

## EaSI Guarantee COVID-19 Support Measures

Addendum to the [Annex II Microfinance Guarantee Term Sheet](#) and [Annex III Social Entrepreneurship Guarantee Term Sheet](#) introducing  
COVID-19 Support Measures

### The COVID-19 Support Measures for EaSI Guarantee

This addendum introduces specific measures aimed at enhancing the access to finance to EaSI target groups affected by the COVID-19 crisis. This document outlines these measures in section 2 and section 3, complementing or superseding the relevant terms and conditions set out in the Annex II (for Microfinance guarantees) and Annex III (for Social Entrepreneurship guarantees) of this Call. The other terms and condition set out in Annex II and/or Annex III of this Call shall apply mutatis mutandis unless otherwise specified in this Addendum. Therefore, this Addendum should be read jointly with Annex II and/or Annex III for a comprehensive understanding of the COVID-19 Support Measures outlined here below.

#### 1. Applicability of COVID-19 Support Measures for EaSI Guarantee

As part of the policy response to address the economic disruption caused by COVID-19, certain measures are made available to Financial Intermediaries to provide enhanced support to the EaSI target Final Recipients (the “COVID-19 Support Measures” or the “Support Measures”).

The COVID-19 Support Measures are introduced through the amendment of certain terms and conditions of the facility to ensure continuous financing support to impacted EaSI target Final Recipients, which already have or will receive financing under existing and new (Counter-) Guarantee Agreements.

The COVID-19 Support Measures are available to selected Financial Intermediaries under the facility, provided that the operation has been approved by the EIF by the end of the COVID-19 Support Period.

For the avoidance of doubt, an existing Financial Intermediary may benefit from the COVID-19 Support Measures without submitting any new application, by executing an amendment to their (Counter-) Guarantee Agreements. For this purpose, interested Financial Intermediaries should refer to the [Notice to Financial Intermediaries](#) published on the EIF’s website or contact EIF at the following e-mail address: [EaSI@eif.org](mailto:EaSI@eif.org). Certain COVID-19 Support Measures apply only to (Counter-) Guarantee Agreements where the Availability Period is continuing as of the date of the acceptance letter, as further set out in the Notice to Financial Intermediaries.

Applicants wishing to benefit from the COVID-19 Support Measures that are not yet selected Financial Intermediaries under the EaSI Guarantee will need to follow the regular standard application process as outlined in this Call for Expression of Interest<sup>1</sup>.

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<sup>1</sup> The total amount of applications already received exceeds the EU budget available under the EaSI Guarantee instrument. Any new applications may be considered should additional resources become available.

## 2. Outline of COVID-19 Support Measures for EaSI Guarantee<sup>2</sup>

This section provides an overview of the COVID-19 Support Measures introduced in the EaSI Guarantee, which are temporary by default unless specified in the corresponding paragraph.

In order to introduce the COVID-19 Support Measures the following new terms are added below:

<b>COVID-19 Support Period</b>	means a period commencing on 1 April 2020 (included) and ending on 31 December 2021 (included).
<b>COVID-19 Final Recipient Transactions</b>	any Final Recipient Transaction which is entered into in the COVID-19 Support Period.

### 2.1. Extended cover of the accrued interest of the Final Recipient Transactions

With respect to eligible Final Recipient Transactions, the losses covered by the Guarantee may include interest amounts (excluding late payment or default interest, fees and other costs and expenses) accrued, deferred or capitalised for a maximum period of 360 days, or any shorter period ending on the date of the Transaction Acceleration or the date of a Transaction Default (whichever is the earliest), provided that such interest amounts are generated as a result of a Permitted Final Recipient Transaction Amendment that occurred during the COVID-19 Support Period. For the avoidance of doubt, such interest amounts shall not be included into the calculation of the Actual Portfolio Volume.

### 2.2. Extension of the guarantee coverage

Guarantee coverage for the Final Recipient Transaction included in the Portfolio will be extended by 12 months, i.e. up to 7 years for microfinance operations and up to 11 years for social entrepreneurship operations, however, in each case, provided that the maximum term shall not exceed 31 December 2032.

### 2.3. Increased Guarantee Rate for COVID-19 Final Recipient Transactions

The Guarantee Rate applicable to COVID-19 Final Recipient Transactions may be increased from the current level (i.e. up to 80%) to up to 90%<sup>3</sup>.

### 2.4. Financial Intermediary exposure to Final Recipient Transactions

For the purpose of alignment of interest, the minimum level of credit risk exposure to be retained by the Financial Intermediary will be lowered from 20% to 10% of the outstanding principal amount of each COVID-19 Final Recipient Transaction.

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<sup>2</sup> The terms outlined in Addendum will apply mutatis mutandis to counter-guarantees. Due to the specifics of counter-guarantees, some additional requirements or adaptations of the terms of the direct may be added to the Guarantee Agreement.

<sup>3</sup> Where the Portfolio consists of Final Recipient Transactions with different Guarantee Rates, the Maximum Portfolio Volume will not be set in the Guarantee Agreement.

### **2.5. Commitment and compliance fees**

The commitment fee shall not be applied. The applicable compliance fee shall be set out in the Guarantee Agreement.

### **2.6. Increase of the maximum exposure per final recipient**

In the case of Microfinance Guarantee, the maximum exposure in respect of a Final Recipient is increased from EUR 25,000 to EUR 50,000 (or equivalent in local currency) and, in the case of Social Entrepreneurship Guarantee, from EUR 500,000 to EUR 1m (or equivalent in local currency).

### **2.7. Guarantee Cap Rate**

The Guarantee Cap Rate shall be set taking into account, inter alia, the expected origination volume of COVID-19 Final Recipient Transactions indicated by the Financial Intermediary.

For the avoidance of doubt, under no circumstances, the Guarantee Cap Rate can exceed 30%.

### **2.8. Fixed Recovery rate**

The fixed recovery rate (if any) shall be set taking into account, inter alia, the expected origination volume of COVID-19 Final Recipient Transactions indicated by the Financial Intermediary.

### **2.9. Extension of Availability Period**

Availability Periods under the Guarantee Agreements with existing Financial Intermediaries, may be extended until the date falling on the earlier of (i) six (6) months following the current end of Availability Period and (ii) 31 December 2027.

### 3. Indicative Additional/Amended Terms in relation to the COVID-19 Support Measures

<b>Structure</b>	<p>First loss capped portfolio guarantee issued by EIF providing partial credit risk coverage to eligible Financial Intermediaries that enter into Final Recipient Transactions having a nominal value up to and including EUR 25 000 (or equivalent in local currency) for EaSI Microfinance Guarantee and up to and including EUR 500 000 (or equivalent in local currency) for the EaSI Social Entrepreneurship Guarantee.</p> <p>The EaSI Guarantee, provided by EIF but financed by the European Union, shall cover losses incurred by the Financial Intermediary at a guarantee rate of up to 80% or up to 90% for COVID-19 Final Recipient Transactions.. Losses covered by the EaSI Guarantee in respect of the portfolio of eligible Final Recipient Transactions shall in aggregate not exceed the cap amount stipulated in the Guarantee Agreement. The Financial Intermediary shall retain a material interest in the Portfolio which shall not be less than 20% of the outstanding principal amount of each Final Recipient Transaction included in the Portfolio or, in the case of COVID-19 Final Recipient Transactions , of at least 10% of the outstanding principal amount of such Final Recipient Transaction comprised in the Portfolio .</p> <p>In order to ensure alignment of interest, the Financial Intermediary shall not enter into any credit support, guarantee or other transfer of risk arrangements with respect to the above mentioned relevant portion, provided that any collateral, security or guarantee payable to the Financial Intermediary that qualify as “recoveries” under the relevant Guarantee Agreement shall not be taken into account for this purpose, except, both in the above cases, in those jurisdictions in which due to the applicable laws and regulations only banks could enter into Final Recipient Transactions. In the latter case, EIF in its professional judgement will ensure that the purpose of alignment of interest is achieved in alternative ways.</p>
<b>Term</b>	<p>The EaSI Guarantee shall cover defaults occurred:</p> <ul style="list-style-type: none"> <li>i. Under the EaSI Microfinance Guarantee, within seven years (7) from the date of entering into, but not beyond the maturity or term, as applicable, of the Final Recipient Transactions included in the Portfolio. For the avoidance of doubt, the underlying Final Recipient Transactions may have maturities longer than seven (7) years;</li> <li>ii. Under the EaSI Social Entrepreneurship Guarantee, within eleven years (11) from the date of entering into, but not beyond the maturity or term, as applicable, of the Final Recipient Transactions included in the Portfolio. For the avoidance of doubt, the underlying Final Recipient Transactions may have maturities longer than eleven (11) years;</li> </ul>

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	<p>iii. However, in each case, provided that the maximum term shall not exceed 31 December 2032.</p>
<b>EaSI Guarantee Rate</b>	<p>The EaSI Guarantee Rate shall be up to and including 80% of each Loss covered by the EaSI Guarantee. The rate will be defined as a result of the risk assessment/due diligence of the portfolio to be covered, conducted by the EIF.</p> <p>With respect to <b>COVID-19 Final Recipient Transactions</b>, the Guarantee Rate shall be up to 90%.</p>
<b>Losses</b>	<p>The EaSI Guarantee shall cover Losses at the relevant EaSI Guarantee Rate incurred by the Financial Intermediary up to the Cap Amount. Losses mean any principal and/or Current Interest and/or COVID-19 Additional Interest (but excluding late payment or default interest, , fees and any other costs and expenses) due, outstanding and payable to the Financial Intermediary under the terms of the covered Final Recipient Transaction following the occurrence of either a Transaction Default, Transaction Acceleration or a Transaction Restructuring.</p>
<b>Payment Demand</b>	<p>Payment Demands shall only be valid if they are:</p> <ul style="list-style-type: none"> <li>(i) Under the EaSI Microfinance Guarantee, relating to Losses under one or more covered Final Recipient Transactions paid by the Financial Intermediary in respect of Defaulted, Restructured or Accelerated Final Recipient Transactions, which default, restructuring or acceleration has occurred no later than the earlier of (i) seven (7) years after the entry into of the relevant Final Recipient Transaction; and, (ii) 31 December 2032;</li> <li>(ii) Under the EaSI Social Entrepreneurship Guarantee, relating to Losses under one or more covered Final Recipient Transactions paid by the Financial Intermediary in respect of Defaulted, Restructured or Accelerated Final Recipient Transactions, which default, restructuring or acceleration has occurred no later than the earlier of (i) eleven (11) years after the entry into of the relevant Final Recipient Transaction; and, (ii) 31 December 2032;</li> </ul> <p>and, in both cases, which are sent during the Payment Demand Period.</p>
<b>Current Interest</b>	<p>Means any interest amounts accrued for a maximum period of 90 days (excluding any capitalised interest).</p>
<b>COVID-19 Additional Interest</b>	<p>Means any interest amounts accrued, deferred or capitalised for a maximum period of 360 calendar days or any shorter period ending on the date of a Transaction Default or a Transaction Acceleration (whichever is the earliest) provided that such interest is generated as a result of a Permitted Final Recipient Transaction Amendment that occurred during the COVID-19 Support Period.</p> <p>For the avoidance of doubt, such interest amounts will not be taken into account in determining whether the maximum principal amount of the Final Recipient Transaction complies with the Final Recipient Transaction Eligibility Criteria.</p>

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<b>Permitted Final Recipient Transaction Amendment</b>	Means any amendment to the terms of a Final Recipient Transaction whose purpose is to improve the collectability of any claims under that Final Recipient Transaction and which is made in accordance with the Intermediary's credit policy.
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