SBCI	
County	SBCI	
Date of Establishment	SBCI	YYYY
Principal activities in Ireland	SBCI	Y or N
Based in Ireland	SBCI	Y or N
Sector (NACE code)	SBCI	NACE Codes (select from list)
Previous State Aid	SBCI	Value of state aid incurred in the last 3 fiscal years
Number of employees	SBCI	Current number of employees (FTE)
Total turnover	SBCI	Mandatory
Total assets	SBCI	Mandatory
Enterprise Ireland client	SBCI	Y or N
Bord Bia client	SBCI	Y or N
Final Recipient Type	SBCI	SME or Small Mid Cap - Auto derived from employee numbers
Innovation Criteria	SBCI	Series of codes 21-31 depending on what test borrower fulfils
ECO Innovation	SBCI	Y = Eco-innovation activities; N = No eco-innovation activities
Pre-clearance Reference No.	SBCI	
Confirmation of borrower's identity	FI	Y = FI's proposed borrower matches the borrower approved through pre-clearance; N = Borrower does not match
Final Recipient Transaction ID	FI	Unique Transaction Identifier (account number)
Final Recipient internal score/rating	FI	Credit Grade
Principal amount	FI	Loan amount sanctioned
Maturity (months)	FI	Period starting from signature date of Final Recipient Transaction to scheduled final payment date
Grace Period (months)	FI	Interest only period
Interest Rate / Margin	FI	Margin charged by FI - expressed as a decimal number rather than a percentage
Signature Date	FI	Date of loan agreement (dd/mm/yyyy)
First Disbursement Date	FI	Date of first principal drawdown (dd/mm/yyyy)
First Instalment Date	FI	Date of first principal repayment (dd/mm/yyyy)
Payment Frequency	FI	Drop down menu - Repayment of a Final Recipient Transaction granted
State Aid Calculation	TBD	Value of state aid generated by loan
Guarantee Maturity Date	FI	Should match the end date of the loan to the SME

Final recipient agreement to data publication	FI	Y or N (applies to loans > €1.25m)
Financial Intermediary Rating Scale	FI	Provided by FI during set up phase
Reference Rate	FI	Euribor 3m, etc.
LGD	FI	Static Data - Provided by FI during set up phase
Amortisation Profile	SBCI	Static Data - Annuity
Final Recipient Transaction type	SBCI	Static Data - Loan
Country	SBCI	Static field
Currency	SBCI	Static Data - Euro
Region	SBCI	Calculation: NUTS code derived from county
Purpose	SBCI	Static Data - Working Capital
Guarantee fee rate	SBCI	Static Data
Guarantee amount	SBCI	Calculation = The Principal amount*Guarantee Rate
Guarantee Rate	SBCI	Static Data - 80%
Guarantee Signature Date	SBCI	Static Data - Date of guarantee signed between SBCI & Financial Intermediary
Sub - Intermediary Name	SBCI	Static Data - FI details
Sub - Intermediary Address	SBCI	Static Data - FI details
Sub - Intermediary Postal Code	SBCI	Static Data - FI details
Sub - Intermediary Place	SBCI	Static Data - FI details
2) On-going Quarterly Reporting		
Final Recipient ID	FI	Unique SME Identifier (Pre-clearance Reference No)
Final Recipient Transaction ID	FI	Unique Transaction Identifier (account number)
Cumulative Disbursement	FI	Actual total disbursed amount of each loan
Address	FI	Borrower Address
Eircode	FI	
County	FI	
Outstanding Principal amount	FI	Current balance
Outstanding Principal Amount (Performing)	FI	
Final Recipient Internal Score/Rating	FI	Credit Grade
Repayment Date	FI	Date of full repayment of the outstanding principal (dd/mm/yyyy)
End of Disbursement	FI	Y or N field (Y = Loan fully drawn, N = Loan not yet fully drawn)
Delinquent Final Recipient Transaction	FI	Y or N field (Y = In arrears at quarter end, N = No arrears)
Delinquent Period	FI	If field above "Y" then include number of days in arrears
Defaulted Final Recipient Transaction	FI	Y or N field (Y = defaulted [arrears 90 days+], N = No arrears/arrears < 90 days)
Date of Defaulted Final Recipient Transaction	FI	Date of default/restructure/acceleration (dd/mm/yyyy)
3) Exceptional Quarterly Reporting		
3.1 List of Excluded Transactions		
Final Recipient ID	FI	Unique SME Identifier (Pre-clearance Reference No)
Final Recipient Transaction ID	FI	Unique Transaction Identifier (account number)

Event Date	FI	Date when a specific event occurred (dd/mm/yyyy)
Event Type	FI	Codes 0-6 Cancellation/Irregularity to any payment demand etc
3.2 Payment Demand		
Final Recipient ID	FI	Unique SME Identifier (Pre-clearance Reference No)
Final Recipient Transaction ID	FI	Unique Transaction Identifier (account number)
Currency	FI	Euro - Static Data
Event Date	FI	Date event occurred (dd/mm/yyyy)
Event Type	FI	Acceleration/Default/Restructuring
Defaulted Principal amount	FI	Amount of outstanding principal following occurrence of a specific event
Defaulted Interest Covered	FI	Amount of outstanding interest following occurrence of a specific event
Recovery Date	FI	Date in which recovery payment of a loss is received by the FI before submitting payment demand
Recovery Amount	FI	Amount recovered in respect of the event type for which the FI has not yet submitted Payment Demand. The amount paid will be netted against recoveries
Guarantee Call date	FI	Date of claim by FI under SBCI guarantee
Intermediary Payment Date	SBCI	Date when payment was made by SBCI
Intermediary Paid Amount	SBCI	Value of payment made by SBCI
3.3 Form of Loss Recoveries		
Final Recipient ID	FI	Unique SME Identifier (Pre-clearance Reference No)
Final Recipient Transaction ID	FI	Unique Transaction Identifier (account number)
Currency	FI	Euro - Static Data
Recovery Date	FI	Date which recovery is made by the FI
Recovery Amount	FI	The amount recovered in respect of the relevant defaulted/restructured/accelerated loan
3.4 Restructuring Report		
Final Recipient ID	FI	Unique SME Identifier (Pre-clearance Reference No)
Final Recipient Transaction ID	FI	Unique Transaction Identifier (account number)
Old Value of the Parameter to Modify	FI	
New Value of the Parameter to Modify	FI	