

**Clarification Document to the Open Call for Expression of Interest to select Financial Intermediaries that will receive resources from the Silesia EIF Fund-of-funds to implement the following Financial Instruments: Portfolio Risk Sharing Loan and/or First Loss Portfolio Guarantee**

The aforementioned Call for Expression of Interest (further “CEOI”) stipulated that: “Requests for clarifications from Applicants shall not receive individual replies. Instead, answers to relevant requests for clarifications received within the relevant deadline will be published together in a Clarification Document to be posted on the website [www.eif.org](http://www.eif.org) not later than 16 June 2017”.

In accordance with this provision, we hereby present such a clarification document. Capitalised expressions utilised below shall have the meaning attributed to them in the CEOI, unless otherwise defined below or the context requires otherwise.

Questions may appear as they have been received without any editing by EIF and in a random order. Page numbers indicated in the questions are assumed to refer to the published CEOI.

**Reference number: Call for EoI – FOF-Si 2017/01**

**The Deadline for the submission of Expressions of Interest is 14 July 2017.**

Question 1	In case of working capital loan, is there possibility to include a loan, and then after its maturity date, renew (extend) the loan and keep it included in the portfolio? How many times the renewal of the same loan is possible? If yes, shall the Borrower report it again as a new transaction included in the quarterly report to EIF? E.g. we have a 1 year working capital loan in our offer. After one year it can be extended (annex to the loan agreement). Can it be still included in the portfolio?
Answer 1	Assuming that the case at hand refers to a revolving facility, in case the SME Transaction takes the form of a revolving credit line, the entry into a new agreement with a new maturity with the same SME as the existing revolving credit line but without repayment in full by the SME of amounts outstanding under the existing revolving credit line) shall be treated as an extension of the maturity of the existing revolving credit line and not as the creation of a new or separate revolving credit line with the relevant SME. Such loan would still be included in the portfolio. EIF will confirm at a later stage the maximum number of annual renewals of annual facilities which will be allowed under the facilities.
Question 2	In accordance with the pricing policy, the PRSL part shall be priced at 0%. Is there any possibility to allow the Financial Intermediary use a margin on this part (with zero cost of risk and zero cost of capital)?
Answer 2	The PRSL part should be priced at 0%. The Management Fee received by the Financial Intermediary should cover any relevant costs pertaining to the PRSL part.
Question 3	Financial Intermediaries shall pay to EIF the Treasury and Deposit Interest Rate. Please kindly explain how to calculate this Rate in practice.
Answer 3	The Borrower (i.e., the Financial Intermediary) shall pay to the EIF on a quarterly basis the Treasury and Deposit Interest calculated for each interest period as the

	<p>product of:</p> <p>(a) The Treasury and Deposit Interest Rate;</p> <p>(b) The ratio of the number of days in the PRSL Interest Period, divided by 360, and</p> <p>(c) The difference between:</p> <p>(x) the average of the PRSL Outstanding Principal Amount on each day during the interest period, and</p> <p>(y) the average of the aggregate outstanding principal of performing SME Transactions as of the last day of the preceding interest period and as of the last day of the relevant interest period, multiplied by the Risk-sharing Rate.</p> <p>Treasury and Deposit Interest Rate will mean the sum of a reference rate (e.g. such as WIBOR) and a margin (percentage per annum), which shall be typically determined by reference to the second best long term, unsecured and unsubordinated indebtedness rating of the Borrower.</p> <p><i>Please note however that it is not expected that PRSL funds will remain deposited with a Financial Intermediary for a long period of time before they are on-lent to SMEs. Drawing of PRSL funds may be as frequent as once per month with minimum and maximum amount of each drawing to be set on a case by case basis so that Treasury and Deposit Interest can be minimised by the Financial Intermediary.</i></p>
Question 4	<p>Management Fee may be paid to Financial Intermediary in the form of a remuneration and shall be calculated on the basis of Article 13 of the Commission Delegated Regulation (EU) No 480/2014. Please confirm, if this remuneration refers to entries in point 2 (a) (ii) and 2 (b) (ii), calculated in parallel? Could you please specify, how does Management Fee look like in practice? Calculation, payment process?</p>
Answer 4	<p>The Management Fee paid to a Financial Intermediary shall be in line with the principles set out in Article 13 of the Commission Delegated Regulation (EU) No 480/2014 and will not exceed the thresholds set therein, including those prescribed by paragraphs 2 (a) (ii) and 2(b) (ii).</p> <p>In practice, the Management Fee will be based on disbursements of eligible SME Transactions by the Financial Intermediary to SMEs as well as repayments received by the Financial Intermediary by SMEs. The details of the calculation and payment process will be made available to Financial Intermediaries that have successfully passed the pre-selection stage.</p>
Question 5	<p>The Financial Intermediary shall calculate the Gross Grant Equivalent of individual SME transactions and report to EIF. Does EIF provide Financial Intermediary with any tools to calculate and report GGE? Who would report GGE to UOKiK, EIF or Financial Intermediary?</p>
Answer 5	<p>As per the terms provided in the Call documentation, the Borrower shall ensure, in respect of the SME Transactions included in the Portfolio, compliance with applicable State aid rules, i.e. the De Minimis Regulation, as implemented by the local legislation in force. For such purpose and before entering into an SME Transaction, the Borrower shall calculate the relevant Gross Grant Equivalent (GGE) and ensure that the total GGE received by the SME over the relevant timeframe is not higher than the threshold set out in the De Minimis Regulation and report the GGE of individual SME Transactions to EIF.</p> <p>Furthermore, the Borrower shall ensure compliance with the Regulation regarding the electronic State Aid registry (UOKiK, <a href="http://www.uokik.gov.pl">www.uokik.gov.pl</a>). In this context, it is envisaged that the Borrower will input the state aid received by each SME through the instrument in the UOKiK.</p>

	EIF will provide the guidance (formula) for the GGE calculation.
Question 6	The SME Transaction shall not finance pure financial activities or real estate development when undertaken as financial investment activity. Could you please give any examples of those activities? Please also confirm whether it is possible to cover a property bought or built with SME Transaction for sublease?
Answer 6	A loan to finance the acquisition of stocks or to buy real estate for the purpose of reselling it would respectively be examples of pure financial activities and real estate development activities. It is possible for the SME to receive financing under an SME Transaction in order to buy or build property for its own use and also sublease part of the property on the condition that the majority of the premises are used for the main business activity of the SME.
Question 7	SME have to be established and/or operating in Silesia Voivodship. Can SME from the Silesia Voivodship realize the investment outside the Voivodship's borders?
Answer 7	The project for which the loan is provided through the Facilities should be implemented within the Silesia Voivodship. All expenditures financed through the Facilities must be closely linked to the execution of investments in the Silesia Voivodship (including the working capital).
Question 8	Is it possible to use BGK de minimis guarantee as a collateral for the SME Transaction? BGK is Polish state-owned bank. Guarantee de minimis covers 60% of loan. De minimis guarantee programme is financed from state budget. SME that are granted a loan with BGK de minimis guarantee receive de minimis aid.
Answer 8	With respect to an expenditure item financed by the SME Transaction, in addition to the assistance received through the SME Transaction, SMEs may receive assistance from another ESI Funds or rural development programme or from another instrument supported by the budget of the EU provided that: (i) such combination of assistance is in line with applicable EU state aid rules; (ii) separate records are maintained for each source of assistance; (iii) the eligible expenditure financed by the SME Transaction is distinct from expenditure financed by other sources of assistance; and (iv) if the other sources of assistance cover the same eligible expenditure, the sum of all sources of support combined does not exceed the total amount of the expenditure item concerned. The Financial Intermediary shall maintain an economic exposure of at least 20% of the outstanding principal amount of each SME Transaction included in the Portfolio, and it shall not enter into any credit support, guarantee or other transfer of risk arrangements with respect to such portion (provided that any collateral, security or guarantee payable to the Financial Intermediary that qualify as recoveries under the relevant Operational Agreement shall not be taken into account for this purpose).  Therefore, the SME Transaction typically could benefit from the other guarantee scheme operating under de minimis aid on the condition that such other guarantee is provided on the non-guaranteed part of the SME Transaction, respecting other requirements outlined above, and the overall limits of de minimis aid are not exceeded.  More detailed explanation on the combination of support can be found in the ESIF

	Guidance for Member States and Programme Authorities “CPR_37_7_8_9_Combination of support from a financial instrument with other forms of support” <sup>1</sup> .
Question 9	Will it be possible to negotiate (change) terms of the portfolio criteria set by the Financial Intermediary (e.g. minimum / maximum amount of the SME Transaction) in the course of the contract for the PRSL financial instrument?
Answer 9	EIF expects Applicants who enter into an Operational Agreement to duly abide to the contractually agreed upon terms, including those pertaining to the characteristics of the portfolio to be originated under the PRSL/FLPG Facility. Notwithstanding the above, EIF shall have sole discretion to amend an Operational Agreement with a view to maximising the efficient use of the resources of the Facilities, in accordance with the Call, the relevant local and EU legislation and regulations.
Question 10	What are the assumptions for financing the costs of possible recovery? Will it be on a risk-sharing basis?
Answer 10	The Financial Intermediary shall take recovery actions (including the enforcement of any security) in relation to each defaulted SME Transaction in accordance with its internal guidelines and procedures. All Recoveries shall be shared pari passu between the EIF and Financial Intermediary net of recovery and foreclosure costs (if any), incurred by the Financial Intermediary. For more information on the above you may also refer to the relevant sections of the Indicative terms and conditions of the PRSL/FLPG, published together with the Call for Expression of Interest.
Question 11	Because of a recent merger between two formerly separate business entities who now constitute a single, legal and business entity, the required description of historical business operations related to extending loans to the SME sector as well as past performance record for the entire merged entity is quite impossible. It is due to the previously used, completely different terms and conditions (e.g. maximum loan amounts, risk assessment models, collection procedures). Having in mind the aforementioned situation (different loan procedures and performance records of previously separated businesses), we would like you to help us decide and to let us know whether we may treat the already non-existent entity as a Participating Entity under a joint Expression of Interest – presenting separate loan origination and performance records; or otherwise to describe a single, merged entity under a Single Expression of Interest, but only separating the performance track records in the respective MS Excel tables.  As it was said above, preparation of a single, historical performance track record for the two entities is literary impossible and confusing.
Answer 11	The single existing legal entity that has resulted from the merger and the operating principles, procedures and processes that are now in place and expected to be applied for the purposes of implementing the facilities should be presented in the Expression of Interest. As per the guidelines provided in section 5 of the Expression of Interest, all

<sup>1</sup> [http://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/guidance\\_combination\\_support\\_en.pdf](http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/guidance_combination_support_en.pdf)

	<p>information required shall be provided specifically with respect to:</p> <p>a) SMEs (to the extent the information is available, otherwise to the relevant internal segments); and</p> <p>b) A proxy portfolio of SME Transactions that fit at origination with the Eligibility Criteria.</p> <p>If such information is not available, the performance data of a portfolio of transactions as comparable as possible to the SME Transactions expected to be included in the portfolio under the PRSL/FLPG Facility should be provided in the Expression of Interest.</p>
Question 12	In the Section 5.1 of Annex 1 to the Open Call for Expression of Interest - is it enough to only present numerical data in a MS Excel sheet or are we required to provide more detailed (text) descriptions?
Answer 12	<p>Applicants are encouraged to provide the most detailed level of information (including all data referred to in sections 5.1, 5.2 and 5.3 here above) in order to facilitate EIF's risk assessment of the Portfolio and the overall relevant Facility.</p> <p>In this context, Applicants should fill out the relevant Excel tables provided in the Expression of Interest but are also invited to provide any further clarifications that they deem appropriate in order to better support the information presented in the tables.</p> <p>Please also note that certain information requested under section 5 (e.g. the information requested in section 5.1.2.) is not reflected in the form of table in the attached Excel file.</p>
Question 13	Will the chronological order of Eols received by EIF have any influence on the selection of FIs and allocation of funds to particular FI?
Answer 13	<p>Financial Intermediaries shall be selected on the basis of EIF's policies, rules, procedures and statutes and in conformity with the best practices with an open, transparent, proportionate, non-discriminatory and objective selection procedure, avoiding conflicts of interest, taking into account the criteria and principles underpinning the Regional Operational Programme for the Silesia Voivodship for the programming period 2014-2020<sup>2</sup>, the criteria laid down in the Common Provision Regulation (CPR)<sup>3</sup> and the Delegate Act<sup>4</sup> and Article 140 (1), (2) and (4) of Regulation 966/2012, and the experience and financial capacity of the Applicants.</p> <p>Expressions of Interest for the Facilities, which have been deemed complete by EIF, will be assessed by EIF for pre-selection in chronological order of receipt (on a "first come, first assessed" basis) and therefore funds could be allocated to one or more successful applications depending on the budgetary resources available at the time of Selection.</p> <p>EIF reserves the right to place Applicants on a reserve list in case the aggregate demand expressed from already pre-selected Applicants is equal to or exceeds the funds available under the Call. The reserve list will remain valid until 31 December 2022.</p>

<sup>2</sup> More information on the Silesia ROP 2014-2020 can be found at <https://rpo.slaskie.pl/>

<sup>3</sup> Means the Common Provisions Regulation (EU) No 1303/2013 of 17 December 2013 of the European Parliament and of the Council

<sup>4</sup> Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014 supplementing the CPR