



## COSME Loan Guarantee Facility

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### -FREQUENTLY ASKED QUESTIONS-

### COSME LGF COVID -19 SUPPORT MEASURES

published on 6 April 2020 and updated on 15 December 2020

In accordance with the provisions of the [Call for Expression of Interest](#) published on the EIF's website to select Financial Intermediaries under the COSME LGF, you will find here below a list of some of the most commonly asked questions with respect to **COVID-19 Support Measures** implemented under COSME LGF. Please read these FAQ before contacting the EIF. This document covers only **COVID-19 Support Measures** and complements the frequently asked questions - [FAQ document published here](#) with respect to the general implementation of COSME LGF.

If your question is not answered below and you believe it would be a good addition to the FAQ list, please send your suggestions by [email](#), including in the title of the email "FAQ – COVID".

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<sup>i</sup>.

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## 1. What are the COVID-19 Support Measures under COSME LGF?

The Call for Expression of Interest introduces the **COSME LGF COVID-19 Sub-window**, a specific guarantee envelope under COSME LGF dedicated to support working capital finance.

In addition to this additional budgetary envelope that has been made available under the **COSME LGF COVID-19 Sub-window**, certain terms & conditions under the guarantee facility have been modified to enable financial intermediaries to better respond to extraordinary circumstances ("**COVID 19 Support Measures**").

The Addendum to the indicative COSME LGF Term sheet and COSME LGF Counter-guarantee term sheet ("[COVID -19 Addendum](#)") sets out the COVID 19 Support Measures.

These measures will be effected on the request of financial intermediaries. The measures concern

1. the treatment of existing SME financing portfolios under the COSME LGF (i.e. financing provided prior to the amendment of this Call for Expression of Interest) and
2. the treatment of new Final Recipient Transactions to be generated in line with the COVID-19 Addendum.

They will include, inter alia:

- Allowing for credit holidays, postponement and rescheduling in the existing and new SME financing, therefore alleviating the financial pressure and the liquidity constraints of SMEs during the COVID-19 crisis;
- Providing an increased guarantee coverage to financial intermediaries extending working capital financing to SMEs, therefore incentivizing an increased availability of working capital to SMEs in need of it;
- Offering a cover of capitalised interest of up to 360 days for the financing provided to SMEs provided that no default has been declared and no acceleration instilled, therefore creating incentives for intermediaries to support repayment flexibility to SMEs;
- Lowering certain requirements to the financial intermediaries (e.g. the risk retention) to support them increase their lending to more SMEs during the COVID-19 crisis;

## 2. Who can benefit from the COVID-19 Support Measures?

All new and existing COSME LGF financial Intermediaries established in the EU Member States as well as the COSME Participating Countries may benefit from COVID-19 Support Measures.

While the new EFSI budgetary resources for the COSME LGF COVID-19 Sub-window are only available to Financial Intermediaries established and operating in EU Member States, the improved conditions made available COSME LGF COVID-19 Sub-window are available to all Financial Intermediaries established in any Participating Country<sup>1</sup>.

For avoidance of doubt, already selected Financial Intermediaries that are located in a Participating Country outside the EU Member States have the immediate possibility of benefitting from the improved conditions made available under the COSME LGF COVID-19 Sub-window, under the terms of the existing Guarantee Agreement, provided that no additional Guarantee Cap Amount would be required. Interested Financial Intermediaries should contact EIF at the following e-mail address: [cosme.lgf@eif.org](mailto:cosme.lgf@eif.org).

### **3. How can a financial institution access COVID-19 Support Measures under COSME LGF?**

Existing Financial Intermediaries (i.e. already having entered into a Guarantee Agreement under COSME LGF) that wish to take advantage of COVID-19 Support Measures are requested to execute the amendment to their (Counter-) Guarantee Agreements, according to the instructions that are set out in the [Notice to Financial Intermediaries](#).

Existing Financial Intermediaries in Member States that wish to increase their (Counter-) Guarantee amount and/or start offering COVID-19 working capital loans or guarantees to cover working capital loans must apply using Annex IB as provided in the Call for Expression of Interest. Financial intermediaries will need to elect if they are applying under **COSME LGF COVID-19 Sub-window**.

New applicants that wish to become Financial Intermediaries under COSME LGF, including with respect to **COSME LGF COVID-19 Sub-window**, will need to apply by using Annex IA, as further set out in the Call for Expression of Interest. Applicants will need to elect if they are applying under **COSME LGF COVID-19 Sub-window**.

### **4. What about applicants, who applied already for COSME LGF but not yet managed to sign the (Counter-) Guarantee Agreement?**

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<sup>1</sup> Please note that at the time of publication of this amended Call for Expression of Interest, the budgetary resources for the COSME LGF are almost exhausted. The EIF will therefore only be able to sign guarantee agreements with Financial Intermediaries in Participating Countries (other than EU Member States) in case additional budgetary resources for the COSME LGF become available.

Such applicants, in order to access **COSME LGF COVID-19 Sub-window**, must apply again using Annex I a or Annex I b, as explained in Question 3 above.

Existing applications, which have not yet resulted in the signature of the (Counter-) Guarantee Agreement by the date of the publication of the amended call for expression of interest (i.e. 6 April 2020) will be processed by EIF subject to the budgetary availability under the Facility. Such applications may incorporate COVID-19 Support Measures, as further set out in the [COVID-19 Addendum](#).

**5. What is the guarantee rate a Financial Intermediary can obtain under COVID-19 Support Measures? To which loans may this be applied?**

Financial Intermediaries may obtain a guarantee rate of up to 80% for all new final recipient transactions supporting working capital included in the Portfolio during the COVID-19 Support Period. Please refer to the [COVID-19 Addendum](#) for full details.

**6. As of 15 December 2020, Financial Intermediaries will have the possibility to extend the COVID-19 Support Period. What is the process for extending the COVID-19 Support Period and when will it now end? (new)**

Financial Intermediaries may elect to extend the COVID-19 Support Period applied to their (Counter-) Guarantee Agreements up until 30 of June 2021 (included) by executing the [NEW COVID-19 Support Period Amendment Offer](#) published on EIF's website. In case the Financial Intermediary does not sign the NEW COVID-19 Support Period Amendment, the COVID-19 Support Period applicable to their Guarantee Agreement will remain unchanged, i.e up until 31 of December 2020 (included).

The latest date for receipt by EIF of the executed NEW COVID-19 Support Period Amendment is 15 of February 2021 (included).

**7. The new budget under COSME LGF Covid-19 Sub-window is dedicated to support working capital. Can Financial Intermediaries include investment loans in the Portfolios?**

The Financial Intermediaries can include investment loans under their current (Counter-) Guarantee Agreements, provided such loans are already eligible. Yet the guarantee rate for such loans will be limited to 50%. The Financial Intermediaries who have increased their counter-guarantee amounts out of **COSME LGF COVID-19 Sub-window** will only be able to use this increase to include loans supporting working capital during the COVID-19 Support Period.

**8. Can Financial Intermediary combine the COSME LGF Covid-19 Sub-window with national programmes aimed at fighting COVID-19 crisis?**

The COSME LGF Covid-19 sub-window must be complementary to Measures taken at national level. For this reason in the Annexes 1a and 1b which are to be used for application to the COSME LGF Covid-19 Sub-window, the Financial Intermediary shall explain how it is making use of existing national schemes (if any), as well as how the Financial Intermediary would foresee the support of the COSME LGF Covid-19 Sub-window with a view to ensure complementarity of such support to the national support scheme activity (-ies).

**9. What criteria must Final recipients comply to benefit from COVID-19 support Measures? Is the support restricted to certain sectors?**

There is not limitation in terms of sector or region, in which a Final Recipient operates.

The Final Recipients must meet all eligibility criteria as per the terms of COSME LGF Guarantee, including the [COVID-19 Addendum](#), e.g. minimum maturity of 12 months, maximum Final Recipient Transaction amount of EUR 150,000, covering working capital, etc.

**10. What types of working capital is permitted under COVID-19 Measures?**

Final Recipient Transaction may cover any form of working capital finance including revolving credit (both credit lines and overdrafts line of credit), term working capital loans, including bridge finance loans, purchase of receivables and invoice discounting (if on recourse to the Final Recipient). However, loans resulting from utilisation of credit card limits remain excluded.

**11. Are loans with maturities less than 12 months eligible?**

No. Final Recipient Transactions must have a minimum maturity of 12 months.

**12. Will there be an extension of the inclusion period in existing guarantee agreements which are still open for inclusions?**

As part of the COVID-19 Support Measures, it is foreseen to provide an extension of the Availability Period by an additional 6 months. Concretely, it shall 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 2023.

**13. Can a refinancing be eligible under COVID-19 Support Measures?**

The same rules which have been present in COSME LGF shall apply, i.e. it shall focus on newly originated Final Recipient Transactions, which shall exclude refinancing transactions which have already been financed by another financial institutions except at maturity.

**14. Can a Financial Intermediary restructure the payment schedule or extend the maturity of loans covered by the (Counter-) Guarantee? Are there any limits? Would it require EIF prior approval?**

The rescheduling of payment schedule or maturity of an existing loan covered by the (Counter) Guarantee is allowed if:

- (i) its purpose is to improve the collectability of the claims under the loan;
- (ii) it is made according to the credit policy of the Financial Intermediary or Financial Sub-Intermediary, as applicable.

Such loans are deemed to be covered from the date of the restructuring, for the purpose of the 10-year COSME guarantee cover period (for avoidance of doubt, any amounts collected following a guarantee call would be deemed to constitute recoveries to be shared *pari-passu* with EIF, including regular payments made according to the new payment schedule).

EIF agrees voluntarily and as a matter of commercial consideration, any prolongation of maturity date, changing repayment schedule of a loan covered by the (Counter-) Guarantee made by the Financial Intermediary in the context of COVID-19 crisis shall in principle be deemed to meet the above conditions and would not require EIF further prior approval. Any postponement of the final maturity of loan would need to be reported to EIF as a Modification.

However, as is the case today, Guarantee Calls must be sent to EIF no later than the COSME Guarantee Termination Date.

**15. Would events of default under the Guarantee be adjusted to cover for loan repayment moratoria?**

The credit events under the COSME LGF, which entitle the Financial Intermediary to call under the (Counter-) Guarantee, are not expected to be modified. The terms of the (Counter-) Guarantee will enable prolongations and rescheduling of loans (please see Question 13). In

addition EIF will extend the cover of accrued interest for Final Recipient Transactions, (please see question 15).

**16. How would the extension of the guarantee cover on the accrued interest work?**

The treatment of the cover of accrued interest in Final Recipient Transactions is described in detail in the COVID -19 Addendum. In case the Financial Intermediary, as a result of a Final Recipient Restructuring during the COVID-19 Support Period does not accelerate a loan nor declare default with respect to the eligible Final Recipient, the Losses will include accrued nominal interest until a period of 360 days. Such interest may be capitalized or deferred by the Financial Intermediary.

**17. What is the portion of exposure that must be retained by the Financial Intermediary?**

In principle, Financial Intermediaries shall maintain economic exposure of at least 20% of the outstanding global principal amount of the Transactions included in the Portfolio. However, in the case of Portfolios covering **COVID-19 Final Recipient Transactions such minimum retained portion is reduced to 10%.**

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