

InvestEU - Portfolio Guarantee Products

FREQUENTLY ASKED QUESTIONS

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In accordance with the provisions of the Call for Expression of Interest published on the EIF's website to select Financial Intermediaries under one or more InvestEU Portfolio Guarantee Products, you will find below a list of some of the most commonly asked questions.

Unless defined otherwise in this FAQ, all capitalized expressions used in this document shall have the meaning attributed to them in the above-mentioned Call for Expression of Interest (hereinafter also expressed as "Call").

This document provides some information on the terms of the InvestEU Portfolio Guarantee Products and its related documentation. This document is not, and should not be construed as, a binding document. It does not provide a detailed description of any party's rights and obligations under the Individual (Counter-) Guarantee Agreement and should not be used to construe any of the terms set out thereunder. This document is qualified in its entirety by the terms and conditions contained in the relevant Individual (Counter-) Guarantee Agreement. This document does not constitute an offer of any nature whatsoever and does not create any binding obligations on EIF to enter into a contract with any third party in relation to the InvestEU Portfolio Guarantee or otherwise.

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1) What are the steps for an Applicant to become a Financial Intermediary under InvestEU?

An Applicant may become a Financial Intermediary under InvestEU provided that it:

- a) complies with formal criteria as described in the Call;
- b) completes and submits its “Expression of Interest” within the deadline and in accordance with the other provisions outlined in the Call;
- c) is selected by the EIF as a potential Financial Intermediary under InvestEU for one or more InvestEU Portfolio Guarantee Products pursuant to the selection procedure outlined in the Call, taking into account the relevant assessment criteria;
- d) receives the necessary InvestEU and EIF governing bodies’ approvals as described in the Call; and
- e) enters into the relevant Individual (Counter-) Guarantee Agreement with EIF.

2) Can an Applicant submit a single application covering more than one InvestEU Portfolio Guarantee Product?

Yes. Under InvestEU, Applicants can submit one application covering one or more InvestEU Portfolio Guarantee Products. As part of its application, the Applicant should elaborate on its implementation strategy and capacity to implement more than one InvestEU Portfolio Guarantee Product in the same timeframe.

3) Can applications from entities outside the EU be considered?

Currently, only applications from entities established and operating in EU Member States or OCTs (Overseas Country or Territory as set out in Annex II to the Treaty on the Functioning of the European Union) are eligible to benefit from a (Counter-) Guarantee. Additional countries may become eligible over time.

4) What is the early detection and central exclusion database (the EDES¹ database)? What are the consequences of a Final Recipient, Financial (Sub-) Intermediary being listed on the EDES database?

The Early Detection and Exclusion System (EDES) database was established by the European Commission to reinforce the protection of the EU’s financial interests and to ensure sound financial management. The EDES database gathers all the economic operators – companies, organisations or natural persons - which have been excluded from EU funding to protect EU financial interests. Reasons for exclusion include:

- bankruptcy and insolvency situations;
- non-payment of taxes or social security contributions;
- grave professional misconduct;
- fraud, corruption, participation in a criminal organisation, etc.;
- serious breach of contract;
- irregularity; or
- entities created with the intent to circumvent fiscal, social or other legal obligations (i.e. creation of shell companies).

In the context of InvestEU, if listed in the EDES database, such applicants shall not be selected as Financial Intermediaries, and Final Recipients and Financial Sub-Intermediaries shall be deemed as ineligible.

In this respect, Financial Intermediaries have to represent (and obtain the same representation from the Final Recipients and Financial Sub-Intermediaries, as applicable) that they are not, to their knowledge, included in the EDES database at the time of entering into the relevant Guarantee Transaction.

5) Is there any consequence for the Financial Intermediary if the Committed (Counter-) Guarantee Volume is not reached during the Inclusion Period?

No financial penalty will be applied if the Committed (Counter-) Guarantee Volume is not reached during the Inclusion Period. However, the Committed (Counter-) Guarantee Volume may be reduced during the Inclusion Period if the Financial Intermediary materially lags behind its Portfolio(s) ramp up time schedule as set out in

¹ [EDES \(europa.eu\)](https://europa.eu)

the Individual (Counter-) Guarantee Agreement. In the case of SME Competitiveness, Higher Risk 2 Category, the (Counter-) Guarantee will be terminated or the Committed (Counter-) Guarantee Volume will be reduced in case the Financial Intermediary does not reach certain thresholds.

6) Can the (Counter-) Guarantee Fee be paid upfront?

EIF may agree to the upfront payment mechanism of the (Counter-) Guarantee Fee, on the basis of the scheduled contractual repayment profile of each Final Recipient Transaction and using an appropriate discount factor.

The upfront payment of the (Counter-) Guarantee Fee shall not be available with respect to any Portfolio that includes Subordinated Debt Transactions or where a material portion of the portfolio is expected to comprise of Revolving Final Recipient Transactions.

7) How should an assessment of Small Mid-caps be made under the InvestEU Portfolio Guarantee Products?

Small Mid-caps are defined as entities with fewer than 500 full-time equivalent employees and that are not SMEs as defined in the Commission Recommendation 2003/361/EC.

The Financial Intermediaries shall first assess whether the prospective Final Recipient is an SME in accordance with the Commission Recommendation 2003/361/EC.

If, as a result of such assessment the prospective Final Recipient does not qualify as an SME, then it may qualify as a Small Mid-caps under InvestEU, as long as the number of employees - calculated in accordance with the relevant provisions of Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation 2003/361/EC – is less than 500 full-time equivalent employees.

For the avoidance of doubt, criteria relating to balance sheet total or turnover are not relevant in the context of the Small Mid-cap assessment.

This assessment is performed on the Final Recipient at the time of the signature of the Final Recipient Transaction, or other cases, as further specified in the Individual (Counter-) Guarantee Agreement.

8) Is a company or natural person that received support under previous EIF guarantee instruments (i.e. COSME LGF, InnovFin SMEG etc.) eligible to enter into Final Recipient Transactions under InvestEU?

Yes, provided that the Final Recipient and the Final Recipient Transaction satisfies the requirements of the relevant InvestEU Portfolio Guarantee Product as further set out in the Individual (Counter-) Guarantee Agreement.

9) Are extensions/rollovers and/or conversions of Revolving Final Recipient Transactions allowed? How will any of these be treated?

Yes, extensions/rollovers and/or conversions are permitted subject to and in accordance with the terms of the Individual (Counter-) Guarantee Agreement. Any extension of maturity, replacement, or conversion of a Revolving Final Recipient Transaction shall not be treated as a new Final Recipient Transaction.

10) Is refinancing of a debt financing transaction eligible to be included under the InvestEU Portfolio(s)?

Refinancing of a debt financing transaction (i.e. replacing existing external indebtedness) is eligible only in the following cases:

- f) In the case of debt financing that is in the form of a 'Solvency Support Final Recipient Transaction' under SME Competitiveness – Higher Risk Category 3 Product, or
- g) where the amount allocated to the refinancing of an existing debt financing does not exceed 10% of the initial principal amount of the Final Recipient Transaction.

11) Can a Financial (Sub-) Intermediary extend the maturity of a Final Recipient Transaction covered by the (Counter-) Guarantee?

Yes, extension of the scheduled maturity is permitted, subject to the terms and conditions of the Individual

(Counter-) Guarantee Agreement signed by the Financial Intermediary and the EIF. In the case of Revolving Final Recipient Transactions, the term of the Revolving Final Recipient Transaction shall not be extended by more than (24) months per extension and (ii) the aggregate term of the Revolving Final Recipient Transaction shall not exceed (48) months starting from the day the existing Revolving Final Recipient Transaction was entered into, except in the case of amendments to improve the collectability of any claims under and/or to avoid any default in respect of the relevant Final Recipient Transactions. Final Recipient Transactions can be rescheduled in line with the credit and collection policies of the Financial (Sub-)Intermediaries and provided that the continuing eligibility criteria or obligations undertaken by the Final Recipient in accordance with the Individual (Counter-) Guarantee Agreement are complied with.

12) In the case of InvestEU Portfolio Guarantee Products that have a Maximum Principal Amount of a Final Recipient Transaction of EUR 7.5 million, in some instances a EUR 2 million threshold applies. Can you please elaborate on which instances such EUR 2 million threshold applies?

The EUR 2 million maximum threshold for the amount of the Final Recipient Transaction applies only in the case where the Financial (Sub-) Intermediary is a National Promotional Bank or Institution and the respective Financial (Sub-) Intermediary is also directly financing the Final Recipient.

This means, that in the case of direct guarantees the EUR 2 million threshold always applies when the Financial Intermediary is a National Promotional Bank or Institution and in the case of counter-guarantees this threshold is applicable when the Sub-Intermediary providing the Final Recipient Transaction is a National Promotional Bank or Institution.

13) Can you please elaborate on the Obligor Limits requirements? Can a borrower benefiting from an InvestEU guarantee benefit from more than one debt financing transactions?

Obligor limits refer to the maximum aggregate outstanding principal amounts of Final Recipient Transactions with the same Final Recipient. In case the Final Recipient is an SME, the Obligor Limit takes into account the aggregate principal amounts outstanding under all Final Recipient Transactions entered into by the Financial (Sub-) Intermediary with the same Final Recipient under an Individual (Counter-) Guarantee Agreement. Where the Final Recipient is a Small Mid-cap, the Obligor Limit shall also include any other InvestEU supported debt financing provided by the Financial (Sub-) Intermediary or any other entity implementing InvestEU, as evidenced in the self-declaration to be provided by the Small Mid Caps.

The amount of the Obligor Limit is dependent on the applicable InvestEU Portfolio Guarantee Product(s).

A Final Recipient is potentially eligible to benefit from several Final Recipients Transactions provided that at any time the aggregate outstanding principal amounts of the Final Recipient Transactions do not exceed the applicable Obligor Limit amount as specified in the Individual (Counter-) Guarantee Agreement of the relevant InvestEU Portfolio Guarantee Product. The applicable Obligor Limit depends mainly on the InvestEU Portfolio Guarantee Product: for example, under the Sustainability Guarantee, for certain Green Investments, the standard Obligor Limit of EUR 7.5m can be increased to EUR 15m. Cumulatively, a Final Recipient could receive up to EUR 7.5m plus an additional EUR 7.5m which could only be used for specific thematic investments as set out in the eligibility criteria.

14) Can you please explain what is the exchange rate to be used in order to compute the EUR equivalent thresholds set in the Call documents in case of Final Recipient Transactions denominated in a currency other than EUR?

For the purpose of calculating the non-EUR equivalent of relevant EUR thresholds set out in the annexes to the Call, the Individual (Counter-) Guarantee Agreements shall specify the exchange rate to be used for the respective calculations, this being either:

- a) the foreign exchange reference rate displayed by the European Central Bank on its website and which is based on the daily consultation procedure between central banks within and outside the European System of Central Banks; or
- b) if such rate is not or is no longer available at the relevant time, the relevant foreign exchange rate displayed by the national central bank of the Member State where the Financial (Sub-) Intermediary is established and/or operating;

as at the signature date of the Individual (Counter-) Guarantee Agreements. Such exchange rate will be fixed throughout the Inclusion Period.

15) In case of a group of linked or partner enterprises, can one entity be the borrower and another entity satisfy the Product Eligibility Criteria?

Yes, this is allowed in the case of the following InvestEU Portfolio Guarantee Products:

- a) Innovation and Digitalisation Portfolio Guarantee Product;
- b) Sustainability Portfolio Guarantee Product; and
- c) Cultural and Creative Sectors Portfolio Guarantee Product

and provided that the entity satisfying the relevant Product Eligibility Criteria:

- a) is a partner or linked enterprise in the meaning of the Commission Recommendation 2003/361/EC
- b) is fully benefiting from the debt financing.

In such cases, both the company that enters into the Final Recipient Transaction and the entity satisfying the Product Eligibility Criteria and benefiting from the financing shall be subject to the Final Recipient eligibility criteria checks and requirements.

16) Can the disbursed amount under a Final Recipient Transaction be used to cover fees/administrative costs applied by the Financial (Sub-) Intermediary?

Yes, this is permitted if in line with the Financial (Sub-) Intermediary’s credit and collection policies.

17) What are the conditions under the InvestEU programme for combination of InvestEU Portfolio Guarantee Products with grants from other Union programmes?

Under InvestEU programme the combination of InvestEU Portfolio Guarantee Products with grants from other Union programmes are allowed subject to the conditions outlined below, noting that such conditions represent requirement under InvestEU. Separately, there may be rules attached to grants and/or Union programmes that need to be observed.

The conditions of such combination are laid down in the Individual (Counter-) Guarantee Agreement. In particular, Final Recipients shall undertake in the relevant legal documentation that:

- a) a grant from a Union programme will not be used to reimburse the relevant Final Recipient Transaction; and
- b) the Final Recipient Transaction is not used to pre-finance a grant from a Union programme.
- c) the combination of support from the InvestEU Fund and from other Union programmes must not exceed the total project cost of the investment financed by the Final Recipient Transaction. In the case of portfolio guarantees support from the InvestEU Fund shall mean the principal amount of the Final Recipient Transaction.

The combination of InvestEU Portfolio Guarantee Products with grants from national budgets of Member States is not limited by InvestEU.

18) Can a Guarantee Transaction included in a Portfolio be covered by an additional guarantee or similar credit protection arrangement?

Yes. However, Financial Intermediaries shall comply with the Risk Retention provisions as set out in the terms and conditions of the relevant Individual (Counter-) Guarantee Agreement.

In case the Financial Intermediary has signed one or more Individual (Counter-) Guarantee Agreements with EIF covering more than one InvestEU Portfolio Guarantee Products, the Financial Intermediary can include one Final Recipient Transaction in only one Portfolio.

In case the Financial Intermediary is benefiting from (counter-)guarantee protection from more than one implementing partner under InvestEU Fund, the Financial Intermediary shall undertake to only include a given Guarantee Transaction for protection from a single InvestEU implementing partner.

19) Can funding from EIB or other IFIs be used for InvestEU-guaranteed loans?

In principle yes, provided that the rules governing such funding lines allow this. Most importantly, any transfer of benefit or subsidy element that these funding lines generate for the Final Recipients has to be additional to the InvestEU requirements on Transfer of Financial Benefit / Enhanced Access to Finance Measures in order to ensure complementarity.

20) I am an alternative lender providing loans that incorporate equity-kickers. How are features like equity-kickers considered in the context of the Transfer of Financial Benefit requirements?

Equity kickers arrangements are excluded from the calculation of the Transfer of Financial Benefit. However, in case of any Upside, the Upside Sharing provisions must be complied with, as applicable, i.e. the Upside is shared between the EIF and the Financial (Sub-) Intermediary in accordance with the terms of the Individual (Counter-) Guarantee Agreement.

21) Can the proceeds of a loan, where such loan complies with a Product Eligibility Criterion requiring an eligible investment or project, be used to reimburse the borrower's own resources when such resources have already been advanced towards such investment or project?

Yes, provided that, in the case of:

- a) loans qualifying as investment loans for the purpose of financing a project in line with the Financial Intermediary's credit policy, and the project has not been completed prior to receipt of the loan application by the Financial Intermediary; OR
- b) loans qualifying as investment loans in line with the Financial Intermediary's credit policy, and the relevant asset(s) was paid from own resources (partially or in full) after the loan application for such investment was received by the Financial Intermediary; OR
- c) in the specific case of leasing, where the Final Recipient is purchasing the asset directly and then selling it to the leasing company (sale-and-leaseback) for the purpose of financing, this may also be eligible provided it is done in anticipation of the leasing being provided.

22) Can a Final Recipient Transaction financing an investment in a renewable energy asset be covered by an InvestEU Portfolio Guarantee Product, where the energy generation would subsequently benefit from a feed-in tariff type of support?

Yes, Final Recipient Transactions financing investments in renewable energy assets that subsequently receive feed-in tariffs for the generation of energy are eligible, in line with the applicable national laws.

23) In the context of the following eligibility criteria under Innovation and Digitalisation portfolio guarantee product: "The Final Recipient has registered at least one technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other products for which such supplementary protection certificates may be obtained, plant breeder's certificate or software copyright) in the last 36 months, and the Final Recipient Transaction purpose is to enable, directly or indirectly, the use of this technology right." - are registered international trademarks or registered national trademarks also an eligible technology right?

Technology related trademarks are considered as eligible technology rights under this eligibility criteria.