

Annex IV (a)

SME Competitiveness Portfolio Guarantee Product

- Specific provisions -

Background	The SME Competitiveness Portfolio Guarantee Product builds on the successful implementation and deployment by EIF of the Competitiveness of Enterprises and Small and Medium-sized Enterprises capped guarantee programme in the previous programming period, 2014-2020 (“COSME LGF”).
EU Policy Objective	The SME Competitiveness Portfolio Guarantee Product aims at improving the competitiveness of enterprises by facilitating access to, and the availability of, finance to SMEs, which are perceived by Financial (Sub) Intermediaries as being high risk or lacking sufficient collateral. Additionally, SME Competitiveness Portfolio Guarantee Product, in the context of Higher risk category 3, will support subordinated lending to SMEs negatively affected by the COVID-19 pandemic, to facilitate their recapitalization needs (including by refinancing existing borrowings). Such instruments can stabilise the financial position of SMEs, improve borrowing capacity and support business investment. The SME Competitiveness Portfolio Guarantee Product will also support trade finance transactions¹ to facilitate imports and exports of European SMEs.
Type of (Counter-) Guarantee	The SME Competitiveness Portfolio Guarantee Product shall be offered by EIF in the form of a Capped (Counter-) Guarantee, except for Higher risk category 3, in which case EIF can offer either a Capped (Counter-) Guarantee or an Uncapped (Counter-) Guarantee.
Applicable (Counter-) Guarantee Rate	The (Counter-) Guarantee Rate shall be: a) up to 50% with respect to Higher risk 1 and Higher risk 2 categories; b) up to 70% with respect to Higher risk category 3; c) notwithstanding a) and b) above, up to 80% with respect to a Final Recipient Transaction where the Final Recipient is established in Just Transition Regions or Cohesion Regions.
Applicable (Counter-) Guarantee Cap Rate	In case of Capped (Counter-) Guarantees, the (Counter-) Guarantee Cap Rate shall be set up to the level of expected loss and shall not exceed 25%.

¹ Regarding export credit support, only where in respect of trade with the Ukraine.

Target Final Recipient	Is an SME falling under the Product Eligibility Criteria.
Product Eligibility Criteria	In order to qualify under the InvestEU SME Competitiveness Portfolio Guarantee Product, Guarantee Transactions shall fall within one of the three below categories: Higher risk category 1: This category shall comprise of Guarantee Transactions, as applicable, with financing features and/or with a focus on one or more categories of SMEs, which are not provided for at all by the Financial (Sub-) Intermediary, or only in exceptional cases, in light of the Financial (Sub-) Intermediary's current credit/guarantee policy and/or financing/guarantee practice, as applicable. Financial (Sub-) Intermediaries should target one or more of the following: 1. Debt Financing to Start-ups or categories of Start-ups that were previously excluded; and/or 2. Debt Financing with existing features to previously excluded categories of SMEs; and /or 3. Debt Financing with new features not currently provided by the Financial (Sub-) Intermediary (e.g. increased maturities and/or reduced collateral requirements); and/or 4. Debt Financing which have previously not been offered by the Financial (Sub-) Intermediary due to their perceived high credit risk (including Subordinated Debt Transactions or participating loans). Higher risk category 2: This category shall cover Final Recipient Transactions or Intermediary Transactions, as applicable, which comprise the most risky Debt Financing in the Financial (Sub-) Intermediary's SME loan book. This option allows the Financial (Sub-) Intermediary to substantially increase its Debt Financing or guarantee volume, as applicable. However, the (Counter-) Guarantee will be conditional on reaching a pre-defined minimum volume of Guarantee Transactions, as applicable, included in the Portfolio during the course of the Inclusion Period. Higher risk category 3: This category shall exclusively cover Guarantee Transactions, qualifying as or, as applicable, covering Solvency Support Final Recipient Transactions. The Solvency Support Final Recipient Transactions shall additionally comply with the following eligibility criteria:

	a) The Final Recipient was established prior to 31 December 2019; b) The Final Recipient's turnover in the financial year 2020, or in the financial year 2021, was at least 5% lower than the turnover in the preceding financial year.
Enhanced Access to Finance Measures Implementation	In the context of both the Capped and Uncapped (Counter-) Guarantee, for the purpose of Enhanced Access to Finance Measures, compliance the requirements under Enhanced Access to Finance Measures Implementation described in Annex II or III shall be considered satisfied under any of the Higher risk categories 1, 2 or 3 ² mentioned above.
Minimum Principal Amount of a Final Recipient Transaction	No minimum amount
Maximum Principal Amount of a Final Recipient Transaction	Means: (i) EUR 7.5 million or EUR equivalent; or (ii) EUR 2 million or EUR equivalent if the Final Recipient Transaction is entered into by a Financial (Sub-) Intermediary which is a National Promotional Bank or Institution.
Minimum Maturity of a Final Recipient Transaction	The scheduled maturity of a Final Recipient Transaction shall not be shorter than 12 months except with respect to Solvency Support Final Recipient Transactions where the minimum scheduled maturity shall be at least 3 years.
Maximum Maturity of a Final Recipient Transaction	No maximum scheduled maturity of the Final Recipient Transactions is required, provided that the coverage of the Final Recipient Transactions shall not extend beyond the Individual (Counter-) Guarantee Termination Date. The EIF may set the maximum scheduled maturity for the Final Recipient Transactions in the relevant Individual (Counter-) Guarantee Agreement.
Obligor Limit	The aggregate principal amounts outstanding under all Final Recipient Transactions entered into by a Financial (Sub-) Intermediary with the same Final Recipient shall not exceed EUR 7.5 million (or EUR equivalent).

² In the context of Uncapped (Counter-) Guarantees, if the Financial Benefit is not above zero, it is considered that all transactions under Higher risk category 3 already comply with the Enhanced Access to Finance Measures Implementation, given that Solvency Support Final Recipient Transactions improve the solvency of Final Recipients.