



Clarification Document to the Call for Expression of Interest to select a Financial Intermediary for a Pre-seed Co-investment Fund under the RRF Czech Republic Fund of Funds

The aforementioned Call for Expression of Interest (further “Call”) 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, at latest on **05 May 2023**”.

In accordance with this provision, we hereby present the Clarification Document. Capitalised expressions utilised below shall have the meaning attributed to them in the Call, unless otherwise defined below or the context requires otherwise.

Questions may appear as they have been received without any editing by the EIF and in a random order.

Q1	Can a fund manager registered in another EU member state than the Czech Republic apply for this call?
A1	<p>The Call does not stipulate any requirements regarding the location of registration of the Fund Manager or the Fund beyond those stated in the main text of the Call and section “Other requirements” of Annex III – Pre-seed Co-investment Fund Term Sheet.</p> <p>However, Applicants should not lose sight of the main objective of the envisaged support for the selected Fund as stated in the Call – to increase the number of pre-seed investments in the Czech Republic while supporting the rise of a number of new systematic VC investors on the market by co-investing alongside them. Considering this objective, it is expected that, despite a potential broader geographic focus of the Fund as allowed by potential additional capital committed to the Fund from sources of funding other than the RRFCZ FoF, the selected Fund Manager will have significant local presence in the Czech Republic to be able to deploy the Fund as intended.</p>
Q2	Would a pre-seed fund registered in another EU member state and already investing (but not yet closed) qualify for this call?
A2	<p>In principle yes, if it complies with the various terms and requirements stipulated in the Call and is compatible with the stated objective.</p> <p>As a further clarification regarding this point, please note that, as stated in section 5. of the main text of the Call, the various legal entities related to the Fund (Fund Manager, Fund itself, carried interest vehicle, etc., as applicable) must be described, but not necessarily established at the time of submission of the Expression of Interest.</p>
Q3	Does a fund with a global geographic scope qualify for this call, provided that only the potential investment made by EIF would be allocated towards Czech final recipients, while the remaining fund portfolio will include non-Czech companies?
A3	Yes, however, please note the answer to Q1.

	Also, to further clarify, please note that, as stated in the Call, resources committed to the Fund by the EIF may potentially come also from additional sources of funding which may have a broader geographic scope than the Czech Republic – in such case, the minimum allocation to Czech final recipients (as stipulated in section “RRF Final Recipient” of Annex III – Pre-seed Co-investment Fund Term Sheet) would be based on the resources committed to the Fund by the EIF specifically from the RRFCZ FoF only. The EIF will make a decision on the potential allocation of such additional resources (whether and how much) during the selection process.
Q4	Are final recipients who have a subsidiary in the Czech Republic, but have HQs registered in another EU state eligible for investments under this program?
A4	All requirements for Final Recipients and RRF Final Recipients (as a subset of Final Recipients) are stipulated in the correspondingly titled sections of Annex III – Pre-seed Co-investment Fund Term Sheet. Assuming your question concerns an interpretation of the geographic criterion for RRF Final Recipients, which, as stated, is based on the investee’s country of establishment and/or the country where it is mainly operating (assessed at group level as per the referenced SME definition), note that the country of establishment reflects the country where the investee company is incorporated. An investment in a company incorporated outside the Czech Republic and with main operations also outside the Czech Republic, but with a subsidiary in the Czech Republic, would not meet this criterion. Answer to Q1 may also be of relevance here.
Q5	Would startups from other EU member countries participating in a 5-6 months long international business acceleration program in the Czech Republic be eligible as final recipients?
A5	Yes, as long as they meet the terms for Final Recipients and RRF Final Recipients stipulated in the Call and the overall strategy is compatible with the objective stated in the Call. For the avoidance of doubt, attracting start-ups from outside the Czech Republic to the Czech Republic can be part of the Fund’s strategy, as far as the investees fulfil the requirements for Final Recipients and RRF Final Recipients stipulated in Annex III – Pre-seed Co-investment Fund Term Sheet.
Q6	Can the final recipients use part of the investment proceeds to pay for international acceleration services provided by the fund manager and/or a related company with relevant experience?
A6	Fund managers are not allowed to earn money directly or indirectly by providing services to companies, unless additional earnings received from such services are offset against management fees.
Q7	For a fund that is actively fundraising, what is the expected timeline of capital payments by EIF from the time of announcing the selection results?
A7	The standard practice for venture capital funds is to call capital out of investors’ capital commitments to the Fund on “as needed” basis, i.e., only when the capital is required for investments and payment of management fees and fund expenses. As soon as the Commitment Agreement is signed and the Fund is operational, capital can be called for these purposes. The selection would be formally confirmed by an approval of a proposed commitment to the Fund by EIF’s governing bodies, following which the Commitment Agreement can be negotiated and signed. The timeline for such signature would significantly depend on the selected Applicant and the readiness of the legal documentation – typically this may take about three months after the mentioned approval, though the process may also be slower or faster.
Q8	Are there any EIF predefined reporting requirements/templates for the fund manager?

A8	The EIF uses standardised reporting templates for funds in its portfolio. These may be shared during the selection process.
Q9	Does EIF expect the application to address all aspects of the proposed fund in a fully complete, unequivocal and binding way, or is it possible, in the further stages of the selection process, to update, adjust and finalise certain matters of the proposal based on discussions with EIF?
A9	In principle, some aspects of the received investment proposals could be adjusted during the selection process and/or during the negotiations of the Fund’s legal documentation. However, the substance of the submitted investment proposals which represents the core of such proposals and the main elements on which the EIF will base its assessment (the proposed investment strategy, the investment team, etc.) should remain substantially the same.
Q10	While the Call for Expression of Interest outlines 3 stages of the selection process and acknowledges future negotiations of terms and conditions of the Commitment Agreement, it does not explicitly address when the negotiations take place (whether it is during the selection process or only after it). Can you clarify this aspect? Furthermore, is it possible to indicate which aspects of the proposal could be subject of negotiation?
A10	In principle, negotiations on the Commitment Agreement take place only after the selection process is finalised, a moment formally marked by the approval of EIF’s proposal for a commitment to the Fund by its governing bodies, although aspects of the Commitment Agreement may be discussed already before such approval. It is not possible to name the aspects that could be subject to negotiations, they are reviewed on case-by-case basis.
Q11	With regards to the Eligibility Criterium 1.7, is there any threshold the application needs to meet in order to pass the requirements?
A11	No, however, we expect to see an adequate commitment of the Fund Manager in the Fund. Note that the element is further described in section “Fund Manager’s commitment” in Annex III – Pre-seed Co-investment Fund Term Sheet.
Q12	With regards to the Eligibility Criterium 1.11, what level of detail is expected in order to pass the requirements?
A12	The eligibility assessment and the Eligibility Criteria, unless very specific (e.g., the Expression of Interest was submitted within the Deadline or was submitted by e-mail), are not intended to set thresholds that would significantly reduce the number of Applicants proceeding to the quality assessment. The stipulated criteria reflect certain formal and, in our view, easily met requirements as well as other aspects Applicants need to be aware of but for which intentionally no specific definition is provided (such as the criterion 1.11). In a way, these criteria represent a “common sense” test and, in theory, an Applicant would not meet them only insofar as it has not familiarised itself with the Call and has no relevant experience with its subject matter.
Q13	With regards to the Compliance and KYC checks (“Whitelisting”) of private co-investors, is the applicant expected to develop their own procedures, or is there any existing standard operating procedure recommended or required by EIF?
A13	The Applicant should develop its own procedures. It may also rely on various service providers. The stipulated checks should be standard for the investment industry and in line with requirements of national legislation, EU legislation and conditions set out by the RRF, the Czech RRP and its legal framework.
Q14	Is this funding opportunity exclusively for early-stage funds investing in pre-seed and seed rounds of Czech startups, or does it extend to encompass CEE early-stage funds with a base in the Czech Republic as well?
A14	As stipulated in section “RRF Final Recipient” of Annex III – Pre-seed Co-investment Fund Term Sheet, the Fund should have a minimum allocation towards clearly defined Czech start-

	ups, including the definition of the geographic criterion, further elaborated on in the answer to Q4 above. Capital committed to the Fund from sources of funding other than the RRFCZ FoF then provides additional geographic flexibility in terms of the Final Recipients the Fund will be able to invest in.
Q15	What are the minimum fund sizes applicable?
A15	The Call does not stipulate any requirements regarding a minimum size of the Fund. Such size would generally be based on the Fund’s strategy (particularly its portfolio model – capital allocation, number and size of expected investments) and the economic viability of the Fund Manager. Without indicating this as any sort of guidance for Applicants, a Fund with a size below EUR 15m may be difficult to reasonably implement although the EIF remains open to different investment proposals.
Q16	Dose funds under Article 15 applicable?
A16	The question is unclear and we have been unable to identify which Article 15 it refers to.
Q17	Are there special requirements for an accounting system?
A17	No. The Fund Manager should be able to produce financial accounts and reporting as is standard for the investment industry.
Q18	We would like to get more clarification on the Financial Intermediary definition and expectation. Would it be possible to use the small fund definition §15 ZISIF under Czech regulation? Or do you require a fond by law 240/2013 Sb? Or do you expect that the fund will be formed in Luxemburg for example as was so far EIF standard?
A18	<p>Setting up the most suitable legal form and structure of the Fund Manager and the Fund, as well as choosing the relevant jurisdiction, in line with the objectives and requirements of the Call, most notably under section “Other requirements” of Annex III – Pre-seed Co-investment Fund Term Sheet, falls within the responsibility of the Applicant. Whilst the legal form and structure of the Fund Manager and the Fund should be suitable for the purposes of a venture capital fund and are reviewed by the EIF during the assessment and negotiation process, the EIF invests in a broad range of legal structures set up under any EU jurisdiction and does not discriminate between them.</p> <p>Considering that the Fund Manager and the Fund are not required to be incorporated before the Expression of Interest is submitted and the selection finalised, during and after selection the EIF may review the proposed legal structure and give structural input on the basis of its guidelines and policy requirements.</p>
Q19	Can you elaborate on this statement in RRFCZ FoF call: “The EIF shall select one or more Financial Intermediaries to implement the RRFCZ FoF in accordance with the procedure described below.” We understand there is a limited budget allocated to this from the Czech Government, splitting it between two or more Financial Intermediaries might make it non sustainable and definitely not efficient.
A19	<p>The statement generally refers to the RRFCZ FoF under which, as stated in the Call, the EIF indeed expect to ultimately invest in three funds, though the current Call covers the selection of a Fund Manager for a Pre-seed Co-investment Fund only. Nevertheless, section “Fund Manager” of Annex III – Pre-seed Co-investment Fund Term Sheet also states that the EIF may potentially select more than one Fund Manager, however, specifying that this may happen particularly in case additional funding (beyond the EUR 55m currently available under the RRFCZ FoF) becomes available.</p> <p>Applicants should not concern themselves with who else the EIF may select, trying to second-guess how much the EIF may wish or be able to commit to their Fund in light of other Applicants. They should prepare their investment proposals in line with the stated terms and</p>

	requirements to the best of their ability. The investment proposals would indicate the capital commitment sought from the EIF, but such may also be subject to change following discussions between the EIF and the Applicant. For further reference please also see the answer to Q15.
Q20	Is there an expectation that people running the fund would be full time? Our expectation would be you are searching for competent people that will still have other activities to manage.
A20	The team running the Fund should, as a whole, have sufficient capacity and commitment to run it, and should derive significant economic interest from it (in terms of both an upside and a downside, being economically aligned with the Fund), meaning that, generally speaking, the team should not have significant side activities in parallel to running the Fund. Typically this would mean that the core team dedicates all its time, or a substantial majority, to the Fund, and that any potential side activities do not create a potential conflicts of interest. The EIF would need to assess this based on the details of each Applicant’s proposal. Please also consult the Quality Assessment Criteria 2.1.2. in Annex II – Selection Criteria.
Q21	Can you please explain this sentence in RRFCZ: “other investors envisaged and strategy of attracting co-investors, including potential letters of intent” with regards to other statements in the RRFCZ where you are asking for Indicative investment from fund management company and/or the management team into the Underlying Fund and Indicative investment requested under this call; Our reading of this is that there will be a standard few percent investment coming from management team (GP’s) while rest of the fund will be filled from RRFCZ. Or is there an expectation that the management team should bring in some other outside additional investors into the RRFCZ FoF directly?
A21	As stated in the Call, there is no requirement or expectation to have other investors in the Fund besides the EIF and the commitment coming from the Fund Manager, however, it is not prohibited to have other investors in the Fund and it may even be desirable for the Fund Manager.
Q22	We think we understand this completely, but just for the clarification: Can the fund invest on its own or just as a co-investment fund to others (alongside VC funds, business angels and other investors). Is there any criteria to consider? Ratio of the investments and so on?
A22	As stipulated in the Call, the Fund has to co-invest with other investors in every investment it makes. Detailed criteria (including the co-investment ratio) for such co-investments are clearly stated in section “Private Investor contribution and co-investment mechanism” of Annex III – Pre-seed Co-investment Fund Term Sheet. We would like to remind the Applicants that the objective behind the support for the Fund includes support for the rise of a number of new systematic VC investors on the market by co-investing alongside them. In an ideal scenario, some of these co-investors, through their cooperation with the Fund, would be able to build a promising track record and would later go on to set up their own VC funds. In this regard, we would also like to clarify the reference to “a larger number of co-investors” in the abovementioned section – the quoted text does not imply very high diversification in terms of the number of co-investors, but simply emphasizes that the Fund Manager should not aim to agree with a couple of other investors (who may as well simply invest in the Fund directly alongside the EIF) to deploy the Fund, but it should aim to co-invest alongside multiple co-investors whose investment capabilities it would be able to enhance, whether simply by sharing risks and enabling investment rounds for which

	they may otherwise lack capital or by essentially guiding them towards investing in a more professional, structured and systematic manner.
Q23	Can we have a clarification question about Czech and English language requirements? Is it feasible and acceptable to have half of the team speaking Czech & English and second one English only?
A23	As long as the team can demonstrate to the EIF sufficient capacity to deploy the Fund (including language capacity necessary to source, execute, add value to and exit investments), this would be acceptable. For the avoidance of doubt, the Expression of Interest and related documents should be in English, and the Fund's legal documentation and documents exchanged between the EIF and the Fund Manager during the monitoring of the Fund shall also be in English.
Q24	What is the maximum available capital that can be requested as part of this call from RRFCZ?
A24	There is no stated maximum, however, as stated in the Call, the EIF plans to invest in three funds out of the EUR 55m available in the RRFCZ FoF, aside from any potential additional sources of funding it may determine during the selection process. The manner in which the EIF will split this amount is left at EIF's discretion.
Q25	How long does the selection process last? what are the deadlines for each phase?
A25	In principle, we expect the selection process to take six to nine months, resulting in an approval of a commitment to the selected Fund by EIF's governing bodies, after which the EIF and the selected Fund Manager will negotiate and sign the Commitment Agreement in a process that typically takes additional three months. However, there are no specifically set deadlines, the process may be shorter or longer.
Q26	If we are selected, when will we receive the funding? When should the management team put money into the fund? When should the fund start its activities?
A26	As soon as the EIF and the selected Fund Manager sign the Commitment Agreement and the Fund is established. Note however that the capital committed by the EIF to the Fund is not paid in all at once, but, as is standard market practice, is called by the Fund Manager on "as needed" basis, whenever it is needed for investments and the payment of management fees and fund expenses. This concerns any other investors' commitments to the Fund, including the capital committed by the Fund Manager. Please also refer to the answer to Q7.
Q27	Who pays for the foundation of the fund - can it be financed from the management fee?
A27	It is a standard market practice that so-called establishment costs are paid from the Fund (out of investors' commitments to the Fund) on top of the management fees, on a pro-rata basis, and a cap for such costs is defined in the Fund's legal documentation.
Q28	Selection criteria - point 2.3.3 - should we include the names, CVs or just the structure?
A28	This is up to each Applicant, though it would be more difficult to assess this aspect without having any information on such advisers/experts.