



**STRATEGIC BANKING CORPORATION OF IRELAND**  
**BREXIT IMPACT LOAN SCHEME**  
**OPEN CALL FOR EXPRESSION OF INTEREST**  
**(Published on 6 May 2021)**

**1. Introduction**

The Strategic Banking Corporation of Ireland (“SBCI”) is launching an Open Call for Expression of Interest (the “Call”) to identify and select On-Lenders (the “On-Lenders”), to deliver the Brexit Impact Loan Scheme (“BILS” or “Scheme”) as described in this document. BILS is to address the economic impact of Covid-19, initially on those businesses that are also impacted by Brexit. Proposals submitted to the SBCI must conform to the requirements of the Call.

If you’re interested in becoming an On-Lender for the scheme, please read this Guidance Document first.

Interested Applicants should express their interest by completing and submitting an Expression of Interest as per the relevant template included at **Annex 1** to this Call and emailing it to [BILSopencall@sbc.gov.ie](mailto:BILSopencall@sbc.gov.ie)

**Closing date for receipt of Expressions of Interest for this Call is 9 June 2021 (the “Deadline Date”)**

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## 1.1 The Brexit Impact Loan Scheme

Following on from the SBCI's launch of the Brexit Loan Scheme (BLS) in 2018, the Department of Business, Enterprise & Employment ("**DETE**") and the Department of Agriculture, Fisheries and the Marine ("**DAFM**") have partnered with the SBCI, the European Investment Fund (EIF) and the European Investment Bank (EIB), to develop and deliver a new risk sharing product, the **Brexit Impact Loan Scheme ("BILS")**.

The ability of the DETE and the DAFM to deliver the BILS is dependent on the passing of legislation which is expected to be passed well in advance of the conclusion of the guarantee agreements between the SBCI and the participating financial or credit institutions. Unless such legislation is passed the BILS will not proceed.

The issues facing Irish enterprises have been exacerbated by the challenges of Brexit and the Covid-19 pandemic. Ireland is uniquely exposed to the effects of Brexit amongst our European peers. It is vital that qualifying viable Irish businesses have access to affordable and appropriately termed financial products to allow them to adapt their business during this very challenging environment.

BILS is being developed to address some of the shortcomings of the existing scheme which is due to end by the end of year by offering increased tenor (6 years) with Primary Producers now eligible to apply for the scheme.

BILS will initially target those businesses affected by Brexit, businesses and primary producers who are impacted by Covid-19 can currently apply for the Covid-19 Credit Guarantee Scheme (CCGS). However BILS includes the flexibility to release the product to businesses and primary producers who continue to be impacted by Covid-19 beyond the availability period of CCGS which ends in December 2021. The expected launch of BILS to market is in early Q3 of 2021 with the scheme initially available until 31 December 2021 it is expected the availability will be extended to the 31 December 2022 prior to the success Applicants signing date.

Access to affordable short to medium-term finance is a recurring issue for businesses in Ireland. BILS seeks to address this market gap in Ireland and is designed to enable small and medium business borrowers to invest in their businesses and allow for repayment capacity to build over time as the investment generates returns. To this end, BILS provides for short to medium term loans of between one to six years.

Both existing and potential new On-Lenders will be eligible to apply to participate in BILS with the aim of promoting competition in the credit market.

## 1.2 The Strategic Banking Corporation of Ireland

The SBCI was established in September 2014 to ensure that businesses in Ireland have access to stable, lower cost and longer term funding options and is wholly owned by the Minister for Finance. One of the primary functions of the SBCI is to promote the provision of additional credit to businesses in Ireland, in particular to SMEs, and to encourage competition in the lending market. In designing any of its schemes, the SBCI strives to ensure the efficient use of available EU funding and guarantees.

The SBCI provides wholesale funding and risk sharing supports through its on-lending partners to deliver a range of loan products to SMEs and other enterprises, ensuring that the benefit of its support is delivered to the ultimate borrowers.

## 1.3 Opportunity for On-Lenders

The Call for the Scheme is open to On-Lenders active (or who intend to become active) in SME and Small Mid-Cap business lending who are invited to apply, as detailed in **Section 3**.

For the purposes of this Call, an “**On-Lender**” is a financial or credit institution that is incorporated or established in a European Union Member State and duly authorised to carry out lending activities according to any applicable legislation operating in a Member State

The On-Lender must comply with relevant standards and applicable legislation on illegality activities, activity carried out for illegal purposes, tax evasion, tax avoidance, sanctions, anti-corruption, money laundering, terrorism and fraud to which it may be subject.

The On-Lender must comply with specified eligibility criteria including a requirement that the On-Lender must not be incorporated in a Non-Compliant Jurisdiction<sup>1</sup>, unless in the case of NCJ Implementation<sup>2</sup>.

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<sup>1</sup> **Non-Compliant Jurisdiction** means a jurisdiction: (a) listed in the Annex I of the Council of the European Union conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes; (b) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards; (c) listed in the Annex of the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies; (d) 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; (e) included in the Financial Action Task Force statement “High risk Jurisdictions subject to a Call for Action”; or (f) included in the Financial Action Task Force statement “Jurisdictions under Increased Monitoring”, in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.

<sup>2</sup> NCJ Implementation means that the Borrower and the On-Lender are established and operating in Ireland and that there is no indication that the relevant Loan and Guarantee Agreement supports actions that contribute to (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion) and (ii) wholly artificial arrangements aimed at tax avoidance.

## 2. The Scheme Details

The Scheme is being established by the SBCI in partnership with DETE and DAFM, and will be supported with the financial backing of the EIF and EIB.

The Scheme will entail the SBCI providing a guarantee to each On-Lender to cover the credit risk of newly originated loans included in its portfolio (up to a maximum of 80 % of each loan). To partially off-set the risk of granting a guarantee to each of the On-Lenders, the SBCI will be granted a counter guarantee from the EIF under the EGF to cover [56] % of each loan.

The Scheme will cover a total additional portfolio of loans of up to €330m (the “**Maximum Portfolio Volume**”). Applicants (who are selected and are approved by the SBCI Board and EIF following a risk assessment) will be invited to act as an On-Lender for the Scheme and will be allocated a portion of the Maximum Portfolio Volume.

To increase lending competition in the Scheme, the Maximum Portfolio Volume of up to €330m will be sub-divided into two parts being **Portfolio 1**, a maximum of up to €280m and **Portfolio 2**, a maximum of up to €50m<sup>3</sup>. Applicants can apply for an Allocation under one of these categories but not both. Unless specifically stated, the terms of the Scheme will apply equally to each of Portfolio 1 and 2. Applicants seeking an allocation under Portfolio 1 will be subject to a price cap for loans under the Scheme. Applicants seeking an allocation under Portfolio 2 will be subject to a minimum loan price discount. See **Section 4.3** for further details. If the maximum amount of Portfolio 2 is not allocated by SBCI then any unallocated amount may, in SBCI’s discretion, be reallocated to successful applicants for Portfolio 1 or the SBCI reserves the right to conduct an additional open call for any unallocated amount of Portfolio 2.

The loans and the borrowers of the loans will be subject to certain eligibility criteria and rules which are detailed in **Annex 2**.

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<sup>3</sup> Portfolio 1 and Portfolio 2 are at all times to comprise of 85% and 15% respectively of the Actual Portfolio Volume, that is the aggregate of Portfolios 1 and 2 at any time.

## 2.1 Summary of Loan Details

### Loan Features

The criteria which are required to apply to each loan are detailed in **Annex 2** and include, without limitation, the following:

- Loans from €25,000 to a maximum of €1,500,000 per borrower (€1,400,000 for Small mid-caps). The On-Lender must provide the full range of loans if applying under Portfolio 1. It is acceptable that the Applicants for Portfolio 2 may not provide loans up to €1,500,000.
- Loan Pricing depends on the Portfolio the allocation is sought under:-
  - Maximum Pricing applicable to **Portfolio 1**;
    - Maximum loan interest rate of 3.7% on loans <€250,000.
    - Maximum loan interest rate of 2.75% on loans >€250,000.
  - Minimum Discount applicable to **Portfolio 2**;
    - Minimum Discount from the On-Lenders standard comparable product to be applied of 1% on all loans.
- Loan terms of between 1 to 6 years, depending on the purpose of the loan.
- Loans <=€500,000 to be made on an unsecured 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.
- The On-Lender's standard credit criteria and policies shall apply to the origination, risk, credit, collections, loan servicing and accounting policies and procedures on a consistent basis without regard to the SBCI Guarantee across the On-Lenders loan book to exposures of a substantially similar type to the loans.

## Loan Purposes

### Loan Purposes – Available From Launch

BILS is to address the economic impact of Covid-19, initially on those businesses that are also impacted by Brexit..

- (i) Refinancing of existing SBCI Brexit loans.
- (ii) Re-financing of a non SBCI Brexit Loan that was provided to support businesses impacted by Brexit. The amount of refinancing can only comprise a maximum of 30% of the new BILS loan. The remaining portion of the loan is to be used for the purpose of working capital or investment financing, or a mix of working capital and investment financing. The 30% limit for refinancing is subject to revision at the discretion of DETE and DAFM. Refinancing will be allowable for short term credit, e.g. as arising due to Covid-19 impacts. Facilities that are not due to expire cannot be ended prematurely in order to facilitate such unguaranteed facilities being guaranteed under this Scheme.

**Note that while the Scheme will initially launch to support businesses impacted by Brexit it may be extended to businesses impacted by Covid-19, the underlying guarantee and loan features will be the same for both purposes.**

### Loan Purposes – Optionality which may not be available at launch, but which may be offered at the discretion of DETE and DAFM includes: <sup>4</sup>

- (i) Working Capital and Investment loans to support SMEs and Small Mid-Caps (including Primary Producers) impacted primarily by Covid-19.
- (ii) Re-financing of non-Brexit loans, to support SMEs and Small Mid-Caps, including primary producers, impacted primarily by the Covid-19 pandemic. However, non-BLS loan refinancing may comprise a maximum of 30% of any individual loan amount, and the remaining portion of the loan is to be used for the purpose of working capital or investment financing, or a mix of working capital and investment financing.

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<sup>4</sup> It is not anticipated that working capital loans for SME's and Small Mid-Caps including Primary Producers, that are primarily impacted by COVID-19 will be made available while the Covid-19 Credit Guarantee Scheme (CCGS) remains in the marketplace, however this scheme can be offered to SMEs and Small Mid-Caps, including Primary Producers, primarily impacted by the Covid-19 when CCGS ends subject to approval by DETE/DAFM.

**Loans cannot be used for certain specified purposes detailed in Annex 2 which include the following: -**

- On account of the *De minimis* Regulations:
  - financing of SMEs and Small Mid-Caps that are subject to, or fulfil the criteria under domestic law for being placed in, collective insolvency proceedings; or,
  - in the case of Small Mid-Caps only, have a credit rating of below B-.
- Refinance of existing debt unrelated to Covid-19 expenses (e.g. Term 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.<sup>5</sup>
- Aid to primary agriculture, fishery and aquaculture are subject to conditions as detailed in the relevant De Minimis Regulation<sup>6</sup>.

#### **Who can apply for a loan?**

Subject to compliance at all times with the criteria set out in Annex 2, SME and Small Mid-Cap Enterprises including Primary Producers. Small Mid-Caps will comprise a maximum of 5% of the Maximum Portfolio Value

#### SMEs

- Micro, small or medium-sized enterprises which employ fewer than 250 persons; and
- Have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

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<sup>5</sup> Cannot be used for specific export orders (e.g. individual export invoice) for a trade finance product (e.g. export exchange document).

<sup>6</sup> • Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9),  
• Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45); and



### Small Mid-Cap Enterprises

- Is not an SME; and
- Has up to 499 employees.

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

### A Primary Producer means

- a person engaged in the production, rearing or growing of primary products including harvesting, milking and farmed animal production prior to slaughter.
- It also includes fishing and the harvesting of wild products.

### **Who cannot apply for a loan?**

SME/Small Mid-Caps that do not satisfy the criteria for borrowers set out in Annex 2, including without limitation, SME/Small Mid-Caps that:

- On account of the *De Minimis* Regulations:
  - SMEs - are subject to, or fulfil the criteria under domestic law for being placed in, collective insolvency proceedings;
  - Small Mid-Caps – either (i) are subject to, or fulfil the criteria under domestic law for being placed in, collective insolvency proceedings or (ii) have a credit rating that is below B-.
- Are bankrupt or being wound up or having its affairs administered by the courts.
- Have a substantial focus in any excluded sectors, which include without limitation those specified in **Annex 2**.
- Aid to primary agriculture, fishery and aquaculture are subject to conditions as detailed in the relevant *De Minimis* Regulation<sup>7</sup>.

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<sup>7</sup> • Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9),  
• Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45); and  
• Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114 of 26.4.2012, p. 8).

## **Borrower Eligibility**

The borrower must satisfy the conditions detailed in **Annex 2** to be eligible to apply for a loan. The borrower satisfies certain of these conditions by completing an application form which contains a self-declaration and sending it to the SBCI. The SBCI will check the application form and send a confirmation to the borrower of eligibility/ineligibility. The borrower will need to provide that confirmation to the On-Lender as part of its credit application process.

To be eligible for the BILS, SMEs/small mid-caps must self-declare one of the following Brexit criteria (declaration will be managed at eligibility stage through SBCI's third party service provider):

1. Export products, services or raw materials to the UK (including Northern Ireland) equate to at least 15% of business turnover.
2. Import products, services or raw materials from the UK (including Northern Ireland) equate to at least 15% of business turnover.
3. The combined exposure (of 1 and 2 above) equates to at least 15% of business turnover.
4. The business is indirectly exposed to the UK (including Northern Ireland), i.e. transacts products, services or raw materials with an enterprise that is directly exposed to the UK (including Northern Ireland) equating to at least 15% of turnover.

Confirmation of eligibility from the SBCI is simply a confirmation that the borrower meets the eligibility criteria for the Scheme. This does not impose any obligation on the On-Lender to provide a loan.

## 2.2 Key Terms between the On-Lender and SBCI

The key terms and conditions relevant to On-Lenders include the following:

- The SBCI guarantee is to the On-Lender, not the borrower.
- SBCI will allocate a portfolio lending limit to each On-Lender under the Scheme. On-Lenders cannot exceed this limit without agreement in writing from SBCI.
- Decision-making on a borrower's credit viability is fully devolved to the On-Lender.
- The On-Lender records all eligible transactions on the SBCI web portal. The SBCI web portal records loan and borrower details e.g. the loan amount, term and interest rate. On-Lenders must use the SBCI web portal to enter and update the loan details in a timely and accurate manner. Details of the loan data to be recorded on the SBCI web portal are in **Annex 5**.
- In the event of a borrower defaulting, the On-Lender may claim up to 80% of the outstanding principal from the SBCI as guarantor while bearing the remaining 20% of the loss.
- Any recoveries made by the On-Lender after making a claim under the guarantee must be applied on an 80%/20% basis (80% must be paid to SBCI).
- On-Lenders must ensure that the relevant customer-facing and back office staff in their organisation (e.g. Relationship Managers, Credit Sanctioners etc.) and any intermediaries, are trained to appropriately apply and administer the Scheme, and that they manage their internal communication so that all relevant staff receive and understand the information relevant to them.
- On-Lenders must work with SBCI on joint promotions, accurately convey the terms and conditions of the Scheme on all marketing materials and assemble case studies for SBCI use, in order to market the Scheme appropriately.
- On-Lenders undergo periodic audits. Samples of transactions will be analysed during the audit to check that the Scheme eligibility rules and processes have been followed.
- SBCI provides training, communications and guidance materials for On-Lenders, both initially following accreditation and intermittently as refresher training where needed.
- Selected On-Lenders are required to enter into a standard form SBCI legal agreement and an outline of the key indicative terms is set out in **Annex 4**.
- SBCI holds periodic meetings with On-Lenders, both bilaterally and collectively as appropriate, to discuss scheme performance, best practices and any issues.

### 3. The Selection Process For On-Lenders

SBCI welcomes proposals from any Applicant able to meet the requirements set out in this Call. Applicants must have the necessary capability to lend to eligible businesses and operate within the rules of the Scheme.

Applicants are expected to meet the requirements of a 4-stage selection process, as detailed below.

- **Stage 1 - Expression of Interest:** submission (**Annex 1**) outlining in brief how the Applicant meets the requirements for On-Lenders participating in the Scheme. If the Applicant is an existing On-Lender with the SBCI (an “**Existing On-Lender**”), Application Form No. 1 is to be completed. If the Applicant is not an Existing On-Lender, Application Form No. 2 is to be completed.
- **Stage 2 - Eligibility Requirements** – Applicants need to meet minimum requirements to progress to Stage 3, and those minimum requirements are set out in **Annex 3**. Applicants that meet the minimum requirements are then further assessed on the basis of the criteria set out in **Annex 3**.
- **Stage 3 - Initial Allocation** – An initial allocation of the Maximum Portfolio Volume will be determined for Applicants that (i) achieve a minimum score of 200 marks as set out in Phase 1 of **Annex 3** and (ii) an evaluation of two award criteria, being price and ability to deploy, as set out in Phase 2 of **Annex 3**.
- **Stage 4 - Due Diligence and Completion (subject to satisfaction of conditions precedent):** Those applicants that have successfully completed Stage 3 will be allowed to immediately deploy to the market subject to:
  - confirmation of SBCI Board approval; and
  - where required - EIF has completed its due diligence and the relevant Applicant has been confirmed as being satisfactory; and
  - where required – the Applicant has satisfied SBCI’s due diligence process within 3 months of the date of publication of this Call; and
  - completion of the legal documentation within 3 months of the date of publication of this Call.
  - wind-down of the SBCI’s existing BLS/Covid Scheme.

In the event that any Applicant fails Stage 4 by not obtaining the approval of the SBCI Board and/or failing the due diligence and/or legal agreement requirements within the required timelines, the SBCI will re-allocate the amount of the Maximum Portfolio Volume which was initially allocated to that Applicant under Stage 3 to those applicants that have successfully completed Stage 4 on a pro-rata basis.

**The Expression of Interest submission and due diligence process will vary to take account of (i) whether an Applicant is an Existing On-Lender or not and (ii) the size and structure of Applicants.**

SBCI may request clarification or additional information at any point in the process. SBCI will assess applications using a risk and judgement-based approach based on the requirements set out in **Section 3** of this Call.

The SBCI shall select one or more Applicants to implement the Scheme in accordance with the procedures described in this Call, up to a maximum of 8 Applicants in each Portfolio.

### **3.1 Application Process**

#### **Stage 1 - Expression of Interest**

Applicants should complete and submit the relevant Expression of Interest form appended to this Call **at Annex 1** via email to:

[BILSopencall@sbc.gov.ie](mailto:BILSopencall@sbc.gov.ie)      *Subject: BILS Scheme 2021*

The security of the information provided, the method of transfer and the timely delivery of the application are the sole responsibility of the Applicant.

#### **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 to:

[BILSopencall@sbc.gov.ie](mailto:BILSopencall@sbc.gov.ie)      *Subject: BILS Scheme 2021 – Query*

The SBCI will endeavour to respond to all requests for additional information as soon as possible.

The Expression of Interest form should be used to outline the key elements of the Applicant's proposal and how the Applicant meets the minimum requirements detailed in this Call.

Applicants are encouraged to have a preliminary discussion with SBCI (contact via [BILSopencall@sbc.gov.ie](mailto:BILSopencall@sbc.gov.ie) ) in order to help them ascertain whether participation in the Scheme would be potentially viable, before committing effort to preparing an Expression of Interest.

## 3.2 Assessment and Selection Process

### Stage 2 - Eligibility Requirements

Following receipt of an Expression of Interest, SBCI may contact Applicants to discuss the information set out in their Expression of Interest and to seek any clarifications deemed necessary. Applicants may be requested to submit supplementary information.

An Applicant must meet the Minimum Eligibility Criteria (**Annex 3**) to progress to Stage 3, on the basis of both the written information submitted and any discussions held. SBCI will inform Applicants of the outcome of Stage 2 by email.

### Stage 3 – Initial Allocation

#### **Assessment**

Those Applicants that meet the Minimum Eligibility Criteria are then further assessed based on the criteria set out in **Annex 3**. The score of an Applicant will determine its ranking among the other Applicants in this phase of the process.

A maximum of 8 Applicants in each Portfolio will be allocated a share of the Maximum Portfolio Volume in accordance with the following methodology:

Allocation is the lower of A and B, where:

$A = (AS / TAS) * \text{the Maximum Portfolio Volume (Portfolio 1: €280m, Portfolio 2: €50m)}$

$B = \text{the amount of the Scheme requested by the Applicant}$

$AS = \text{a successful Applicant's Total Score}$

$TAS = \text{the aggregate of all successful Applicants' Total Scores}$

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 Applicants using the same methodology, adjusted for the exclusion of that successful Applicant.

Note: SBCI will apply rounding to the nearest €1m for Portfolio 1 and €1m for Portfolio 2, for each allocation.

#### **Stage 4 - Due Diligence and Completion**

At this point in the process, the SBCI will communicate to the successful Applicants an ‘in principle’ intention to enter into an agreement subject to satisfaction of any conditions precedent and completion of legal documentation. The SBCI has no obligation to enter into an agreement with a selected Applicant.

Applicants are advised that selection as an On-Lender may be subject to a satisfactory risk assessment being undertaken by representatives from the EIF which may include an on-site review. If requested, Applicants must facilitate a risk assessment to be undertaken promptly following submission of their applications.

Those applicants that have successfully completed Stage 3 will be allowed to deploy to the market subject to:

- confirmation of SBCI Board approval;
- where required - EIF has completed its due diligence and the relevant Applicant has been confirmed as being satisfactory;
- where required – the Applicant has satisfied SBCI’s due diligence process within 3 months of the date of publication of this Call;
- completion of the legal documentation within 4 months of the date of publication of this Call.
- Transfer of unused capacity from the SBCI’s existing BLS/Covid Schemes.

Before being able to commence lending via the Scheme, the Applicant will be required to complete a number of preparatory steps:

- a legal agreement (being the guarantee) must be signed by the Applicant within 3 months of the date of publication of this Call. This is a standard form agreement to be entered into between the SBCI and a successful Applicant, with limited scope to negotiate changes. Further details are set out in **Section 4.7** and indicative key terms of the guarantee are summarised in **Annex 4**.
- SBCI will provide the Applicant with training on the use of the SBCI web portal, as well as general training and communications materials on how the Scheme works, which the Applicant may choose to use to train its staff on the terms of each of the Scheme. The Applicant is, however, responsible for ensuring that all relevant staff within its organisation are fully trained on how the Scheme works, and that all internal processes reflect the necessary Scheme process requirements.

- The Applicant will be required to agree an Operations Manual before lending can commence, which will detail the Applicant's processes and procedures for delivering the Scheme loans to ensure they are robust and fit for purpose.
- Applicants which are not Existing On-Lenders may be subject to a confirmatory due diligence process which would be undertaken by or on behalf of SBCI and which must be completed within 3 months of the date of publication of this Call.

#### **Note**

- SBCI will use all reasonable endeavours to (i) respond promptly to Applicants at each stage of the application process; and (ii) progress all due diligence and legal negotiations which are within its control as quickly as possible.
- SBCI may request additional information to clarify issues or to supplement information at any stage of the application process.
- SBCI reserves the right to reject Expressions of Interest and proposals at any stage of the application process.

### **3.3 Delivery of Expressions of Interest and Additional Information**

- Expressions of Interest and follow-on additional information should be submitted by email to [BLSoencall@sbc.gov.ie](mailto:BLSoencall@sbc.gov.ie)
- A response will be issued to all Applicants via email.
- Any accompanying spread sheets should be in Microsoft Excel, ensuring that no formulas have been hidden or removed. If the document is password protected, the password should be provided separately.
- By submitting an Expression of Interest, Applicants confirm they have read this Call, including the Legal Notice at **Section 5**.

### **3.4 Publishing of Information**

From time to time the SBCI may publish the names and associated details of those Applicants who have been selected as an On-Lender in respect of the Scheme on its website. The associated details which may be published by the SBCI may include the registered address of the successful Applicant and the amount allocated to such successful Applicant under the Scheme.



## **4. Requirements from On-Lenders**

This section details the requirements for selection as an On-Lender for the Scheme. Applicants must be able to address all points to the full and absolute satisfaction of SBCI in order to progress through the selection process described in **Section 3**, and Applicants are requested to explain how they will meet these requirements in the Expression of Interest application form. If a requirement is unclear to the Applicant, or the Applicant does not have or is unable to disclose the information, this should be raised with the SBCI at the earliest opportunity.

For the avoidance of doubt, satisfying all requirements does not guarantee that an application will be successful, and SBCI reserves the right to consider, assess and seek additional relevant information at its discretion.

### **4.1 Lending to Primary Producers, SMEs & Small Mid-Caps trading in Ireland**

Applicants should be able to either (i) demonstrate their track record in the provision of term loans to Primary Producers, SMEs/Small Mid-Caps; or (ii) if they are a recent entrant to the SME and Small Mid-Cap lending market, demonstrate a clear intention and strategy to lend to SMEs and Small Mid-Caps.

### **4.2 Critical Mass**

The structure of the guarantee means that for participation to be worthwhile for both the On-Lender and SBCI, Applicants must be able to demonstrate through evidence-based forecasts the extent to which they intend to use the guarantee. Critical Mass requirements vary depending on the Portfolio an Allocation is being sought. SBCI would generally expect Applicants seeking an Allocation to support a minimum deployments during the availability of the Scheme outlined as follows;

- Portfolio 1 – A minimum of €20m of new lending
- Portfolio 2 -A minimum of €1m of new lending

### **4.3 Loan Interest Rate**

Loan Interest Rates vary depending on the Portfolio an Allocation is being sought and are outlined below. If applicable, arrangement or facility fees must also be included and accounted for in the total interest rate.

- Portfolio 1;
  - Maximum loan interest rate of 3.7% on loans <€250,000.
  - Maximum loan interest rate of 2.75% on loans >€250,000.
  - Applicants can price loans on either a portfolio or an individual basis up to the maximum interest rates.
  
- Portfolio 2;
  - Minimum Discount from the On-Lenders standard comparable product to be applied of 1% on all loans.

### **4.4 Availability of Capital**

The Applicant must be able to demonstrate that it has or will have sufficient capital available to meet its lending forecasts for the duration of the Scheme, covering lending both with and without the support of the Scheme. SBCI's liquidity product is not available to support BILS loans.

Where the availability of or freedom to deploy capital is subject to conditions which may affect the Applicant's ability to deploy capital for lending under the Scheme, this must be declared. In such cases the Applicant should verify the position with the relevant provider(s) of the capital.

### **4.5 Operations, Management Team and Track Record**

Applicants must demonstrate a viable business model and robust operations and systems. For example, where an Applicant's business is loss-making, SBCI will need to see the strategy as to how the Applicant plans to reach profitable status over time. Applicants must demonstrate that robust and tested systems and processes are in place for making and managing the proposed loan facilities. This requirement includes, but is not limited to, origination processes, risk management and underwriting capabilities and processes, lending documentation, back-office systems, monitoring and compliance, governance arrangements and management information reporting. Applicants must also be able to demonstrate that they have a competent team, with sufficient expertise to execute the proposed strategy for lending under the Scheme.

Applicants must have appropriate standards of reputation and integrity, including appropriate ethical standards in all areas of its proposed operations, together with appropriate processes in place to maintain these. The Applicant must be able to demonstrate this as part of its proposal.

Where a proposal relates to a start-up operation or a move into the SME and Small Mid-Cap lending market, an Applicant is expected to clearly demonstrate how it will access sufficient resources, and further how it will generate or acquire those skills and competencies which will be required to execute the Applicant's proposed lending strategy.

#### **4.6 Regulation**

Applicants are expected to be appropriately regulated, licensed and have the necessary authorisations and permissions to conduct activities consistent with their lending strategy. Applicants who are in the process of applying for the necessary regulatory approvals can still apply to become an On-Lender for the Scheme, but obtaining those relevant approvals will be a condition precedent for progression through the process. All Applicants must also be able to demonstrate transparent and appropriate tax structures.

#### **4.7 Legal Structure**

All Applicants, if successful, will be required to enter into a "standard form" guarantee agreement with the SBCI. The guarantee agreement has been drafted on the basis that the origination and servicing of the loans under the Scheme is undertaken by the same legal entity as the named On-Lender (the "lender of record"), who contracts with the underlying borrower. SBCI can also accommodate a structure whereby two corporate entities from the same corporate group contract to separately originate and service loans under the Scheme.

The key terms of the guarantee agreement include (amongst other matters) the following:

- the guarantee agreement is given to the relevant On-Lender in relation to the Scheme loans originated under the loan agreements between the On-Lender and the underlying borrowers
- the On-Lender originates the Scheme loan and is the primary entity responsible for servicing the lending
- the On-Lender acts in accordance with its standard policies when originating and administering the Scheme loans, having regard to the standard of care set out in the guarantee agreement
- the On-Lender is responsible for the administration of the SBCI web portal and making sure it is kept up-to-date

- the On-Lender maintains adequate and up-to-date records in relation to the loans granted by it under the Scheme.

In general, SBCI does not undertake individual negotiations with On-Lenders on the standard form guarantee agreement.

If an Applicant has a business model that does not fit the standard form guarantee agreement, then its application will be considered using a risk and judgement-based approach which will appraise (among other matters) the risk sharing and alignment of interests between the SBCI and the On-Lender, which requires the On-Lender to have a financial interest in the performance of its loan portfolio.

The SBCI will inform Applicants at the Expression of Interest stage if their lending model does not fall within the structure of the standard form guarantee agreement.

If an Applicant is invited to progress to Stage 4 – Due Diligence and Completion, any additional costs incurred by the SBCI in modifying its standard form guarantee agreement to accommodate business models other than those contemplated above may be for the account of the Applicant. These costs will be notified to the Applicant in advance.

Where the Applicant utilises a platform which pairs borrowers and individual lenders but does not itself provide credit to underlying borrowers or assume the rights of the person who provided the credit, (i.e. it's not the lender of record), it will not be considered a suitable On-Lender for the Scheme. This means that an institutional investor lending through a platform, rather than the platform itself, should be accredited as an On-Lender, with the platform entering into suitable arrangements to be able to originate loans under the Scheme. Applicants must be able to demonstrate that the platform that they originate loan facilities through is capable of ring-fencing institutional funds and complying with the other requirements of the Scheme.

## 5. Legal Notice

Applicants who submit an Expression of Interest are deemed to acknowledge and accept the terms and conditions set out in this Call, including this Section.

SBCI reserves the right at any time not to continue with the current process and/or cancel or withdraw from the process at any stage and any costs or expenses incurred by Applicants will not be reimbursed. SBCI hereby excludes any liability it may have whatsoever for any costs, expenses or losses incurred by any Applicant who decides to take part in this Call.

SBCI reserves the right to reject any and all submissions and/or proposals at any time. SBCI reserves the right to amend any timetable and/or other aspects of the current process at its discretion. SBCI may request clarification of information and additional information regarding a response and/or may also request video conference or face to face meetings. Refusal to provide such clarification or information or to attend such meetings may cause a submitted response to be rejected and the entire submission subsequently treated as if it had been withdrawn. Where no reply to a request for information or for clarification or a meeting is received within ten business days of such request SBCI may assume that the submission has been withdrawn in its entirety.

Applicants should note that information received by the SBCI as part of the application process, including personal data (if any), may be published or disclosed in accordance with access to information legislation.

These are primarily the Freedom of Information Act 2014, the European Communities (Access to Information on the Environment) Regulations 2007 to 2018 and data protection regulations and legislation, including but not limited to the Data Protection Acts 1988 to 2018 (as amended) and the European Union's General Data Protection Regulation ((EU) 2016/679). In view of this, should Applicants consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if Applicants could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding.

If the SBCI receives a request for disclosure of information provided pursuant to this Call, full account will be taken of any explanation, but no assurance can be given that confidentiality will be maintained in all circumstances.

Decisions on disclosure remain the responsibility of the SBCI and ultimately the Information Commissioner and the courts.

Personal data will be processed in accordance with the privacy notice on SBCI's website <https://sbci.gov.ie/data-protection-notice>

## ANNEX 1

### Application Form No. 1 Expression of Interest for an Existing SBCI On-Lender

Information required	
Name of the Entity	
Name of Applicant	
Principal Contact(s)	
Contact Details	Address (registered office): Telephone: E-mail:

#### Certification and Authority to Submit

Dear Sirs,

We are submitting our Expression of Interest on behalf of [*Insert name of Applicant*] (the "**Applicant**") in response to the Open Call for Expression of Interest in the Scheme to be implemented by the SBCI (the "**Call**").

The Scheme is to address the economic impact of Covid-19, initially on those businesses that are also impacted by Brexit.

The undersigned is/are duly authorised to submit this application form on behalf of the Applicant and by signing this form certifies/certify and declare(s) that:

- a) the information contained in this application and any supporting documentation is complete and accurate in all respects;
- b) if selected, the Applicant commits to complying with all requirements set by the SBCI for the successful delivery of the Scheme;
- c) the Applicant is authorised to carry out lending activities to businesses in the State; and
- d) the Applicant is an On-Lender, as defined in **Section 1.3** of the Call.

I understand that selection as an On-Lender for the Scheme is subject to the terms of the Call and that submission of this information does not confer any particular status or entitlement upon the Applicant.

The undersigned further declares that the Applicant is **not** in one of the following situations of exclusion, (the “**Exclusion Situation**”), as at the date of this application form:

- a) the Applicant is bankrupt, is subject to insolvency or is being wound up, is having its affairs administered by a liquidator or by the courts, in this context, is in an arrangement with creditors, is having its business activities suspended or a standstill (or equivalent) agreement has been signed with creditors and validated by the competent court when required by the applicable law, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) in the past five (5) years, the Applicant has been the subject of a final judgment or final administrative decision for being in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the applicable law and where such obligations remain unpaid unless a binding arrangement has been established for payment thereof;
- c) in the past five (5) years, the Applicant or any of the persons having powers of representation, decision-making or control over it has been convicted by a final judgment or a final administrative decision for grave professional misconduct, where such conduct denotes wrongful intent or gross negligence, which would affect its ability to implement the Counter-Guarantee and which is for one of the following reasons:
  - i) fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of selection criteria or in the performance of a contract or an agreement;
  - ii) entering into agreements with other persons aimed at distorting competition;
  - iii) attempting to unduly influence the decision-making process of the contracting authority during the relevant “award procedure” as such term is defined in Article 2 of the Financial Regulation;
  - iv) attempting to obtain confidential information that may confer upon it undue advantages in the relevant “award procedure” as such term is defined in Article 2 of the Financial Regulation;
- d) in the past five (5) years, the Application or persons having powers of representation, decision-making or control over it has been the subject of a final judgment for:
  - i) fraud;
  - ii) corruption;
  - iii) participation in a criminal organisation;
  - iv) money laundering or terrorist financing;
  - v) terrorist offences or offences linked to terrorist activities, or inciting, aiding, abetting or attempting to commit such offences;
  - vi) child labour and other forms of trafficking in human beings;



e) the Applicant is under the published list of economic operators excluded or subject to financial penalty, in each case contained in the early detection and exclusion system database (the EDES database available at the official website of the EU) set up and operated by the Commission.

<b>Name(s)</b>
<b>Title / Role(s)</b>
<b>Signature(s)</b>
<b>Date</b>

## **Information to be supplied by the Applicants:**

Applicants should seek to address each of the sections as closely as possible. Where any requested information is unavailable, or cannot be disclosed, Applicants should make this clear in their proposal. Applicants are requested to submit a response (not more than 5 pages) following the format set out below.

### Organisation Structure

- Brief background of the organisation including its principal lending activity.
- Brief outline of the key terms and price for its main business lending products.
- What is the strategy for SME/Small Mid-Cap business lending going forward?
- Confirm regulatory approvals required and if in place.

### Funding Structure

- The amount of the Scheme being requested by the Applicant – i.e. indicate which Portfolio an Allocation is being sought under, and what amount the Applicant will deploy.
- Applicants must be capable of lending a minimum of €20m under Portfolio 1 or €1m under Portfolio 2, during the duration of the Scheme.

### Availability of Capital

- Applicants must have or will have sufficient capital available to meet its lending forecasts both with and without the support of the Scheme. Applicants should highlight at this stage if some of their sources of capital come with conditions that may restrict their ability to deploy capital for lending under the Scheme.
- If the Applicant currently has SBCI liquidity, this funding this cannot be used to fund BILS loans.

### Loan Pricing

- The interest rates that will apply to the loans depending on the Portfolio chosen.
- Portfolio 1; Applicants may apply a range of interest rates however the maximum interest rate caps of 2.75% and 3.7% under the Scheme cannot be exceeded.
- Portfolio 2; Applicants must discount its standard comparable loan pricing by a minimum of 1%

### Lending Experience

- Applicants should provide high level evidence of their track records of lending to the SME/Small Mid-Cap market including portfolio details e.g. distribution per credit grade, defaults, arrears and region for at least a 5 year period.

- Projected details of the proposed portfolio risk e.g. diversified by sector, geography, size of loans, credit grade. Applicants should provide some background on how they have come up with this forecast.

#### Financial Details

- Details of Financial Standing. Please complete the 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)			

## Application Form No. 2

### Expression of Interest for potential New On-Lender

Information required	
Name of the Entity	
Name of Applicant	
Principal Contact(s)	
Contact Details	Address (registered office): Telephone: E-mail:

#### Certification and Authority to Submit

Dear Sirs,

We are submitting our Expression of Interest on behalf of [*Insert name of Applicant*] (the “**Applicant**”) in response to the Open Call for Expression of Interest in the Scheme to be implemented by the SBCI, (the “**Call**”).

The Scheme is to address the economic impact of Covid-19, initially on those businesses that are also impacted by Brexit.

The undersigned is/are duly authorised to submit this application form on behalf of the Applicant and by signing this form certifies/certify and declare(s) that:

- a) the information contained in this application and any supporting documentation is complete and accurate in all respects;
- b) if selected, the Applicant commits to complying with all requirements set by the SBCI for the successful delivery of the Scheme;
- c) the Applicant is authorised to carry out lending activities to businesses in the State, or is in the process of applying for such authorisation; and
- d) the Applicant is an On-Lender, as defined in **Section 1.3** of the Call.

I understand that selection as an On-Lender for the Scheme is subject to the terms of the Call and that submission of this information does not confer any particular status or entitlement upon the Applicant.

The undersigned further declares that the Applicant is **not** in one of the following situations of exclusion, (the “**Exclusion Situation**”), as at the date of this application form:

- a) the Applicant is bankrupt, is subject to insolvency or is being wound up, is having its affairs administered by a liquidator or by the courts, in this context, is in an arrangement with creditors, is having its business activities suspended or a standstill (or equivalent) agreement has been signed with creditors and validated by the competent court when required by the applicable law, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) in the past five (5) years, the Applicant has been the subject of a final judgment or final administrative decision for being in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the applicable law and where such obligations remain unpaid unless a binding arrangement has been established for payment thereof;
- c) in the past five (5) years, the Applicant or any of the persons having powers of representation, decision-making or control over it has been convicted by a final judgment or a final administrative decision for grave professional misconduct, where such conduct denotes wrongful intent or gross negligence, which would affect its ability to implement the Counter-Guarantee and which is for one of the following reasons:
  - i) fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of selection criteria or in the performance of a contract or an agreement;
  - ii) entering into agreements with other persons aimed at distorting competition;
  - iii) attempting to unduly influence the decision-making process of the contracting authority during the relevant “award procedure” as such term is defined in Article 2 of the Financial Regulation;
  - iv) attempting to obtain confidential information that may confer upon it undue advantages in the relevant “award procedure” as such term is defined in Article 2 of the Financial Regulation;
- d) in the past five (5) years, the Application or persons having powers of representation, decision-making or control over it has been the subject of a final judgment for:
  - i) fraud;
  - ii) corruption;
  - iii) participation in a criminal organisation;
  - iv) money laundering or terrorist financing;
  - v) terrorist offences or offences linked to terrorist activities, or inciting, aiding, abetting or attempting to commit such offences;
  - vi) child labour and other forms of trafficking in human beings;

e) the Applicant is under the published list of economic operators excluded or subject to financial penalty, in each case contained in the early detection and exclusion system database (the EDES database available at the official website of the EU) set up and operated by the Commission.

<b>Name(s)</b>
<b>Title / Role(s)</b>
<b>Signature(s)</b>
<b>Date</b>

## **Information to be supplied by the Applicants:**

This template is designed for use by all sizes of financial providers that wish to apply to become an On-Lender under the Scheme. Some of the guidance points listed under each section below may not be relevant to all Applicants and can therefore be excluded on the basis of non-relevance in the relevant Applicant's submission, as applicable.

Subject to the foregoing paragraph, Applicants should seek to address each of the sections as closely as possible. Where any requested information is unavailable, or cannot be disclosed, Applicants should make this clear in their proposal.

Proposals should be focused on lending to viable SMEs/Small Mid-Caps that are eligible for loans under the Scheme.

### Organisation Structure

- Brief background of the organisation (date of establishment, number of employees, capital structure and shareholders, organisational structure, distribution network, number of branches, etc.) including its principal lending activity.
- Brief outline of the key terms and price for its main business lending products.
- Description of internal organisation set-up (and roles) for the implementation of the Scheme, including the team (or unit) and/or internal mechanisms.
- Outline of legal structure and tax structure, to include a group structure diagram where there is more than one company.
- Name of the lender of record, the servicer of the loans (if different from the lender of record) and the originating entity (again, if different from the lender of record).
- Confirm regulatory approvals required and if in place.

### Funding Structure

- The amount of the Scheme being requested by the Applicant – i.e. indicate which Portfolio an Allocation is being sought under, and what amount the Applicant will deploy.
- Applicants must be capable of lending a minimum of €20m under Portfolio 1 or €1m under Portfolio 2, during the duration of the Scheme.

### Availability of Capital

- Please demonstrate that you have or will have sufficient capital available to meet your lending forecasts both with and without the support of the Scheme. Please highlight at this stage if some of your sources of capital come with conditions that may restrict your ability to deploy capital for lending under the Scheme.

### Loan Pricing

- The interest rates that will apply to the loans depending on the Portfolio chosen.
- Portfolio 1 ; Applicants may apply a range of interest rates however the maximum interest rate caps of 2.75% and 3.7% under the Scheme cannot be exceeded.
- Portfolio 2; Applicants must discount its standard comparable loan pricing by a minimum of 1%

### Lending Strategy

- Demonstrate an ability to access eligible SMEs/Small Mid-Caps by describing the distribution channels already in place or which will be put in place (including number of branches, number of employees, business segments, etc.).
- Information detailing plans as well as capacity to generate lending to SMEs/Small Mid-Caps to the portfolio level proposed.
- 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.

### Lending Experience

- Applicant's share of the SME and Small Mid-Cap lending market, main competitors, trends and outlooks.
- SME/Small Mid-Cap lending volumes - current and budgeted. Track record of ability to originate loans.
- Details of Applicant's business lending portfolio e.g. distribution per credit grade, region, subset of SME/Small Mid-Cap sector, if available, historic performance of existing portfolio by reference to default/loss rates and credit rating profile for at least the last 5 years.
- Applicant's strategy in relation to the SME/Small Mid-Cap sector (positioning, strengths and weaknesses, core products).
- Projected details of the proposed portfolio risk e.g. diversified by sector, geography, size of loans, credit grade.
- 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.

#### Team, Systems and Processes

- Applicants to set out at a high level (and with supporting documentation) of robust and tested systems and processes are in place for making and managing Scheme-supported lending facilities. This requirement includes, but is not limited to, origination processes, risk management and underwriting capabilities and processes, loan documentation, back-office systems, monitoring and compliance, governance arrangements and management information reporting.
- Each Applicant to demonstrate at a high level that it has a competent team, with sufficient expertise to execute the proposed strategy for lending under the Scheme.
- Information regarding internal credit risk assessment criteria and management procedures for financing the SME/Small Mid-Cap sector.
- Other information relevant to the Applicant's SME/Small Mid-Cap sector financing activity.
- Ability to report the data required to be provided to the SBCI under the Scheme as set out in **Annex 5a and 5b**.

### Financial Details

- Details of Financial Standing. Applicant to complete the table below.
- Copies of annual reports (including full set of financial statements with independent auditor's report) for the last three years.
- Confirmation that taxes are up-to-date.

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 2

### Indicative Rules of the Scheme

#### Loan and Borrower Features

Each loan and each borrower must satisfy all of the eligibility criteria in the Guarantee Agreement including, without limitation, the following:

- Loan amounts from €25,000 to a maximum of €1,500,000 (up to €1.4m for Small Mid-Caps)
- Applicants can apply for an Allocation under Portfolio 1 or 2 only. Applicants may not apply for an allocation under both Portfolios.
- Loans from €25,000 to a maximum of up to €1,500,000 per borrower. The On-Lender must provide the full range of loans if applying under Portfolio 1. It is acceptable the Applicants for Portfolio 2 may not provide loans up to €1,500,000.
- Loan terms between 1 year and a maximum of 6 years.
- Pricing Applicable to **Portfolio 1**;
  - Maximum loan interest rate of 3.7% on loans <€250,000.
  - Maximum loan interest rate of 2.75% on loans >€250,000.
  - Applicants can price loans up to the maximum interest rates.
- Pricing Applicable to **Portfolio 2**;
  - Minimum Discount to be applied of 1% on all loans.
- Loans <=€500,000 to be made available on an unsecured 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 an interest only or capital and interest moratoria Capital and Interest moratoria (up to 90 days) are to be permitted within the scheme. Further capital moratoria in line with on-lender credit policies are permissible without extension of loan repayment end dates.
- Save for the above permitted interest only period, loans must have an amortising repayment schedule and not a bullet repayment profile (i.e. where the entire principal amount is repayable at maturity).
- Loans to be available up to 31 December 2021.
- Loans must be structured as term loans in euro.
- The On-Lender's standard credit criteria must apply to all loan applications.

- Loan amounts are dependent on aid intensity and State aid thresholds.
- On-Lenders may be required to publish its standard loans rates.
- Maximum amount of 20% of the On-Lenders portfolio per industry sector, except Primary Agriculture (40%).
- Loans with an assigned Moody's equivalent grade of worse than "B3" or loans which have not been assigned any rating shall not be eligible for inclusion in the portfolio.
- A maximum of 15% of the value of the portfolio to be graded B2 or worse on the Moody's rating scale. These grade thresholds are based on to the grade of the loans at the time of entry in to the portfolio.
- Loans that are delinquent or in default in respect of any other loan or lease either granted by the On-Lender or by another financial institution shall not be eligible for inclusion provided that a borrower is eligible if (i) it has been delinquent for less than [20] days and (ii) such delinquency does not dissuade the On-Lender from lending to that borrower in accordance with its credit policy.
- The final maturity date of a Loan must be on or before 30 December 2027.
- The Loan must not finance transactions with a sanctioned person.
- The documents governing the loans must be legal, valid, binding and enforceable.
- Limits on the amount of loans entered into with borrowers that are Small Mid-Caps will apply.<sup>8</sup>
- Loans must be provided in compliance with state aid.
- Loans must comply with the terms of the Guarantee Agreement relating to the transfer of benefit.
- Loans must not finance illegal activities or artificial arrangements aimed at tax avoidance.
- Loans must be provided for the permitted purposes set out in the Guarantee Agreement and detailed above.
- Loans must be made in a participating Member State.
- Borrowers must be established and operating in a participating Member State.
- Borrowers must not have a substantial focus on one of the EIB Group Excluded Sectors, which are set out below.
- Borrowers must not be established and operating in a Non-Compliant Jurisdiction, unless in the case of NCJ Implementation (which terms are defined above).
- Borrowers must not be engaged in illegal activities.
- Borrowers must not be sanctioned persons or in breach of restrictive measures.
- Borrowers must not be in an Exclusion Situation (which term is defined in the application form).

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<sup>8</sup> €9,900,000 which may be increased or decreased.

- Borrowers must not be subject to any preferential tax measure regarded as harmful under the EU list of non-cooperative jurisdictions for tax purposes.
- Borrowers must not be delinquent or in default in respect of any other loan or lease either granted by the On-Lender or by another financial institution provided that a borrower is eligible if (i) it has been delinquent for less than 20 days and (ii) such delinquency does not dissuade the On-Lender from lending to that borrower in accordance with its credit policy.

**NB – Other rules may apply and will be set out in detail in the draft Guarantee Agreement provided by the SBCI to successful Applicants. In addition, the EIF may apply additional rules subject to its risk assessment of On-Lenders.**

## EIB Group Excluded Sectors

1. Production or activities involving harmful or exploitative forms of forced labour<sup>9</sup> /harmful child labour<sup>10</sup>.
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
3. Any business relating to pornography or prostitution.
4. Production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES).
5. Production or use of or trade in hazardous materials such as radioactive materials (except for medical isotopes and materials for diagnostics and treatment in healthcare provision), unbounded asbestos fibres and products containing PCBs<sup>11</sup>.
6. Cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying national and EU regulations but for the avoidance of doubt, use of waste as a fuel in district heating is not excluded.
7. Unsustainable fishing methods (i.e. drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing).
8. Production or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances<sup>12</sup> and other hazardous substances subject to international phase-outs or bans.
9. Destruction of Critical Habitats<sup>13</sup> .Production and distribution of racist, anti-democratic and/or neo-Nazi media.

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<sup>9</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty

<sup>10</sup> Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, moral or social development. In addition any labour that is performed by a person which has not yet reached the age of 15 is considered to be harmful, unless the local legislation specifies compulsory school attendance or the minimum age for working to be higher; in such cases, the higher age will be applied for defining harmful child labour.

<sup>11</sup> Polychlorinated biphenyls

<sup>12</sup> Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates.

<sup>13</sup> Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union ("IUCN") classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats. For the purpose of this Agreement, the environment and social requirements attached hereto are understood and agreed to provide reasonable and satisfactory assurance of the avoidance of destruction of critical habitat.

10. Tobacco, if it forms a substantial part of the Final Recipient's primary financed business activities<sup>14</sup> or a substantial part of the EGF Final Recipient Transaction.
11. Live animals for scientific and experimental purposes, including the breeding of these animals, unless in compliance with the EU Directive 2010/63/EU as amended by Regulation (EU) 2019/1010 of the European Parliament and of the Council on the protection of animals used for scientific purposes.
12. Ammunition and weapons, military/police equipment, infrastructure or correctional facilities, prisons<sup>15</sup>.
13. Gambling, casinos and equivalent enterprises or hotels hosting such facilities.
14. Commercial concessions over, and logging on, tropical natural forest; conversion of natural forest into a plantation.
15. Purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to clear cutting and/or degradation of tropical natural forests or high nature value forest.
16. New palm oil plantations.
17. Any business with a political or religious content.

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<sup>14</sup> A benchmark for substantial is 5-10% of the balance sheet or the financed volume or sales revenues of the promoter.

<sup>15</sup> Such activities are fully excluded from EIB support in all countries other than EU member states. In the EU, excluded activities relating to defence, public order and safety are limited to production (or construction) of, distribution (or processing) of, and trade in weapons, ammunition, explosives, equipment or infrastructures specifically designed for military use, and equipment or infrastructure which result in limiting people's individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights

## State aid treatment

The Scheme will operate under a combination of State aid measures consisting of:

- (1) the EGF Regime by analogy to Section 3.1 TF for Small Midcaps ;
- (2) the EGF Regime by analogy to Section 3.2(d)(iii) TF for SMEs; and
- (3) the various De Minimis Regulations

Where:

**“Commission Decision”** means the Commission decision C (2020) 9237 dated 14 December 2020 approving the Participating Member States’ notifications of the EGF under a bespoke regime in line with Article 107(3) TFEU regarding the Pan-European Guarantee Fund in response to COVID-19;

**“De Minimis Regulations”** means a group of Commission Regulations provide that undertakings may receive a limited amount of aid that is exempted from notification through the European Commission deeming that it is compatible with the operation of the internal market<sup>16</sup> ;

**“EGF Regime by analogy to Section 3.1 TF”** means the conditions set out in the Commission Decision which is based on the relevant terms and conditions from Section 3.1 of the Temporary Framework, as amended from time to time;

**“EGF Regime by analogy to Section 3.2(d)(iii) TF”** means the conditions set out in the Commission Decision which is based on the relevant terms and conditions from Section 3.2 paragraph (d) sub-paragraph (iii) of the Temporary Framework, as amended from time to time.

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<sup>16</sup> • Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p.1),

• Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9),

• Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45); and

• Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114 of 26.4.2012, p. 8).



The following table provides a **summary** of the State aid rules and restrictions applicable to BILS:

Loan	Loan Purpose	Category of borrowers	Excluded undertakings/loan purposes	State aid thresholds
<b>De minimis 1407 of 2013</b>	Working capital and investment.	• SMEs	<ul style="list-style-type: none"> <li>• Undertakings active in the primary agricultural production sector</li> <li>• Undertakings active in the fishery and aquaculture sector</li> </ul>	EUR 200,000 in a 3-year fiscal period.
<b>De Minimis 1408 of 2013</b>	Working capital and investment	• SMEs	<ul style="list-style-type: none"> <li>• Undertakings not active in the primary agricultural sector</li> <li>• Undertakings active in the fishery and aquaculture sector</li> </ul>	EUR 15,000 in a 3-year fiscal period
<b>De Minimis 717 of 2014</b>	Working capital and investment	• SMEs	<ul style="list-style-type: none"> <li>• Undertakings not active in the fishery and aquaculture sector (some exceptions if also active in primary agriculture though aid thresholds to be kept separate – see regulation for details)</li> </ul>	EUR 30,000 in a 3-year fiscal period
<p><i>N.B. The above table is a summary only. For the complete text on State aid rules, please refer to the relevant regulation. The FGLS may be broadened to include Small Midcaps under certain regulations.</i></p>				

**N.B. The loan amount is not the aid amount. Borrowers will be sent a State aid letter by the SBCI if any State aid is generated by a loan.**

## Who cannot apply for a loan?

SME/Small Mid-Caps that do not satisfy the borrower eligibility criteria set out under the heading Loan and Borrower Features above and including without limitation SMEs/Small Mid-Caps that:

- In the case of loans granted under the *De Minimis* Regulation:
  - SMEs - are subject to, or fulfil the criteria under domestic law for being placed in, collective insolvency proceedings;
  - Small Mid-Caps – either (i) are subject to, or fulfil the criteria under domestic law for being placed in, collective insolvency proceedings or (ii) have a credit rating that is below B-.
- 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 offence concerning professional conduct by judgment, 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<sup>17</sup>.
- [Please note that finance to support distilled alcoholic beverages and related products are eligible under the Scheme but are subject to a maximum cap of 20% of On-Lenders allocation of the total Scheme size.]
- Have a substantial focus in any of the Restricted Sectors<sup>18</sup>.

## Borrower Self-Declaration and Eligibility

The SME/Small Mid-Cap must satisfy certain conditions to be eligible to apply for a loan. The SME/Small Mid-Cap satisfies those conditions by completing an application form which contains a self-declaration and sending it to the SBCI. The SBCI checks the application form and sends a confirmation to the SME/Small Mid-Cap of its eligibility/ineligibility. The SME/Small Mid-Cap will need to provide that confirmation to the On-Lender as part of its credit application process.

Confirmation of eligibility from the SBCI is simply a confirmation that the SME/Small Mid-Cap meets the eligibility criteria for the Scheme. This does not impose any obligation on the On-Lender to provide a loan. For the avoidance of doubt, confirmation of eligibility from the SBCI

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<sup>17</sup> Research activities aiming at human cloning for reproductive purposes or research activity intended to modify the genetic heritage of human beings or research activity intended to create human embryos or research activity that is prohibited in Ireland.

<sup>18</sup> 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.

does not (i) give any assurance as to the credit risk or credit suitability of the SME/Small Mid-Cap and/or (ii) prevent any loan to that SME/Small Mid-Cap being subsequently excluded from the On-Lender's portfolio if it subsequently transpires that that loan and/or that SME/Small Mid-Cap did not meet the eligibility criteria.

### **Data Requirements**

The information that must be collated and provided by the On-Lender to the SBCI under the Scheme is set out in **Annex 5**. In addition, information undertakings will be included in the guarantee agreement in relation to verification of compliance with the guarantee agreement, requirements of laws and regulations governing the guarantee agreement and the counter guarantee from the EIF, the lack of fraud, due diligence matters, including KYC or other similar identification procedures, information on the beneficial ownership of the On-Lender and the borrowers and such other information as SBCI may require.

### **Use of Information**

The information provided by the SME/Small Mid-Cap will be shared with, amongst others, the SBCI, the SBCI's authorised agents, DBEI, DAFM, the European Commission, the EIF, the EIB, the EPPO and the European Anti-Fraud Office.

### **Publication and Information Requirements**

The SBCI is required to publish details of the borrower and aid amount on its website where the individual aid award for an SME exceeds the thresholds: -

- a) €100,000 for aid granted to borrowers active in areas other than primary agriculture or in fisheries or aquaculture;
- b) €10,000 for aid granted to borrowers active in primary agriculture; or
- c) €10,000 for aid granted to borrowers active in fisheries or aquaculture.

N.B. The loan amount is not the aid amount. The borrower will be sent a State aid letter by the SBCI if any State aid is generated by a loan under BILS. Only if the amount of State aid exceeds the above thresholds will the details require publication.

### **Period of the Scheme**

The Scheme will be available until 31 December 2021 or as otherwise set out in the guarantee agreement.

### ANNEX 3

	<b>MINIMUM ELIGIBILITY CRITERIA</b>	<b>System of appraisal (for SBCI use only)</b>
		<b>Yes/No</b>
<b>1.1</b>	The Applicant currently lends or intends to lend to Irish SMEs/Small Mid-Caps.	
<b>1.2</b>	The Applicant is either (i) authorised to carry out lending activities within the State; or (ii) is in the process of obtaining such authorisation.	
<b>1.3</b>	The Applicant and its senior management do not meet any of the Exclusion Criteria (see <b>Annex 1</b> ).	
<b>1.4</b>	The Applicant is an On-Lender (see <b>Section 1.3</b> ).	
<b>1.5</b>	The Expression of Interest is complete including relevant supporting information.	
<b>1.6</b>	The Expression of Interest has been submitted on or before the Deadline Date.	

## Applicant Assessment

Below are the maximum scores for each category of the assessment. The weightings that each section has been assigned is based on the importance of that section to the selection of an On-Lender for the Scheme.

All applications will be assessed using these guidelines. If the SBCI is of the view that it does not have sufficient information to score the Applicant, it will revert back to the Applicant to request additional or better information. On receipt of such additional or better information, SBCI will complete the assessment.

<b>Applicant Scoring – Phase 1</b>		
<b>1</b>	Does the Applicant currently lend or intend to lend to SMEs/Small Mid-Caps?	20
<b>2</b>	Is the Applicant authorised to carry out lending activities within the State?	30
<b>3</b>	Does the SBCI have sufficient information to assess the Applicant?	30
<b>4</b>	Quality and plausibility of the proposal for implementation of the Scheme, with particular focus on: operational readiness, rollout strategy and marketing/publicity of the Scheme and the plan for building a portfolio.	40
<b>5</b>	Ability of the Applicant to deploy the size of portfolio indicated in the application.	30
<b>6</b>	Experience and ability of the Applicant to provide finance to SMEs/Small Mid-Caps including Applicant’s track record in loan origination and credit management.	50
<b>7</b>	Financial standing of the Applicant as evidenced by external credit rating and/or the SBCI’s financial analysis of the Applicant.	40
<b>8</b>	Capital availability of the Applicant to fund the level of portfolio proposed.	40
<b>9</b>	Applicant’s existing/proposed market share of SME/Small Mid-Cap sector.	40
<b>Maximum Score</b> <ul style="list-style-type: none"> <li>• Minimum score of 200 marks required to progress to Allocation – Phase 2</li> <li>• Maximum of 8 Applicants per Portfolio may progress to Allocation – Phase 2</li> </ul>		<b>320</b>

<b>Applicant Scoring for Portfolio 1 Allocation - Phase 2</b>		<b>Marks</b>																																		
<p>Applicant to determine the maximum interest rate it will apply to the Scheme loans – marks to be awarded as follows:</p> <table border="1"> <tr> <td>Loan Category 1</td> <td>Loans up to €249,999.</td> </tr> <tr> <td>Loan Category 2</td> <td>Loans greater than or equal to €250,000.</td> </tr> <tr> <td>Loan Category Weighting</td> <td>This is a 70:30 weighting that will be applied when scoring the Maximum Interest Rate proposed by the Applicant for Loan Category 1 and Loan Category 2 respectively.</td> </tr> <tr> <td>Maximum Interest Rate</td> <td>The variable interest rate, an Applicant will charge for each loan in Loan Category 1 and Loan Category 2. The Maximum Interest Rate is inclusive of any arrangement or facility fee that may be charged by the Applicant.</td> </tr> <tr> <td>Maximum Interest Rate Cap</td> <td>The Maximum Interest Rate for Loan Category 1 is capped at 3.7%, the Maximum Interest Rate for Loan Category 2 is capped at 2.75%.</td> </tr> </table> <p><b>Scoring:</b> Each Applicant to determine the Maximum Interest Rate it will apply to BILS loans under Loan Category 1 and Loan Category 2 – marks will then be awarded based on the discount each Applicant applies to the Maximum Interest Rate Cap, as follows:</p> <table border="1"> <thead> <tr> <th><b>Portfolio 1 - Discount on Maximum Interest Rate</b></th> <th><b>Marks</b></th> </tr> </thead> <tbody> <tr><td>0%</td><td>0</td></tr> <tr><td>0.1%</td><td>35</td></tr> <tr><td>0.2%</td><td>70</td></tr> <tr><td>0.3%</td><td>105</td></tr> <tr><td>0.4%</td><td>140</td></tr> <tr><td>0.5%</td><td>175</td></tr> <tr><td>0.6%</td><td>210</td></tr> <tr><td>0.7%</td><td>245</td></tr> <tr><td>0.8%</td><td>280</td></tr> <tr><td>0.9%</td><td>315</td></tr> <tr><td>1.00%</td><td>350</td></tr> </tbody> </table> <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>		Loan Category 1	Loans up to €249,999.	Loan Category 2	Loans greater than or equal to €250,000.	Loan Category Weighting	This is a 70:30 weighting that will be applied when scoring the Maximum Interest Rate proposed by the Applicant for Loan Category 1 and Loan Category 2 respectively.	Maximum Interest Rate	The variable interest rate, an Applicant will charge for each loan in Loan Category 1 and Loan Category 2. The Maximum Interest Rate is inclusive of any arrangement or facility fee that may be charged by the Applicant.	Maximum Interest Rate Cap	The Maximum Interest Rate for Loan Category 1 is capped at 3.7%, the Maximum Interest Rate for Loan Category 2 is capped at 2.75%.	<b>Portfolio 1 - Discount on Maximum Interest Rate</b>	<b>Marks</b>	0%	0	0.1%	35	0.2%	70	0.3%	105	0.4%	140	0.5%	175	0.6%	210	0.7%	245	0.8%	280	0.9%	315	1.00%	350	350
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The Loan Category Weighting will then be applied to each of the marks awarded for Loan Category 1 and Loan Category 2, therefore creating a Total Score for Phase 2.

For example:

If Applicant A submits a Maximum Interest Rate for Loan Category 1 of 3%, and Loan Category 2 of 2.45%, the Applicant will score 203 marks out of a possible 350 marks available. Calculated as follows: 245 marks at a 70% weighting plus 105 marks at a 30% weighting.

Maximum Interest Rate Proposal Table – to be completed by Applicants

	Loan Category 1	Loan Category 2
Maximum Interest Rate Cap	3.7%	2.75%
Maximum Interest Rate	____%	____%
Being the composition of:		
Funding Cost* _____	____%	____%
Margin	____%	____%

\*Applicants must choose a cost of funds benchmark of either 1M, 3M, or 6M EURIBOR plus set out any additional internal cost allocations if applicable.

Note 1: Applicants are asked to submit the proposed Maximum Interest Rate in a manner that can be transparently tracked throughout the life of the Scheme i.e. Funding Cost should clearly be presented on a (EURIBOR basis 1M, 3M, 6M) plus any additional internal cost allocations if applicable.

Note 2: It will be a requirement that throughout the life of the Scheme the Applicant adheres to the agreed internal margin(s) above EURIBOR.

For example:

If 3-month Euribor is 0.20% and Applicant A submits its Maximum Interest Rate for Loan Category 1 of 3%, it may present the pricing at 3M Euribor + 2.8%.

The scale/ability of the Applicant to achieve the level of deployment to the SME/Small Mid-Cap sector that is being proposed and in the time frame required.

30

- **Applicant’s Total Score is Phase 1 score + Phase 2 score (i.e. a maximum of 700)**
- Successful Applicants will be allocated a share of the Maximum Portfolio Volume in accordance with the following methodology:

**Allocation is the lower of A and B, where:**

	<p><b>A</b> = (AS / TAS) * the Maximum Portfolio Volume (€280m for the purpose of this calculation)</p> <p><b>B</b> = the amount of the Scheme requested by the Applicant</p> <p><b>AS</b> = a successful Applicant's Total Score</p> <p><b>TAS</b> = the aggregate of all successful Applicants' Total Scores</p> <p><b>For example</b>          If Applicant A's total score is 640 marks and Applicant B's score is 680 and Applicant C's score is 700, then Applicant A is allocated <math>640/2020 * €280m = €89m</math>.</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>	
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Applicant Scoring for Portfolio 2 Allocation - Phase 2		Marks																								
<p>Applicant to determine the maximum interest rate it will apply to the Scheme loans – marks to be awarded as follows:</p> <table border="1"> <tr> <td>Current Interest Rate</td> <td> <p>The current variable interest rate an Applicant is charging for the equivalent loan to be covered under BILS, to be supported by satisfactory evidence spanning a period of 12 months or more.</p> <p><b>Note: If the Applicant’s pricing structure includes Arrangement Fees, then the proposal should detail each element of the pricing</b></p> </td> </tr> <tr> <td>Minimum Discount</td> <td>1%</td> </tr> <tr> <td>Proposed Interest Rate</td> <td>The proposed variable interest rate to be charged to borrowers under BILS, inclusive of proposed Arrangement Fees if applicable.</td> </tr> <tr> <td>Discount</td> <td> <p>The difference between the Current and Proposed Interest Rate, expressed in comparative terms.</p> <p>E.g. The Current Interest Rate is 10%, the Proposed Interest Rate is 6%, therefore 40% discount is applied.</p> </td> </tr> </table>		Current Interest Rate	<p>The current variable interest rate an Applicant is charging for the equivalent loan to be covered under BILS, to be supported by satisfactory evidence spanning a period of 12 months or more.</p> <p><b>Note: If the Applicant’s pricing structure includes Arrangement Fees, then the proposal should detail each element of the pricing</b></p>	Minimum Discount	1%	Proposed Interest Rate	The proposed variable interest rate to be charged to borrowers under BILS, inclusive of proposed Arrangement Fees if applicable.	Discount	<p>The difference between the Current and Proposed Interest Rate, expressed in comparative terms.</p> <p>E.g. The Current Interest Rate is 10%, the Proposed Interest Rate is 6%, therefore 40% discount is applied.</p>	350																
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<p><b>Scoring:</b> Each Applicant to determine the Proposed Interest Rate it will apply to BILS loans, as a <b>minimum this must be at least 1%</b>. Marks will then be awarded based on the Discount each Applicant applies.</p> <table border="1"> <thead> <tr> <th>Portfolio 2 - Discount on Current Interest Rate</th> <th>Marks</th> </tr> </thead> <tbody> <tr><td>&lt;=10%</td><td>0</td></tr> <tr><td>15%</td><td>35</td></tr> <tr><td>20%</td><td>70</td></tr> <tr><td>25%</td><td>105</td></tr> <tr><td>30%</td><td>140</td></tr> <tr><td>35%</td><td>175</td></tr> <tr><td>40%</td><td>210</td></tr> <tr><td>45%</td><td>245</td></tr> <tr><td>50%</td><td>280</td></tr> <tr><td>55%</td><td>315</td></tr> <tr><td>60%</td><td>350</td></tr> </tbody> </table>			Portfolio 2 - Discount on Current Interest Rate	Marks	<=10%	0	15%	35	20%	70	25%	105	30%	140	35%	175	40%	210	45%	245	50%	280	55%	315	60%	350
Portfolio 2 - Discount on Current Interest Rate	Marks																									
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Please note that where an Applicant submits 1) a pricing matrix (i.e. a range of pricing across different loan sizes) or 2) both fixed and variable rates, the score will be applied against the highest interest rate on that matrix.

For example:

If Applicant A submits a Proposed Interest Rate equalling a Discount of 40%, they are awarded 210 marks.

BILS Interest Rate Proposal Table – to be completed by Applicants

	Loan Price
Current Interest Rate	
Proposed Interest Rate	
<i>Price Discount</i>	
<b>Discount</b>	

The scale/ability of the Applicant to achieve the level of deployment to the SME/Small Mid-Cap sector that is being proposed and in the time frame required.

30

- **Applicant’s Total Score is Phase 1 score + Phase 2 score (i.e. a maximum of 700)**
- Successful Applicants will be allocated a share of the Maximum Portfolio Volume in accordance with the following methodology:

**Allocation is the lower of A and B, where:**

**A** = (AS / TAS) \* the Maximum Portfolio Volume (€50m 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

**For example**

If Applicant A’s total score is 500 marks and Applicant B’s score is 550 and Applicant C’s score is 600, then Applicant A is allocated  $500/1650 * €50m = €15m$ .

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.

## ANNEX 4

### Indicative Terms of the Guarantee Agreement

**SUBJECT TO CONTRACT, FURTHER DUE DILIGENCE, CREDIT APPROVAL AND SATISFACTORY DOCUMENTATION**

**Below is an outline of the terms and conditions proposed for the agreement which may be entered into between the SBCI and a successful Applicant. It should be noted these are indicative only and not legally binding.**

<b>Claims under the guarantee</b>	<p>80% of the principal and permitted interest due in respect of a loan 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 “<b>Defaulted Amounts</b>”).</p> <p>The amounts guaranteed shall exclude late payment or default interest, capitalised interest, fees and other costs and expenses and any interest that accrues after a period of 90 days.</p>
<b>Agreed Portfolio Volume</b>	<p>Prior to the SBCI serving a notice (the “<b>Extension Notice</b>”) on the On-Lender, the maximum amount covered under the SBCI guarantee shall be approximately EUR 264,000,000 with that maximum amount to increase up to approximately EUR 330,000,000.</p>
<b>Maximum Portfolio Volume</b>	<p>A maximum amount of EUR 330,000,000 of the principal and permitted interest due in respect of all eligible loans included in the Portfolio by the On-Lenders.</p>
<b>Portfolio Inclusion Process</b>	<p>Loans may be included in the Portfolio during the Inclusion Period which meet the eligibility criteria being:</p> <ul style="list-style-type: none"> <li>• the criteria in respect of the loan and borrower summarised in <b>Annex 2</b> and any other such criteria as may be determined by the SBCI; and</li> <li>• other scheme eligibility criteria as may be set out in the guarantee agreement between SBCI and On-Lenders.</li> </ul> <p>The SBCI reserves the right to terminate the Inclusion Period on notifying the On-Lenders if certain portfolio triggers are met in respect of cumulative defaults, uptake of the Scheme and illegal activities summarised as follows:</p>

	<p>(a) on a date (to be specified) that is halfway through the Inclusion Period, if the actual portfolio volume (across the entire portfolio) is less than 30% of the Agreed Portfolio Volume; and/or</p> <p>(b) on the Default Trigger Date (as defined below) the ratio of (i) the aggregate Defaulted Amounts incurred up to such date to (ii) the Actual Portfolio Volume is more than more than 7% (across the entire portfolio) on such date, where</p> <p style="padding-left: 40px;">the Default Trigger Date shall be a date (to be specified) that is approximately 1 year and 3 months through the Inclusion Period, or if earlier, on the date that 50% of the Agreed Portfolio Volume has been utilized; and/or</p> <p>(c) the On-Lender fails to, within a reasonable timeframe, take appropriate measures in respect of any illegal activities undertaken by a member of its management or decision making bodies.</p> <p>No further transactions may be included once a trigger notices has been served which provides for the end of the availability period to be brought forward. No further transaction may be included in the portfolio after the amended availability period end date as specified below.</p>
<b>Portfolio Exclusion Process</b>	<p>If a loan included in the portfolio is or becomes ineligible (other than by reason of the On-Lender’s ineligibility) as a result of circumstances beyond the On-Lender’s control and of which the On-Lender was not aware (and could not, acting diligently, have become so aware at an earlier date), the On-Lender 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>
<b>Guarantee Term</b>	<p>The agreement shall terminate on the earlier of:</p> <ul style="list-style-type: none"> <li>• the date on which the agreement terminates following an event of default;</li> <li>• the date on which SBCI is no longer liable to make any payments to the On-Lender and the SBCI has no further claims against the On-Lender under the guarantee agreement; and</li> <li>• 30 December 2027.</li> </ul>
<b>Right of clawback</b>	<p>The SBCI shall be entitled to claw back (with interest): (1) any amounts paid by it in excess of the Defaulted Amounts; (2) any amount in excess of SBCI’s liability under the guarantee agreement; (3) any amounts paid in respect of a loan excluded from the portfolio; and (4) any amount paid by it to the On-Lender at any time when the On-Lender was a sanctioned person.</p>

<p><b>Loss Recoveries</b></p>	<p>All recoveries in respect of Defaulted Amounts shall be shared between the SBCI and the On-Lender on an 80/20 basis.</p> <p>The On-Lender shall use all reasonable efforts to maximize recoveries in accordance with its internal credit and collections procedures.</p>
<p><b>Repeating Representations</b></p>	<p>The Guarantee Agreement shall contain repeating representations from the On-Lender, including the following:</p> <ul style="list-style-type: none"> <li>• status, power and authority, authorisations and regulatory standards;</li> <li>• that it is not in an Exclusion Situation;</li> <li>• that it is not incorporated or established in a non-compliant Jurisdiction, unless in the case of NCJ implementation;</li> <li>• that it is not engaged in illegal activities;</li> <li>• binding obligations, no conflict, governing law and enforcement and proceedings;</li> <li>• no default, no misleading information;</li> <li>• excluded or illegal activities and restricted sectors;</li> <li>• that the documents governing the eligible loans are legal, valid, binding and enforceable;</li> <li>• that each eligible loan included in the portfolio complies with the eligibility criteria;</li> <li>• that its business does not focus on an EIB Group Excluded Sectors; and</li> <li>• that it does not benefit from any preferential tax measure.</li> </ul>
<p><b>Ongoing Covenants</b></p>	<p>The Guarantee Agreement shall contain ongoing covenants (positive and negative), including in relation to the following:</p> <ul style="list-style-type: none"> <li>• information undertakings;</li> <li>• visibility and promotion;</li> <li>• reporting;</li> <li>• monitoring and audit (including consenting to the carrying out of audits in respect of the scheme);</li> <li>• maintenance of records;</li> <li>• compliance with all laws to which it may be subject, where the breach may adversely impact performance of the agreement or prejudice the interests of among others the SBCI, the EIF, the Commission and/or the European Investment Bank in respect of the Scheme;</li> <li>• compliance with the eligibility criteria;</li> <li>• compliance with its policies in relation to origination, risk, credit, collections, loan servicing and accounting policies and procedures</li> <li>• data protection;</li> <li>• transfer of benefit;</li> <li>• compliance with sanctions provisions;</li> <li>• restriction on the financing of any illegal activities; and</li> <li>• maintenance of title to the eligible loans.</li> </ul>

<p><b>Events of Default</b></p>	<p>Events of default shall include the following:</p> <ul style="list-style-type: none"> <li>• Non-payment (except where caused by an administrative or technical error and remedied within 5 business days of its due date);</li> <li>• Breach of other obligations, except where remedied within 14 days if capable of remedy;</li> <li>• Insolvency and insolvency proceedings;</li> <li>• Repudiation and rescission;</li> <li>• Unlawfulness;</li> <li>• Sanctions;</li> <li>• Illegal Activities;</li> <li>• Misrepresentation.</li> </ul>
<p><b>Term and Termination</b></p>	<p>On the occurrence of an Event of Default, the non-affected party may terminate the Guarantee Agreement and promptly thereafter the On-Lender may send a report and a final payment demand in respect of any Defaulted Amounts to the SBCI (except where an event of default arises under the covenants in respect of unlawfulness, sanctions or illegal activities). No further loans can be included in the portfolio and no further demands may be served on SBCI. The Guarantee Agreement shall then terminate.</p>
<p><b>Changes to the Parties</b></p>	<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 On-Lender that it wishes to transfer all its rights and/or obligations under the agreement to an affiliate, the On-Lender shall act reasonably in considering such request provided it is satisfied that such transfer does not adversely affect the interests of the On-Lender thereunder.</p>

## Annex 5a – Information Requirements under the Scheme

### DRAFT Initial Loan Details

Field Name	Values (where applicable)
<b>Loan Details</b>	
Principal Amount	Max €1.5m/Min €25k
If Re-Fi amount of principal that is re-fi	(If applicable, amount)
Credit Grade	On Lender grade
Maturity (months)	Max 6 yrs/Min 1yrs
Interest Rate	
Payment frequency	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Monthly</li> <li>• One-off</li> <li>• Quarterly</li> <li>• Semi-annually</li> </ul>
Grace Period (months)	
LGD	Default to 1.00, if Principal <€500k. If principal >= 500k, user must input value between 0 and 1
Rating Scale used	Dropdown per On-Lender
Date Loan Agreement Signed	Date
Account No	
Date of Disbursement	Date
First Instalment Date	Date

<b>Security</b>	
Type of Security taken	Other asset None Residential real estate Commercial real estate Movable assets Cash or equivalent
Value of Security taken	
Is Collateral linked?	Yes/No
Is Security perfected?	Yes/No

<b>Declarations</b>	
Confirm State Aid is not breached	
Borrower Details verified	

## Annex 5b – Information Requirements under the Scheme

### DRAFT - Quarterly Details

Field Name	Values (where applicable)
Account Number	
Credit Grade	
Current Interest Rate	
Cumulative Disbursement	
Outstanding Principal Amount	
Repayment Date	
End Of Disbursement	Y/N
Delinquent Final Recipient Transaction	Y/N
Delinquent Period	
Defaulted Final Recipient Transaction	Y/N
Date of Defaulted Final Recipient Transaction	
Rating Scale Used	
Moratorium	Y/N