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Kuriame Lietuvos ateitį

Clarification on the Call for Expression of Interest No. JER-004/6 to select Financial Intermediaries that will receive resources from the European Investment Fund, acting through the JEREMIE Holding Fund for Lithuania, to implement the First Loss Portfolio Guarantee (FLPG) for Leasing Financial Instrument

The Deadline for the submission of Expressions of Interest is the 19th of September 2011.

Capitalised expressions utilised below shall have the meaning attributed to them in the Call, unless otherwise defined below or the context requires otherwise.

GUARANTEE STRUCTURE

	QUESTION	ANSWER
1.	On what conditions can the Guarantee Cap Rate be reduced?	The Guarantee Cap Rate is subject to adjustment following EIF's ex ante assessment of the risk profile of the Portfolio. This assessment is done during the Due Diligence process and the Guarantee Cap Rate is set ex ante before signing the Guarantee Agreement with the Financial Intermediary.
2.	Is the portfolio of EUR 50 million just an example or a minimum portfolio amount which should be reached by the Financial Intermediary? What will happen if the Financial Intermediary does not manage to reach it?	Financial Intermediaries should indicate the expected volume of eligible SME Transactions to be build up during 36 months after evaluating their capabilities and market trends. EUR 50 million would be the volume of eligible SME Transactions to be generated under the Financial Instrument given JHF budget of EUR 10 million and minimum Leverage of 5. The Agreed Portfolio Volume will depend on the Guarantee Cap Rate(s) (see question 1 above).
3.	Will the road transport sector have lower maximum obligor concentration limits?	Yes, the maximum obligor concentration limits for the undertakings active in the road transport sector shall not be greater that EUR 750 000 per undertaking divided by the Guarantee Rate.

4.	If the Cap Amount is almost fully utilised and one more SME Transaction defaults, which would exceed the Cap Amount, is such SME Transaction still guaranteed by 80%?	In this case the defaulted eligible SME Transaction would be covered for an amount, which does not cause the Cap Amount to be exceeded, i.e. only a pro rata portion of the Loss will be covered at the Guarantee Rate of 80% for an amount that does not exceed the Cap Amount. If thereafter any of the following occur: i) Loss Recoveries are collected with respect to defaulted SME Transactions and/or ii) further disbursement under the SME Transactions included in the Portfolio are made and/or iii) new eligible SME Transactions are included in the Portfolio under the terms of the Guarantee the Cap Amount is reinstated or increased, as case may be, and further payments with respect to the remaining portion of the Loss will be made by the Guarantor at the Guarantee Rate of 80%. For the avoidance of doubt, a reinstatement of the Cap Amount after the Agreed Portfolio Volume has been reached and was fully disbursed and the Availability Period has ended, can solely be based on the back of loss recoveries.
5.	What happens if SME Transaction is being restructured because the client wants to change repayment schedule or give additional grace period?	Please refer to the Call for details of the Guarantee Cover. If an eligible SME Transaction included in the Portfolio is restructured the Guarantee covers Losses incurred by the Financial Intermediary being a reduction of the Capital Amount and/or accrued Lease Interest as a result of the restructuring of such eligible SME Transaction. A pure extension of an SME Transaction maturity or granting additional grace period without incurring of the Loss does not give rise to the payment under the Guarantee.
6.	In case the restructuring of the SME Transaction is due to default, can such SME Transaction remain in the Portfolio although this SME becomes 'in difficulty'?	If subsequent to the inclusion of an eligible SME Transaction in the Portfolio the SME Transaction defaults, is accelerated or restructured (please refer to the Call for details of the Guarantee Cover), such SME Transaction will remain in the Portfolio and will benefit from the Guarantee Cover. If however at the date of an inclusion in the Portfolio an SME were in difficulty such SME Transaction would not be eligible and would need to be excluded from the Portfolio as of its inclusion date. Such ineligible SME Transaction would not be covered by the Guarantee.

GUARANTEE FEE

	QUESTION	ANSWER
7.	What would be the Guarantee Fee Percentage if the SME Transaction maturity is exactly of 2 years?	0.5%
8.	Should the additional Guarantee Fee be paid in case a SME Transaction maturity is shorter than 2 years is prolonged for 1 year and becomes a 3 years maturity? What about the case when a SME Transaction has a maturity of 3 years which after prolongation becomes of 5 years?	If subsequent to the inclusion of the SME Transaction in the Portfolio the maturity of such transaction is extended in the way described, additional 0.5% one-off upfront fee should be paid on the committed Capital Amount of such SME Transaction and payable upon prolongation of the initial maturity of an SME Transaction. Nevertheless, no changes in Guarantee Fee apply if the 3 years transaction is extended by 2 years (becomes a 5 year transaction).
9.	What happens with the Guarantee Fee paid on a 3 year SME Transaction maturity that shortened for 1 year? Is the difference in the fee repaid?	No, in this case the Guarantee Fee will not be refunded. Please refer to the Call for the circumstances, when the Guarantee Fee may be refunded.

10.	Will EIF be controlling how the Guarantee Fee is collected? Can the Financial Intermediary pay the Guarantee Fee by itself and then calculate it in to the margin? Or should it be collected from the SMEs and transferred to the EIF?	The Guarantee Fee is payable by the Financial Intermediary upfront with respect to each eligible SME Transaction included in the Portfolio. The Financial Intermediary is requested to submit current and proposed pricing conditions as part of the Expression of Interest for the Financial Instrument with breakdown of the interest rate between a reference rate and a margin. It is up to the decision of the Financial Intermediary whether or not such margin contains the priced in Guarantee Fee. Financial Intermediaries are reminded that pricing and collateral requirement proposals are part of the Quality Assessment Criteria for the selection of the Financial Intermediary.
11.	When does the upfront Guarantee Fee have to be paid to the EIF?	Guarantee Fee Amount is paid on a quarterly basis upon inclusion of the SME transactions in the Portfolio as an upfront Guarantee Fee.
12.	Should the Guarantee Fee be calculated on the financed amount or on guaranteed amount?	Guarantee Fee Amount is calculated as the product of: i) the Guarantee Fee Percentage and ii) the sum of the committed Capital Amounts of all eligible SME Transactions at the time of their initial signing during the calendar quarter and iii) the Guarantee Rate.

PRICING AND COLLATERAL REQUIREMENTS

	QUESTION	ANSWER
13.	Would the Financial Intermediary be allowed to breach the price ceiling proposed by it and confirmed by EIF?	The proposed pricing is one of the eligibility criteria for SME Transactions to be included in the Portfolio and shall become contractual obligation for the selected Financial Intermediary. Therefore to be eligible for cover under the Guarantee all SME Transactions included in the Portfolio should be priced at all times according to the levels specified in the Guarantee Agreement.
14.	According to the Call it is requested to submit a "Pricing policy" and a "Collateral policy" under the Expression of Interest. Should those policies, listed in a certain section of Expression of Interest only, be applied later by the Applicant if selected as Financial Intermediary? Or do these principals have to be included in the current "Pricing policy" and "Collateral policy" documentation?	The Call differentiates into the current pricing policy (Table 1) and the proposed pricing policy (Table 2) under the Instrument, of which the later should take into account the benefits from the Guarantee. If an Applicant is selected, then such pricing proposal of Table 2 shall be applicable later during the implementation of the Instrument. The general policies will be discussed during the Due Diligence process.

DEFAULT DEFINITION (APPLICABLE TO ELIGIBLE LEASES)

	QUESTION	ANSWER
15.	Is the Capital Requirements Directive defined by the Lithuanian law/Bank/EU?	The Capital Requirements Directive is implemented in Lithuania by the Resolution of the Board of the Bank of Lithuania of 9 November 2006 No 138 (as amended from time to time).

RECOVERIES

	QUESTION	ANSWER
16.	How will recoveries from SME Transaction be calculated and shared?	Loss recoveries means each and every amount recovered under an SME Transaction in relation to which EIF has paid amounts under the Guarantee in respect of such Loss (such amounts including, if assets leased to an SME are repossessed by the Financial Intermediary (i) any amount received by the Financial Intermediary as a result of the sale of such assets, and/or (ii) if such assets are re-leased, the purchase price of such assets agreed with the new lessee), net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of a Loss, or amounts which could have been recovered or received by the Financial Intermediary in respect of a Loss, but for the application of any security on the relevant SME Transaction granted by the Financial Intermediary to third parties). Loss Recoveries, net of recovery costs (if any), recovered or received by the Financial Intermediary in respect of the Loss shall be shared between EIF and the Financial Intermediary pro rata to the Guarantee Rate (80/20).
17.	Will the recoveries be reduced by the costs of realisation of the assets?	Yes, the foreclosure and recovery costs will reduce the Loss Recoveries to be shared on pro rata basis between EIF and Financial Intermediary.
18.	Is the situation under this Instrument acceptable when the SME Transaction defaults during restructuring and recoveries are received after 5 years?	Loss Recoveries, net of recovery costs (if any), recovered or received by the Financial Intermediary in respect of the Loss shall be shared between EIF and the Financial Intermediary pro rata to the Guarantee Rate, regardless of the timing of the amounts being recovered. EIF shall be entitled to its portion of the Loss Recovery up to the date on which the Financial Intermediary, acting in good faith and in commercially reasonable manner determines in accordance with its internal guidelines and recovery procedures that all recovery activities are exhausted and the recovery period for the relevant defaulted eligible SME Transactions shall be terminated.

ELIGIBILITY OF LEASES

	QUESTION	ANSWER
19.	Please specify the requirements for determining Restricted Sectors. Should that be a part of product description in the Expression of Interest?	According to the Call the SME shall not have a substantial focus on one or more Restricted Sectors (which determination of Restricted Sectors shall be made by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant SME). Details on the process would be reviewed and discussed during the Due Diligence process. No details are requested to be provided in the Expression of Interest.

20.	As passenger cars are not allowed to be a subject of leasing under FLPG, on what basis or rules would a car be identified as a "passenger car" (i. e. WV Caddy having 5 seats – commercial or passenger car)?	Passenger Cars are vehicles falling under category M1 "Vehicles designed and constructed for the carriage of passengers and comprising no more than eight seats in addition to the driver's seat", including category G off-road vehicles, as defined in the Order of the State Road Transport Inspectorate under the Ministry of Transport of 2 December, 2008 No 2B-479.
21.	Please confirm that not only new assets are to be financed under the Instrument. Are there any other requirements for the assets financed, except that the lease period can not be longer than the effective economic life-time of the asset?	Yes, not only acquisition of new assets could be covered by the Guarantee. New Leases of used assets are eligible. The applicable requirements for the assets are set in the Call (please see in particular the SME Transaction and SME Portfolio Criteria).
22.	We think that "Lease Period Start Date" definition is unclear. There are cases, when a leasing period has started, but the asset is not available for use, as for equipment leasing with long installation periods.	The Lease Period Start Date is the later of: – the date where a down-payment has been paid by an SME to the Financial Intermediary, and – the date where the leased asset has been made available to the SME for use.
23.	Will a bakery be able to buy a truck under FLPG for Leasing Instrument?	Yes, such SME Transaction will be eligible under the Instrument, provided that all other Eligibility Criteria are met.
24.	The lease-back is only valid if the asset was bought not later than 3 months ago. Could this period be negotiable?	The Call was amended with this respect on the 14th September 2011. The amended provision of the Call reads: SME Transaction shall not be a lease-back transaction entered into for cash flow management purposes. However if an SME Transaction involves a purchase of an asset directly from a third party vendor, selling it to the Financial Intermediary and subsequent leasing the asset back from the Financial Intermediary, such SME Transaction shall deem to be eligible, provided that the period of time which would elapse from the purchase of the asset by the SME until the Lease Period Start Date does not exceed 6 months.
25.	Is railroad transport excluded from the scope of the FLPG for Leasing?	The railroad transport is eligible under FLPG for Leasing as it is in line with the De Minimis Aid requirements.
26.	If at the end of the Availability Period the Actual Volume is lower than Agreed Volume, what will happen if certain industry sector comprises more than 20% of the portfolio?	The industry sector limitation expressed by NACE code – Rev.2. Division is set on the Agreed Volume and such concentration limit needs to be met at all times.

MISCELLANEOUS

	QUESTION	ANSWER
27.	Who should apply – a bank or a leasing company?	The Applicant should be an institution who is directly providing financial leases (is authorised to implement the Instrument).
28.	Would the Financial Intermediary be obliged to calculate De Minimis Aid received by SMEs? If yes, what is the method for calculating the amount of aid received?	Yes, the selected Financial Intermediaries shall be responsible for calculation of De Minimis Aid. A possible formula for the calculation of the Gross Grant Equivalent (GGE) based on the provisions of article 15 of the De Minimis regulation is: 13.33%*Guarantee Rate (80%)*Capital Amount.
29.	Who would provide the Financial Intermediaries with the data about De Minimis Aid received by SMEs, and how?	Financial Intermediaries, implementing the Instrument, will receive an access to the electronic State Aid Register database supervised by the Competition Council of the Republic of Lithuania. All the data could be easily found in this electronic database.

30.	Please clarify this requirement: "A Financial Instrument shall either be set up as an independent legal entity governed by agreements between the co-financing partners or shareholders or as a separate block of finance within a Financial Intermediary".	This requirement comes from the relevant Structural Funds regulations. In the case a Financial Instrument is set up as a separate block of finance within a Financial Intermediary, separate accounts are kept which distinguish the new resources invested in the Financial Instrument from the resources initially available in the Financial Intermediary.
31.	What should be provided under the part (c) point (bb) of Expression of Interest?	Size of the portfolio means an expected portfolio in terms of number of SMEs and volume of Eligible SME Transactions.
32.	Should the client have to be informed that he receives a Guarantee?	Yes, according to Structural Funds and De Minimis Aid requirements. Reference is made to the Publicity requirements under the Call for Expressions of Interest No. JER-004/6, as well as further requirements to make reference to the Guarantee Agreement in the documentation governing each SME Transaction.