



## Handbook on JEREMIE Holding Fund Operational Procedures

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# 1. Introduction

## 1.1. Background information

- The Joint Resources for Micro to Medium Enterprises (JEREMIE) initiative was launched in October 2005 by the European Commission Directorate-General for Regional Policy in partnership with the European Investment Fund (the EIF) with the aim of improving SME access to finance in the Member States in the framework of Structural Funds.<sup>1</sup>
- Art. 44 of [Council Regulation \(EC\) No. 1083/2006](#) of 11 July 2006, (“Regulation 1083”) as subsequently amended states that as part of an Operational Programme, the Structural Funds may finance expenditure in respect of an operation comprising contributions to support financial engineering instruments for enterprises, primarily small and medium-sized ones, such as venture capital funds, guarantee funds and loan funds;

Where such operations are organised through holding funds, that is, funds set up to invest in several venture capital funds, guarantee funds, loan funds, urban development funds, funds or other incentive schemes providing loans, guarantees for repayable investments, the Member State or the managing authority shall implement them through one or more of the following forms:

- a) the award of a public contract in accordance with applicable public procurement law;
  - b) when the agreement is not a public service contract within the meaning of applicable public procurement law, the award of a grant, defined for this purpose as a direct financial contribution by way of donation to a financial institution without a call for proposals, if this is in accordance with a national law compatible with the Treaty;
  - c) the award of a contract directly to the EIF or the EIF;
- In the years 2006-2008, the EIF conducted JEREMIE evaluation studies aimed at identifying opportunities for the implementation of the JEREMIE initiative. Evaluation studies were offered free of charge to Member States and regions interested in launching JEREMIE operations and were co-financed 85% by the European Commission and 15% by the European Investment Fund. All together 55 evaluation studies were completed at national and/or regional level in 18 Member States. These evaluation studies<sup>2</sup> comprised chiefly gap analyses, which highlighted the areas in which SMEs encountered a lack of adequate financial support in a given region and/or Member State.

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<sup>1</sup> EU Structural Funds Regulations: Regulation (EC) No. 1081/2006, Regulation (EC) No. 1083/2006 and the Implementing Regulation (EC) No. 1828/2006 as subsequently amended, as well as any other EU legislation from time to time applicable to the EU Structural Funds.

<sup>2</sup> Executive summaries of JEREMIE evaluation studies are available on the website of the Directorate-General for Regional Policy of the European Commission (DG REGIO).

- Since 2007 a number of the Managing Authorities at national and regional level have started establishing holding funds (with and without the EIF) with a view to manage the resources contributed from the respective Operational Programmes through financial engineering instruments.

At June 2010, the EIF had been mandated to manage 11 holding funds with an allocation of above EUR 1 billion, whereas other holding funds have been established without the participation of the EIF.<sup>3</sup>

## 1.2. Benefits of the initiative

The JEREMIE initiative enables Member States to set up market-oriented financial instruments with money from the European Regional Development Fund (ERDF) and the European Social Fund (ESF) for implementation directly or via a holding fund (optional) to support the creation and expansion of micro, small and medium-sized enterprises by provision of repayable forms of assistance such as equity, loans and/or guarantees. Funding from instruments established through JEREMIE may also be combined with business support and institution-building measures which can be also co-financed by Structural Funds.

Importantly, each JEREMIE operation is individually tailored to the needs of each Member State or region following the evaluation of market failures and the appropriate remedies in the context of its Operational Programmes. The developed instruments should also engage other sources of finance outside Structural Funds, including participation of the private sector, and thus should seek to maximise the leverage effect. The flexibility within the portfolio of JEREMIE instruments in each JEREMIE operation allows for a full range of instruments to be offered for the benefit of SMEs in a Member State or region through the use of venture capital, loans or guarantees. Furthermore, the portfolio of instruments used and financial commitments made to these instruments is flexible enabling changes in allocations to be made during the programming period 2007-2013.

The advantages associated with the implementation of JEREMIE through holding funds may include, *inter alia*:

- A highly adaptable toolbox of financial instruments that can be managed flexibly over a period of time: during the financial period 2007-2013. In consultation and cooperation with the Managing Authorities of Operational Programmes, the JEREMIE Holding Fund will be able to re-allocate the resources to various financial instruments and products, depending on the real demand.
- The revolving nature of the portfolio of instruments and the partnership approach with other players, including the private sector, will maximise the long-term impact of the funds as invested JEREMIE resources that are repaid become available for reinvestment.. This is applicable, for example, when returns on investments are received on venture capital investments, or micro-loans or SME loans are reimbursed to micro-finance institutions or financial institutions. Resources are reinvested into the JEREMIE instruments and may be used again in favour of SMEs.

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<sup>3</sup> Updated information is provided in the web-sites of both the EIF and DG REGIO:  
[http://www.eif.org/what\\_we\\_do/jeremie/index.htm](http://www.eif.org/what_we_do/jeremie/index.htm) &  
[http://ec.europa.eu/regional\\_policy/funds/2007/ijj/jeremie\\_en.htm](http://ec.europa.eu/regional_policy/funds/2007/ijj/jeremie_en.htm)

- The JEREMIE initiative will principally enhance the supply of SME finance in the regions, by bringing product expertise and decision on investment schemes at a local level. It will also contribute to improve the regional financial conditions targeting specific areas of need.

### 1.3. Purpose of this document

Through the implementation of the JEREMIE mandates, EIF has gained significant experience in the structure and operation of JEREMIE holding funds as well as the organisation of financial engineering instruments supported by Structural Funds. This experience, together with established framework for implementation of operations under various mandates operated by the EIF, forms a basis for the present "Handbook on JEREMIE Holding Fund operational procedures". It analyses major steps in the implementation of the JEREMIE initiative in detail and in parallel proposes procedures, controls and decision points to ensure that the JEREMIE operation is run in an efficient way. It should be underlined that JEREMIE holding funds are managed by various financial institutions, including but not limited to the EIF, and thus may follow their various operational procedures, support other financial engineering instruments and/or provide other Financial Instruments for SMEs. The purpose of this handbook, however, is not to discuss and examine any particular operational practices of the EIF or of any other institution.

The handbook covers issues concerning the efficient implementation of the initiative from its inception until the launch of the calls for the selection of the Financial Intermediaries to manage the Financial Instruments. It, then, focuses on the selection of the Financial Intermediaries (FIs) and their business proposals in the context of a call for Expression of Interest; it also presents issues related to the post-implementation phase such as the reporting routine and the monitoring tools and procedures at the level of the Financial Intermediaries and the SMEs as well as the closure of both a Financial Instrument and the activities of the JHF.

The modularity of the steps should ensure that the guidelines are of general nature and can be adapted relatively easily to various organisations should they manage a JHF. The graphical representation of the processes will also provide a useful tool in adapting the suggested processes.<sup>4</sup> A number of templates are also proposed and these too can easily be modified in terms of both form and substance.

This document has been produced with the financial assistance of the European Union.

**It should be emphasised that the current handbook provides guidelines on the start-up and implementation of the initiative by a JHF after the signature of the contract between the Managing Authority and the JHF. It does not set benchmarks and should not be regarded as binding for any entity responsible for a JEREMIE mandate. It provides suggestions and presents options that are to be evaluated by a respective JHF. Furthermore, it does not intend to interpret the relevant European Commission Regulations or other related documents (such as the COCOF notes) nor does it provide legal clearance for any actions. In this framework, any subsequent reference to such documents is for information only and should not be considered an exhaustive listing of related documentation.**

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<sup>4</sup> These flowcharts are also included in a separate document accompanying this handbook where they are presented in a larger A3 format for reasons of legibility.

## 1.4. Glossary<sup>5</sup>

Costs Letter	A separate document to the agreement between the JHF and the Managing Authority that regulates all modalities of payments between the two contracting parties as well as of those carried out in order to cover operational expenses of the initiative. The former relate to the management costs of operation of the JHF. The latter may include a variety of expenses such as: legal counselling, marketing and publicity, translation, external audit, treasury, possible seconded staff expenses, as well as remuneration/insurance/expenses of governance bodies. <sup>6</sup>
Due Diligence	Thorough analysis of both the viability of an expression of interest and of the applicant FI itself. It may, <i>inter alia</i> , include the opportunity that the proposed operation constitutes in the national/regional market, the evaluation of the Investment Strategy, the appraisal of the management team and other personnel, the organisation structure and standards of the FI and other terms and conditions of the proposed operation.
Financial Instrument	Such an instrument as a venture capital fund, guarantee or loan scheme launched by the JHF and implemented by a selected FI under the regulatory framework of an Operational Agreement between the FI and JHF.
Financial Intermediary	The entity that is selected for the implementation of a specific Financial Instrument.
Funding Agreement	The agreement between the JHF and the Managing Authority (or any other competent body) for the implementation of the initiative. It sets the responsibilities and rights of the two parties. It presents the activity of the holding fund as well as the role of the Investment Strategy. It provides for the establishment, composition and tasks of any other related entities (such as the Investment Board). It arranges the form that the initiative will take (separate block of finance or separate legal entity) as well as the modalities of the option selected. It regulates the transfer of funds between the contracting parties. It may present general provisions or elements of: treasury guidelines, Terms of Reference and business plan, principles of selection of Financial Intermediaries and terms of Operational Agreements, monitoring, audit, reporting, investment board rules and the winding-up provisions of the JHF. <sup>7</sup>
Head of JHF	Head of the JHF; responsible for the approval of each project and submission to IB.

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<sup>5</sup> Solely for the purpose of the Handbook.

<sup>6</sup> It is noted that eligibility of any expenditure is "laid down at national level subject to the exceptions provided for in the specific Regulations for each Fund" as per article 56 of Reg. 1083/2006.

<sup>7</sup> Elements that are included in article 44 of Reg. 1828/2006.

Holding Fund Activity	Tasks necessary for the achievement of the JHF objectives including, <i>inter alia</i> : preparation and regular revision of the Investment Strategy, preparation of Terms of Reference identification, appraisal and selection of appropriate Financial Intermediaries, negotiation of commercial terms of the Operational Agreements, management of the contributions from the JHF to the FIs, reporting to the Investment Board and to the Managing Authority on the development of the JHF.
JEREMIE Holding Fund	The outline of the structure which is utilised in the Handbook, is one whereby the Holding Fund Activity is carried out by the JHF itself; other structures can be envisaged whereby part or the whole of these functions are carried out by a different external (legal) entity.
Investment Board	<p>The Investment Board, consisting of MA officials and independent members, is responsible for the ultimate approval of each project. The IB members are nominated by the MA. Government officials should ideally have been active in an area of expertise relevant to the initiative and hold a position that would probably accelerate the implementation of the initiative. Independent members may be senior professionals in the financial sector or in a related corporate sector.</p> <p>One or more members of the JHF may attend with the status of reporting officer and/or observer without voting rights.</p>
Investment Committee	Investment Committee (consists of senior representatives of PE, COMPL, RM and LEG); responsible for the approval of each project and submission to HoJ.
Investment Agreement	The agreement between the Financial Intermediary and a SME for each support under a specific Financial Instrument. It sets the responsibilities and rights of the two parties. It may also include general provisions or elements of: reporting by the SME to the FI, monitoring actions by the FI, envisaged exit policy, audit rights of the JHF and other national or European entities, keeping of records in accordance with EU Regulations. It will also explicitly refer to the fact that the funding comes partly from the EU Structural Funds and complies with the objectives of the Operational Programme. It may also establish the right of the FI to recover any amounts that are associated with operations found to be in breach of the SME's obligations.
Investment Strategy	The investment strategy of the JEREMIE initiative in a country or region. It may, <i>inter alia</i> , present the mission and objectives of the mandate and it may, <i>inter alia</i> , include the key findings of the original gap analysis of any subsequent market analysis, elements of investment policy, steps to achieve the mission and objectives, the planning and the proposed Financial Instruments.

Operational Agreement	The agreement between the JHF and a Financial Intermediary for the implementation of a specific Financial Instrument. It sets the responsibilities and rights of the two parties. It presents the Investment Strategy to be followed by the FI. It provides for the establishment, composition and tasks of any other related entities (such as an advisory board, investment committee etc). It may set the modalities of operation of the Financial Intermediary as a legal entity. It regulates the transfer of funds between the contracting parties as well as the treatment of any unutilised portion of them. It may also include general provisions or elements of: reporting by the FI to the JHF, monitoring actions by the FI, envisaged exit policy, management of the portfolio. It may furthermore establish: the audit rights of the JHF and other entities vis-à-vis the Financial Intermediary, the publicity obligations of the FI, the management fees and payment modalities to the FI as well as the exit procedure of the JHF. It may also establish the right of the JHF to recover any amounts that are associated with operations found to be in breach of the Financial Intermediary's obligations.
Project Management	Project management function (person or division); responsible for the initiation, planning and implementation of the initiative.
Project Team	Project Team (consists of representatives covering Project Expert function, Compliance function, Risk Management and Legal); responsible for contributing to the conclusion of each project.
Structural Funds Monitoring Committee	A single or multiple monitoring committee which is/are responsible for the monitoring of the Operational Programmes. The rules of procedure for such a committee are decided by its members; its composition is decided by the Member State in agreement with the managing authority. Among its tasks lie the approval of the criteria for selecting the operations financed by the Operational Programme and the approval of the annual and final reports on implementation.
Terms of Reference	A set of terms that establish a broad framework for the Financial Instrument to be launched. Being part of the call for expression of interest documentation, it indicates the framework in which the submitted proposals by the applicants should lie.

## 1.5. List of abbreviations

ACC	Accounting function
Call for EoI	Call for Expression of Interest
COCOF	Committee of the coordination of the funds
COMM	Communications/publicity function
COMPL	Compliance function
DG REGIO	Directorate-General for Regional Policy of the European Commission
EC	European Commission
EIB	European Investment Bank
ERDF	European Regional Development Fund
FA	Funding Agreement
FI	Financial Intermediary
FIN	Finance function
FM	Facility Management/IT function
FRS	Funded Risk Sharing
HoJ	Head of JHF
HR	Human Resources
IB	Investment Board
IC	Investment Committee
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JHF	JEREMIE Holding Fund
LEG	Legal function
MA	Managing Authority
MoU	Memorandum of Understanding
MS	Member State
OJEU	Official Journal of the European Union
OP	Operational Programme
PE	Product Expert function
PM	Project Management
PT	Project Team
RM	Risk Management function
SF MC	Structural Funds Monitoring Committee
SME	Small and Medium sized Enterprise <sup>8</sup>
SPV	Special Purpose Vehicle
ToR	Terms of Reference

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<sup>8</sup> Definition according to European Commission recommendations of 2003.

## *Groupings of abbreviations*

### **Functions**

The functions below do not bear reference to any physical entity; they may designate a single person or a department within the JHF structure or outside in the case of outsourcing of certain services.

ACC	Accounting
COMM	Communications/publicity
COMPL	Compliance
FIN	Finance
FM	Facility Management/IT
HR	Human Resources
LEG	Legal
PE	Product Expert
PM	Project management
RM	Risk Management

### **Committees**

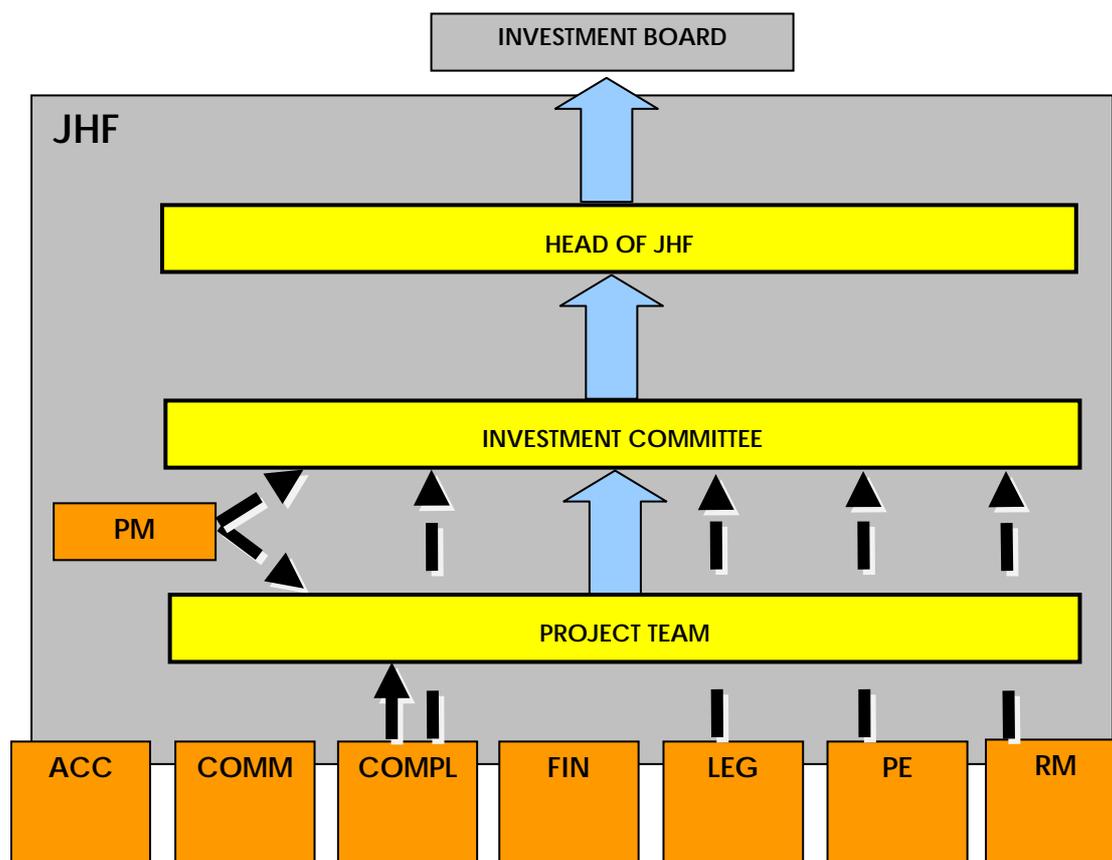
The committees are convened on an ad hoc basis as specified in this handbook.

IB	Investment Board
IC	Investment Committee

### **Decision-making**

PM	Project management function (person or division); responsible for the initiation, planning and implementation of the initiative.
PT	Project Team (consists of representatives of PE, COMPL, RM and LEG); responsible for contributing to the conclusion of each project.
IC	Investment Committee (consists of senior representatives of PE, COMPL, RM and LEG); responsible for the approval of each project and submission to HoJ.
HoJ	Head of the JHF; responsible for the approval of each project and submission to IB.
IB	Investment Board (consists of MA officials and independent members); responsible for the ultimate approval of each instrument.

The graphical representation of the above-mentioned decision-making path and of the corresponding functions and committees matrix is presented below:



## 1.6. Overview of JEREMIE implementation

The current handbook provides guidelines on the procedures for the JEREMIE initiative implementation. The actions performed during the implementation are presented below in chronological order:

The role of implementing the JEREMIE initiative in a country or region is assumed by the JHF, an entity selected by the competent authorities. The two parties sign the *Funding Agreement* which regulates their relations as well as the modalities of the implementation. This agreement also selects the form it will take (either as a separate block of finance or as a separate legal entity) as well as any governance issues. The payment of a management fee or management cost as the case may be to the JHF as well as other payments in order to cover the initiative's expenses are regulated by the *Costs Letter* which forms an integral part of the *Funding Agreement*.

The driving force within the JHF structure is the *Project Management* function (it is designated as function as it may be one individual, a team or a division depending on the structure of the JHF). The JHF should be able to draw resources from a range of corporate competences (such as risk management, accounting, legal, compliance etc) so as to fulfil its duties – this may be also achieved by recruitment, secondments, and/or outsourcing. All these functions are represented within the *Project Team* which is responsible for the conclusion of each project. The internal approval process consists of approval by the *Investment Committee* that consists of senior staff with expertise in the same functions represented in the *Project Team*. The *Head of JHF* is ultimately responsible for each project

that is submitted by the JHF to an outside entity such as the *Investment Board*. The Investment Board is a body consisting of MA officials and independent members that is responsible for the ultimate approval of each project.

The first task of the JHF is to draft the *Investment Strategy* – in collaboration with the Managing Authority - that will set the mission and objectives of the initiative and propose a portfolio of Financial Engineering Instruments for the attainment of the objectives. The Investment Strategy is discussed and approved by the Managing Authority and forms an integral part of the Funding Agreement.

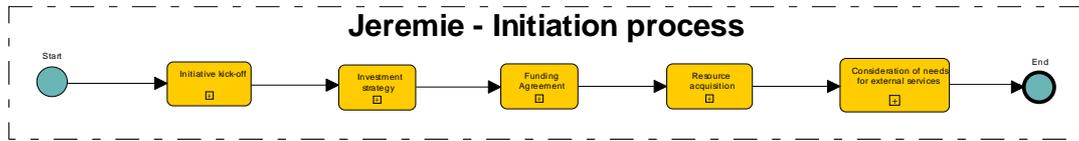
Further to the approval of the Investment Strategy, the JHF prioritises the Financial Instruments and drafts the *Terms of Reference* for each Financial Instrument; these constitute a set of terms that establish a broad framework for the Financial Instrument to be launched. Being part of the call for expression of interest documentation, they indicate the framework in which the submitted proposals by the applicants should lie. The Terms of Reference are drafted with consideration to any implications with State aid and Structural Funds' compliance, as well as to the suitability of the Financial Instrument to the market conditions. They are drafted on the basis of the Operational Programme and shall also comply with the selection criteria as approved by the Monitoring Committee of the Operational Programme.

Further to the approval of the Terms of Reference by the internal hierarchy of the JHF as well as by the Investment Board, the JHF may proceed with a *call for expression of interest* so as to select among the applicants the most competent and capable to assume the implementation of a specific Financial Instrument. The JHF compiles all information necessary for the call (such as the ToR, the selection criteria and requested information by the applicants) and subject to internal as well as Investment Board approval, it launches the call.

The JHF has the responsibility of ensuring that all procedures are met for the transparent collection of applications, their eligibility screening and their short-listing based on the selection criteria. The JHF assumes the responsibility of drawing resources competent to perform a stringent Due Diligence process on the short-listed applicants and enter into negotiations with the most competent one(s) – further to internal as well as IB approval.

Following the launching of the initial Financial Instruments, the JHF is responsible for monitoring the market conditions continuously and revising the Investment Strategy on a regular basis. It is also responsible for all aspects of the initiative and putting a strong emphasis on monitoring of the implementation and evolution of the Financial Instruments as well as on ensuring an information flow from the Financial Intermediaries and to the Investment Board up to the final report.

## 2. Initiation

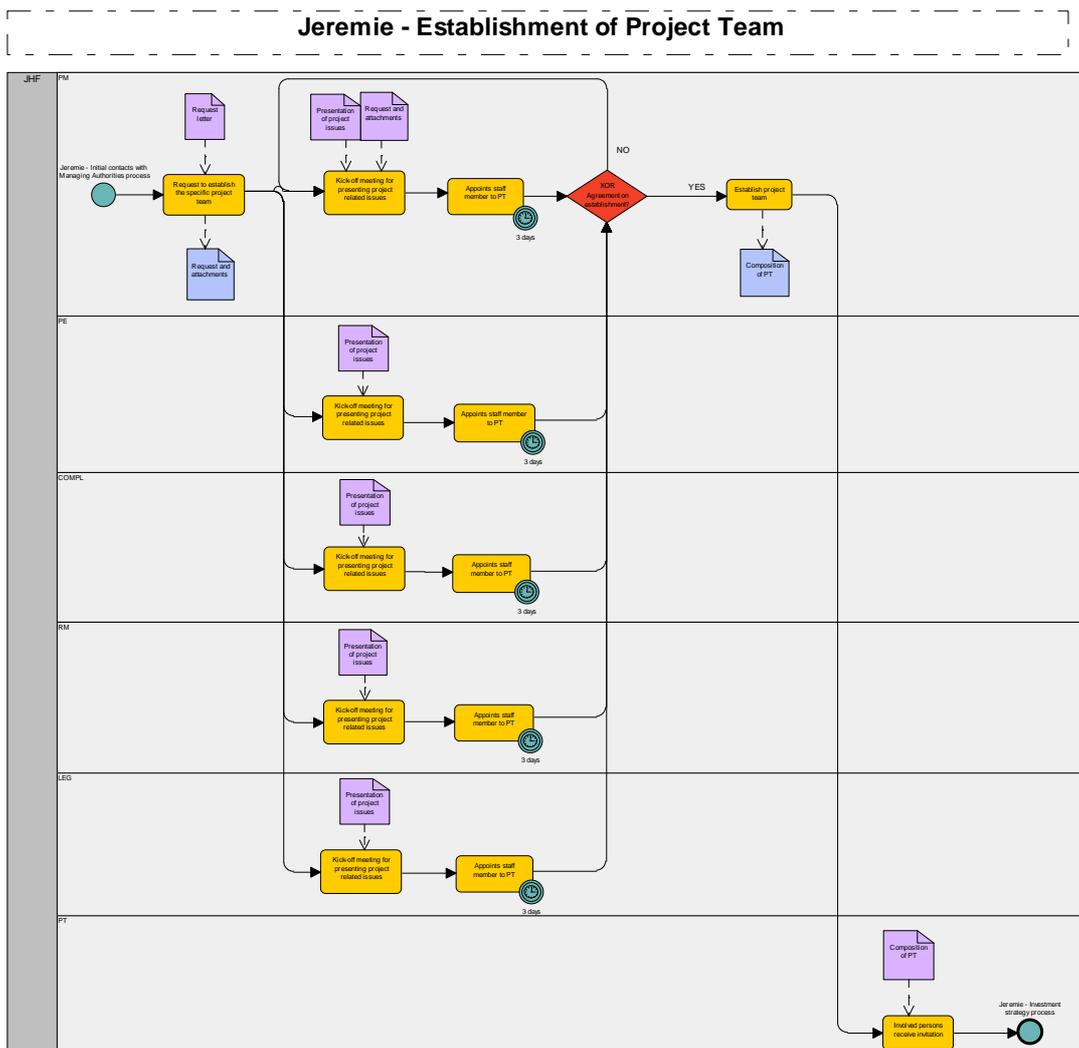


- The initiation phase of the JEREMIE process consists of first steps of the JEREMIE initiative.

### 2.1. Initiative kick off

- The selection of JHF will abide with the provisions on the financial engineering instrument of the EC Regulations on the Structural Funds.
- After the contacts with the competent national or regional Managing Authorities for EU Structural Funds, the establishment of the PT follows.

#### 2.1.1. Establishment of Project Team



- Upon receipt of an official request letter to the JHF from the Member State or region, **PM** requests by means of an e-mail to the Head of PM<sup>9</sup> that a PT needs to be established. The Head of PM submits for consideration all relevant documentation evidencing the expression of interest.

Input: Official request letter

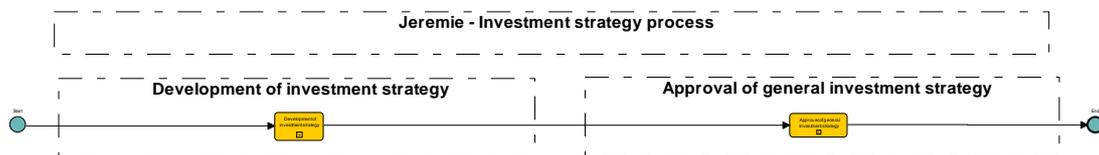
Output: Request e-mail and attachments

- **PM** convenes the kick-off meeting that involves the participation of delegated persons of PE, COMPL, RM and LEG and presents the project-related issues. Within a pre-set number of business days from the kick-off meeting, each delegated person appoints the staff member assigned to the PT and communicates the appointment to the PM staff responsible for the mandate.

Input: Presentation of issues

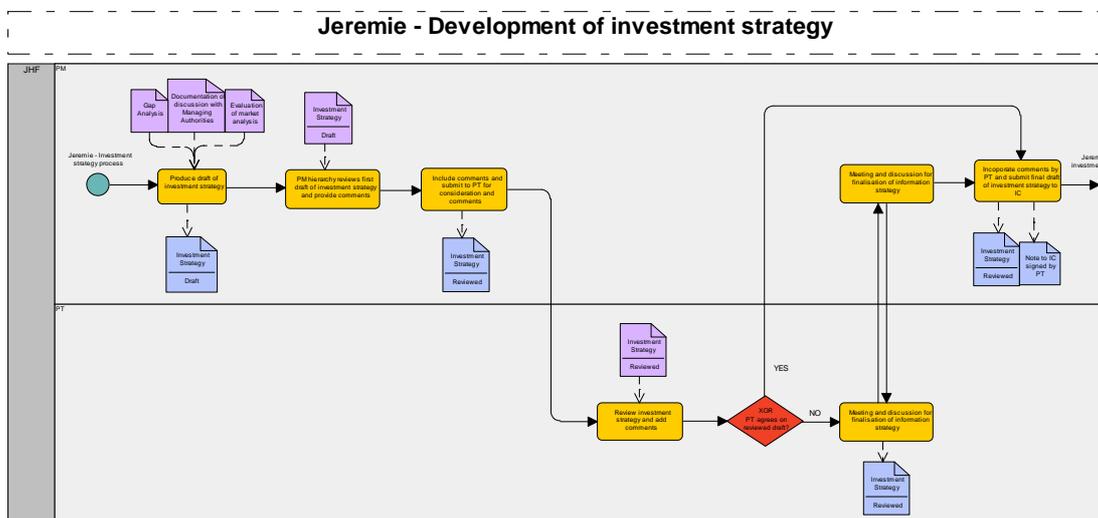
Output: Composition of PT in case of a decision to continue negotiations

## 2.2. Investment strategy



- The Investment Strategy section is split in two processes. After the formulation the approval of the Investment Strategy will follow.

### 2.2.1. Development of an Investment Strategy



- **PM** produces a first draft of a proposed Investment Strategy and submits it to the hierarchy within PM, based on the gap analysis<sup>10</sup> (where applicable) and relevant documentation complemented by extensive discussions with the managing authorities, and / or any other competent mandating authority (-ies) and evaluating the outcome of any further market analysis.

Input: where applicable Gap analysis, relevant documentation

<sup>9</sup> Throughout this document, any reference to the PM liaising with Head of PM presupposes that the respective hierarchy within PM is informed and consulted first.

<sup>10</sup> The Member State gap analysis, or equivalent, is used for a regional mandate if an EIF specific regional gap analysis was not carried out.

Output: First draft of an Investment Strategy (IS 1.0)<sup>11</sup>

- **PM** reviews and provides comments.

Input: First draft of an Investment Strategy (IS 1.0)

Output: Investment Strategy as commented by PM hierarchy (IS 1.1)

- **PM** incorporates the comments and submits the reviewed draft to the PT for consideration and comments.

Input: Investment Strategy as commented by PM hierarchy (IS 1.1)

Output: Investment Strategy for review by the PT (IS 1.2)

- **PT** reviews the document and decides if they agree with it or whether to add comments.

Input: Investment Strategy for review by the PT (IS 1.2)

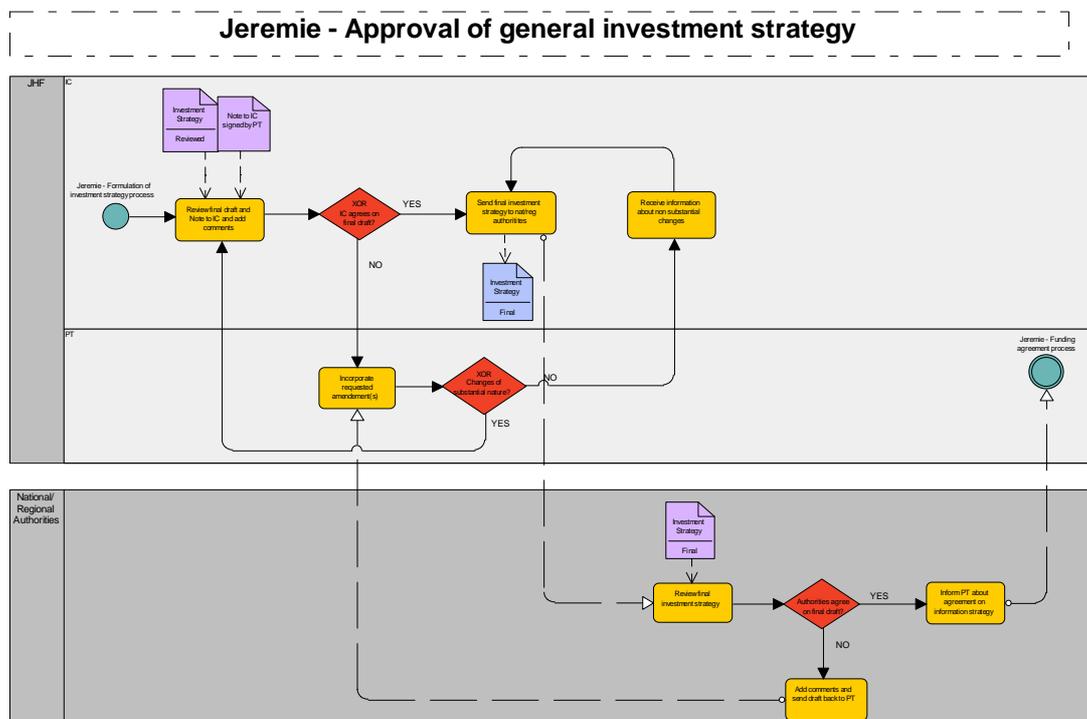
Output: Investment Strategy as commented by the PT (IS 1.3)

- **PM** incorporates the comments made by the PT. Should the need exist, namely in the case of divergence of opinions of the PT members, PM convenes the **PT** for discussion and finalisation of the Investment Strategy which annexed to the Funding Agreement. The final document is approved by the PT with the sign-off of a relevant Note to IC for approval.

Input: Investment Strategy as commented by the PT (IS 1.3)

Output: Final draft of the Investment Strategy; Note to IC

## 2.2.2. Approval of general Investment Strategy



<sup>11</sup> As required by Article 43.6 of EC Regulation No. 1828/2006 of 08/12/06.

- The IC reviews and discusses the Investment Strategy– final draft of the Investment Strategy, as well as the Note to IC. IC members might request amendment(s) to be incorporated by the PT for finalisation and approval.

Input: Final draft of the Investment Strategy; Note to IC (template)

Output: Final Investment Strategy (IS 1.4) with the incorporated IC requested amendments

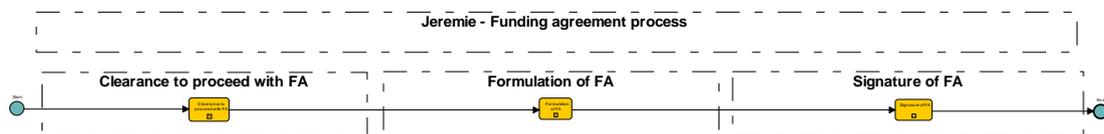
- Further to the IC approval, the Investment Strategy is submitted to the competent national/regional authorities by the PT for finalisation and approval.

Input: Final Investment Strategy (IS 1.4) with the incorporated IC requested amendments

Output: Approved Investment Strategy

- Should substantial differences arise, the Final Investment Strategy is re-submitted for revision, as appropriate, to the PT and to the IC.

## 2.3. Funding Agreement



- The Funding Agreement section is split in three processes. After the approval of the HoJ, the formulation of the Funding Agreement can start. The MA will sign the Funding Agreement after an internal consultation of the relevant JHF services.



- On the basis of the approved Investment Strategy, **PM** drafts a Note to the HoJ requesting the authorisation to enter into a Funding Agreement. The note would outline standard items including but not limited to background, intended legal structure, size, Investment Strategy, envisaged key terms of the FA, foreseen legal risks and mitigation, costs incurred and reimbursement of costs during the negotiation phase.

Input: Final Investment Strategy (IS 1.4)

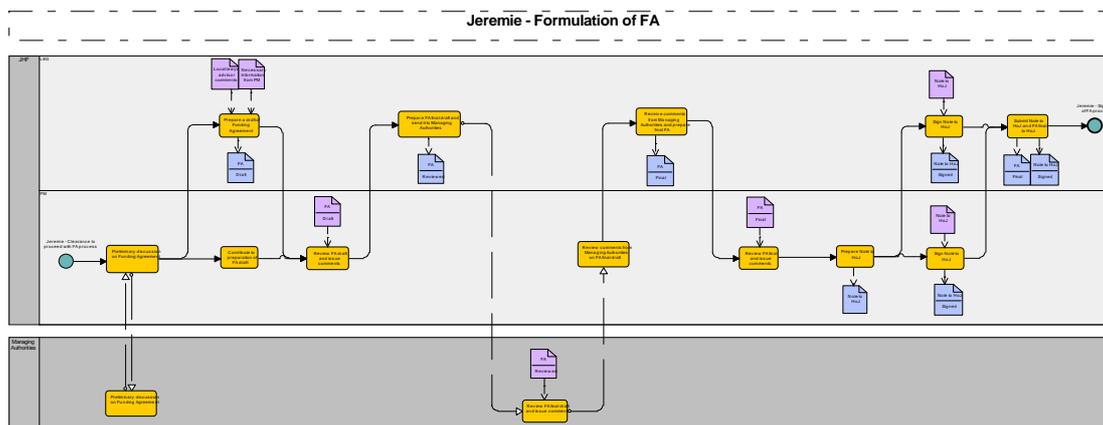
Output: Note to HoJ signed by Heads of PE, COMPL, RM, LEG, FIN

- Should the HoJ not approve the proposal, then the previous process shall be repeated, taking into account HoJ's comments. Ultimately, the HoJ approves the proposal to enter into a Funding Agreement with or without conditions.

Input: Note to HoJ

Output: HoJ authorisation

### 2.3.2. Formulation of Funding Agreement



- The negotiations of the FA with the mandating authorities are jointly pursued by PM and LEG under the lead responsibility of PM. Whereas PM is responsible for the commercial assessment of the mandate (with the help of PE as appropriate), LEG transposes such terms and conditions into a contractual proposal to the MA on the basis of the information provided by PM.
- LEG** prepares a draft of the Funding Agreement with the participation of **PM**. Further to the consent of the JHF, the Funding Agreement is drafted in the local language and if the need arises it is translated into a language of choice. The version drafted in the local language constitutes the prevailing legal text.

The PM provides the LEG with necessary instructions including timetable, commercial features of the envisaged holding fund and related cost reimbursement / coverage structure etc.

The Costs Letter is assumed to constitute an integral part of the FA, and is drafted on the basis of instructions by PM on its features, including specific cost items, amounts / caps, budget plans, dates (for invoices, calculation of amounts) etc.

LEG liaises with the local law advisor to the extent appropriate. Upon confirmation of costs coverage by the Head of PM, LEG appoints a local counsel. Such a decision and its timing lie at its own discretion.

The draft LEG documentation is circulated, reviewed, amended and validated by the relevant JHF services.

Input: PM instructions

Output: Draft FA validated by all JHF services

- Upon receipt of comments from the MA, PM and LEG review them. LEG prepares a revised draft FA and repeats the above-mentioned process until the final LEG documentation is agreed with the MA.

Input: Comments by MA

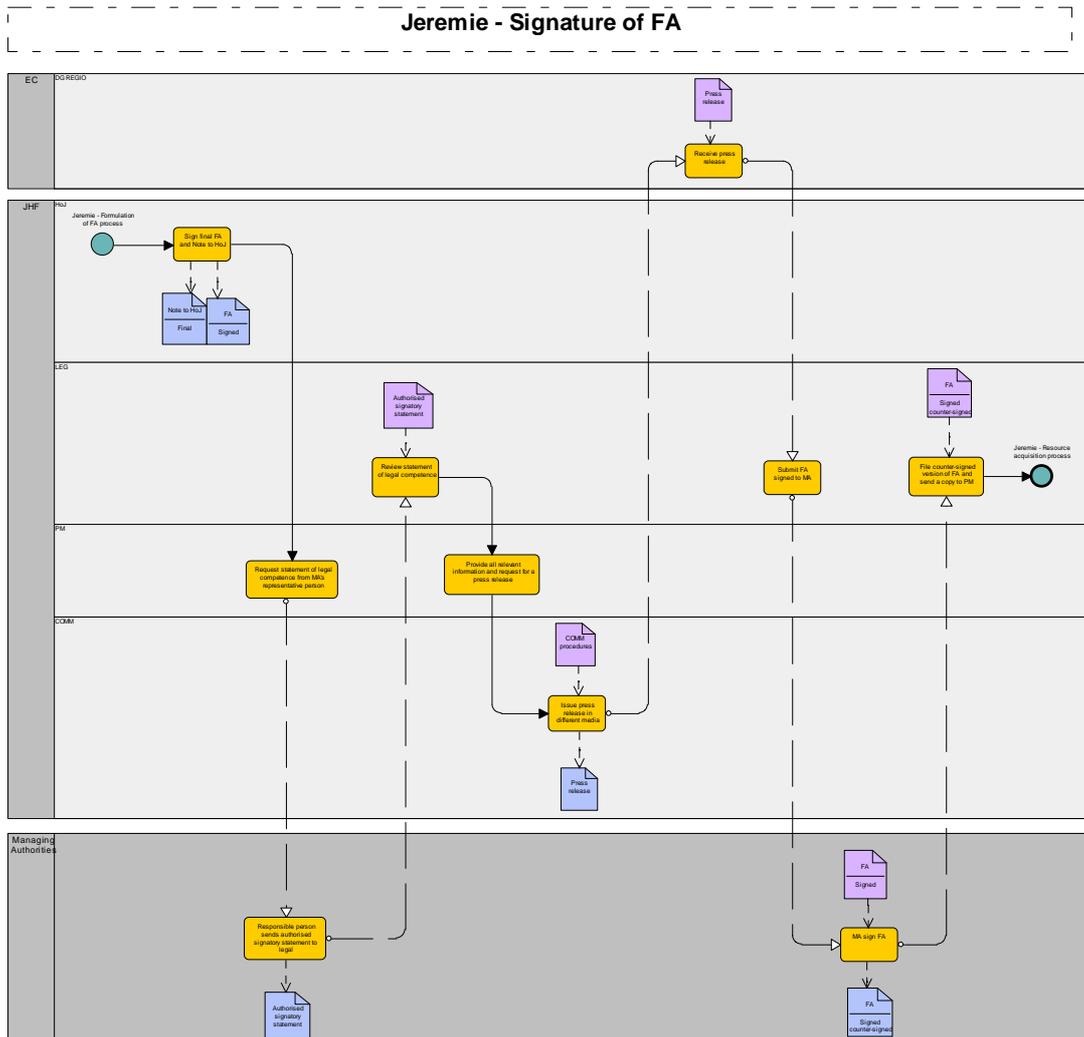
Output: Final Draft FA

- PM prepares a Note to HoJ signed by PM and LEG. LEG submits the Note to HoJ and the Final Draft FA to the HoJ.

Input: Final Draft FA

Output: Signed Note to HoJ (template) and Final Draft FA sent to HoJ

### 2.3.3. Signature of Funding Agreement



- The **HoJ** signs the Note to HoJ and the Final Draft FA.

Input: Final Draft FA

Output: FA signed by HoJ

- **PM** identifies the competent MA representative to act as a signatory of the FA, and requests a statement of LEG competence that reflects government approval for the person. LEG reviews the statement. The signed version of the FA is sent to the competent MA representative.

Input: Statement request

Output: Authorised signatory statement; signed version of the FA sent to the MA

- Prior to signature of the FA by the MA, PM provides all the relevant information (place and time of signature, budget, JHF and MA signatories, etc.) to COMM, which is requested to draft a press release to be distributed to the media and published on the websites of both the JHF and MA so that it is accessible by any interested entity. It is possible that the MA makes according text proposals to the JHF / COMM.

Input: Relevant information by PM

Output: Press release

- In the case of an on-site signature ceremony, the FA is reviewed and initialised by **LEG** - ahead of signature, which is responsible for verifying validity of signatures.

Output: FA signed by both parties.

- The counter-signed version is filed by LEG and the PM is notified and obtains a copy of the agreement.

Input: FA – counter-signed

Output: confirmation from LEG to PM on filing/archiving and copy

## 2.4. JHF Structures

In accordance to the relevant European legislation, all financial engineering instruments as well as the JHFs will take the form of either an independent legal entity ruled by agreement between the shareholders (investors or actual stockholders) or as a separate block of finance within a financial institution.

### 2.4.1. Separate Block of Finance

The relevant European legislation stipulates that “where the financial engineering instrument is within a financial institution, it shall be set up as a separate block of finance, subject to specific implementation rules within the financial institution, stipulating, in particular, that separate accounts are kept which distinguish the new resources invested in the financial engineering instrument, including those contributed by the Operational Programme, from those initially available in the institution”.<sup>12</sup> The selection of one of the two options is at the discretion of the competent public authorities.

For the purpose of establishing a holding fund as a separate block of finance within a financial institution in accordance with Reg. 1828/2006, a new bank account may be opened.

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<sup>12</sup> Article 43.3 of EC Regulation 1828/2006 of 08/12/06 as amended by EC Regulation 846 of 1 September 2009.



- Send the set of completed documents to open the bank accounts

Input: Set of completed documents

Output: Opening of bank account

- Prepare terms and conditions
- Receive the contractual details of the opened bank account
- Update the list of authorised bank accounts
- File the new bank account's set of documents
- LEG collects the list of authorised signatories of the bank
- Complete set of relevant bank account details is communicated via the PM to the competent authorities for the transfer of funds.

Input: Bank account details from ACC

Output: Communication from PM to authorities

## **2.4.2. Separate legal entity**

For the purpose of establishing a holding fund as an independent legal entity in accordance with Reg. 1828/2006, all necessary steps should be taken so as to establish a special purpose vehicle under the relevant legislation.

The establishment of an SPV results in a long-term commitment in the area of financial engineering instruments utilisation for supporting SME access to finance; as it may remain in existence beyond the end of the Structural Funds Programming Period 2007-2013, it provides a sustainable vehicle for the management of the funds. Its formal sustainability may be provided by its statutes but its actual sustainability may be ensured by the recruitment of competent personnel for its management.

A separate legal entity is created in compliance with local legislation. The registered share capital will be under the name of the JHF. By the end of the period that expenditures are eligible under the current Programming Period (31 December 2015) and in the case of selection of another JHF, the current JHF will be contractually bound to transfer the shares to a newly appointed institution. Alternatively, shares in the SPV can be returned to the Managing Authority.

Should a separate legal entity be created, its management structure will follow the specific requirements of the local legal framework. It is, therefore, to be expected that such a structure will be managed by an executive director, a board of directors and the general meeting of the shareholders. Such a management structure, regardless of whether it is one-tier or multi-tier, will solely be responsible for the administrative aspects of the legal structure and not for the operational aspects of the initiative.

## **2.4.3. Governance**

The governance structure presented below is proposed and not imposed. It is based on the assumption that the JHF undertakes the operational aspects of the initiative (as specified below), whereas the ultimate responsibility for the supervision of the JEREMIE initiative actions is borne by the Investment Board (regardless of the governance structure required by the national legislation requirements for the legal entity structure selected for the JHF).

The **Investment Board** will be responsible for the monitoring and approval of the operational aspects of the JHF. It shall have the following competences, upon proposal by the JHF:

1. deliberate upon and approve the Investment Strategy and/or recommend any amendments thereto;
2. deliberate upon and approve individual terms and conditions of a proposed financial engineering instrument before the Call for Eol is launched;
3. adopt those selection criteria that will be used for the purpose of assessing the FIs that participate in a call and evaluating their proposals;
4. receive the Annual Progress Report (and any other reporting as stipulated in the agreement between the mandating authority and the JHF possibly including a semi-annual Progress Report) and deliberate on the progress of the initiative (a template is included in the section "Reporting to the Investment Board");
5. approve the budget of non-eligible costs;

In addition to the above-mentioned competences, the IB will proceed with the following tasks at will and whenever applicable:

1. regular monitoring of the operational aspects of the initiative as performed by the JHF and as undertaken by the FIs. To this end, the IB will assess the impact of the financial engineering instruments to the regional and/or national economy in accordance with the objectives of the initiative and those of the relevant Operational Programmes as transposed in the Investment Strategy;
2. issuance of recommendations to the JHF as well as to relevant public authorities, market players and both public and private bodies. The focus of such recommendations may include the performance of the instruments already launched, complementarity between existing activities and instruments under design.

The **JHF** will be responsible for the operational aspects of the initiative and to this end will undertake to:

1. take all necessary steps including further primary and secondary research so as to revisit and update the initial Investment Strategy on a periodic and timely fashion;
2. in accordance with the updated Investment Strategy, formulate the Terms of Reference (including a section presenting an initial non-exhaustive assessment of any State aid impact), i.e., the terms and conditions that form the framework of the business proposals to be received in response to a Call for Eol for a specific instrument;
3. assess the FIs that participate in a Call for Eol and evaluate their proposals in response to that call; ultimately, identify the most suitable FI(s) and the proposal that is most suitable to the terms and objectives of the Financial Instrument to be launched;
4. enter into negotiation concerning the commercial terms of the instrument with the selected FI(s), ensure that the agreement provides for the optimal deployment of

the instrument in accordance with the initiative objectives but in line with best market practice;

5. formulate and follow a programme of monitoring visits, checks and activities as well as establishing a related regular reporting matrix in order to identify or prevent any divergence from the objectives and the terms as set in the agreement with the FI;
6. liaise with the MA, where appropriate and requested, so as to provide reasonable assistance in collecting relevant information necessary in order to allow the MA to ensure compliance with applicable EU rules on State aid;
7. identify possible private contributors either at the level of the JHF or the underlying instruments;
8. submission to the IB all necessary documentation in order to enable them to discharge their duties in a timely and professional fashion.

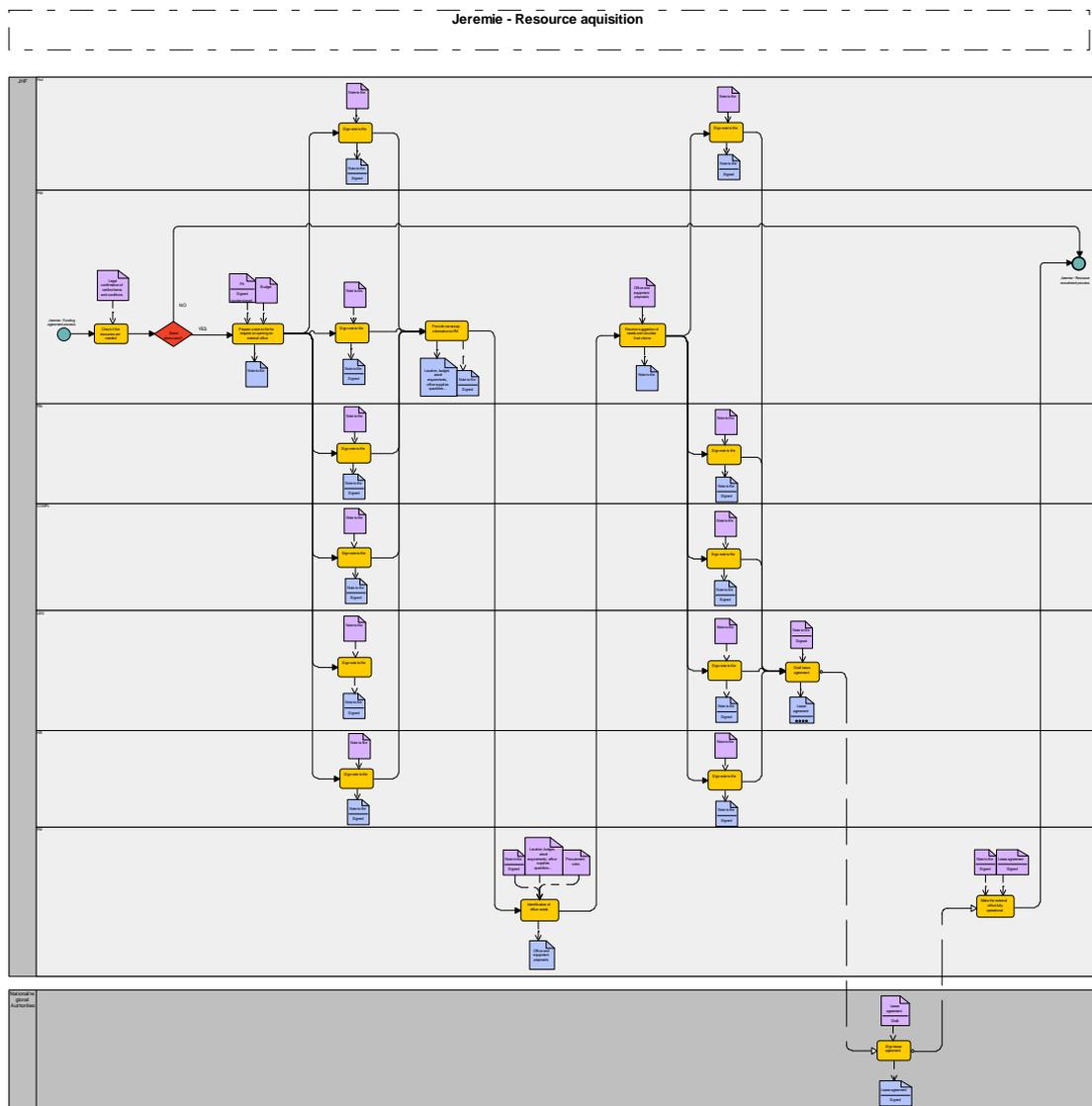
The **Investment Committee** will be entirely responsible for the approval of the operational aspects of the JHF before submission to the HoJ. It may be governed by the rules of procedure annexed to this handbook.<sup>13</sup>

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<sup>13</sup> Similar rules of procedure to the ones presented in the relevant annex may apply to govern the proceedings of the Investment Board.

## 2.5. Resource Acquisition

### 2.5.1. Identification of Local Resources and Internal Needs



- Prior to the acquisition of necessary resources, PM seeks confirmation from LEG that the terms and conditions of the respective FA provide for the full and unconditional coverage and eligibility of all expenses linked to the acquisition of such resources in accordance with the general national eligibility rules for Structural Funds expenditure. The payment of the management costs to the JHF with a ceiling of 2% p.a. on an average basis is deemed not to constitute State aid provided that this ceiling continues to reflect market remuneration.<sup>14</sup>
- PM prepares a note to file stating that JHF intends to establish its presence in the country/region, and at which conditions. The following documents, *inter alia*, are attached to the note to file: Funding Agreement, budget overview, etc.

Input: Funding Agreement, budget overview, etc.

Output: Note to file

<sup>14</sup> Note of the Commission services on Financial Engineering in the 2007-2013 programming period, 16 July 2007.

- The note to file is circulated and signed by **PM, LEG, ACC, COMPL, HR, FIN** and then by the **HoJ**.

Input: Note to file

Output: Signed note to file

- In parallel, and if applicable, the **LEG** follows the standard internal procedures for the signature of the documents of establishing the JHF, with the assistance of the PM as appropriate.

Input: Note to file

Output: Signed documents

- **PM** provides FM with necessary information (location, budget, tangible and intangible assets requirements, office supplies quantities, local premises and service requirements)<sup>15</sup>. **FM** apply their respective standard internal procedures as well as their respective procurement rules for preparing Office and Equipment proposals. PM assists in this process as appropriate.

Input: necessary information from PM / Signed note to file

Output: Office and Equipment proposals

- **PM** prepares a note to file which states the final choice. The Note to file is signed by **PM, LEG, ACC, COMPL, HR, FIN** and then by the **HoJ**.

Input: Office and equipment proposals

Output: Signed note to file

- **LEG** follows the standard internal procedures to draft the resource acquisition agreement (be it service agreement, lease agreement etc) and have it signed by the counterparty, with the assistance of PM as appropriate.

Input: Signed Note to file

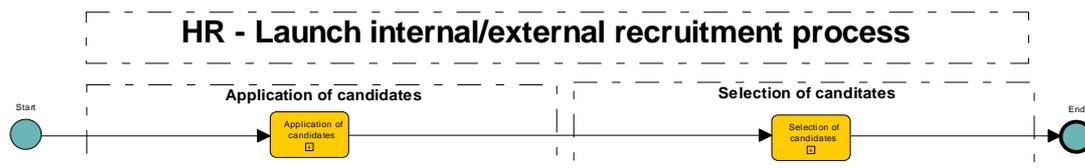
Output: Signed resource acquisition Agreement

- The **FM** follows their standard internal procedures to have the logistics of the JHF in place, with the assistance of PM as appropriate.

Input: Signed Note to file

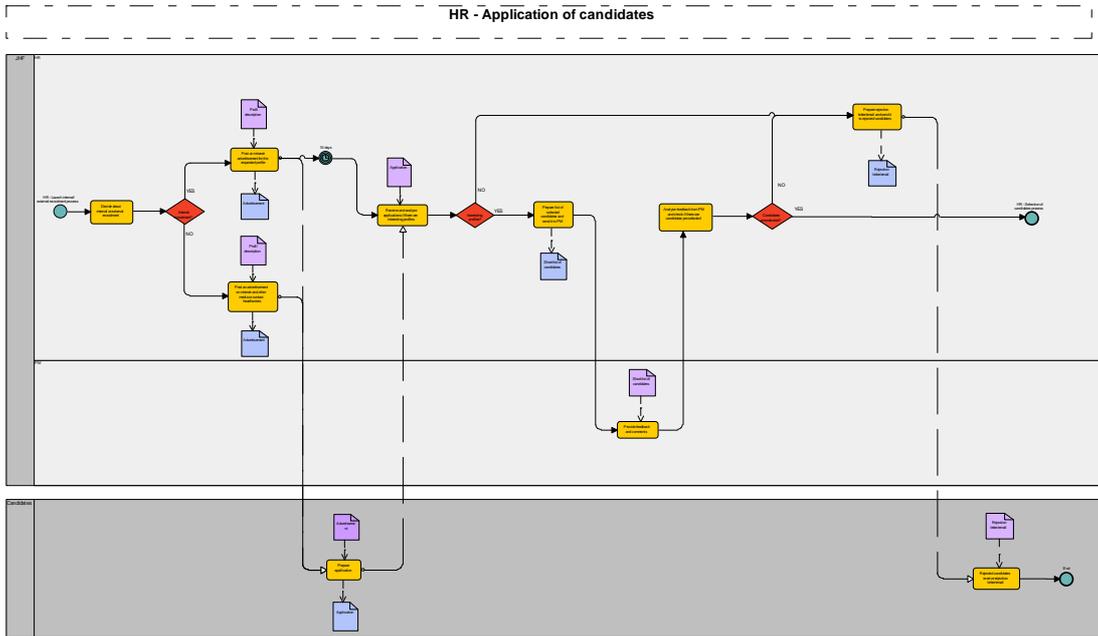
Output: Logistics in place

## 2.5.2. Launch of Recruitment



<sup>15</sup> It is noted that all expenses including the ones incurred by the JHF and borne by the Structural Funds should be checked against the list of eligible expenditure as drafted by the MA on a national basis further to the provisions of article 56 of Regulation 1083/2006 and subject to any explicit stipulation by the Regulations (such as article 50 of 1828/2006).

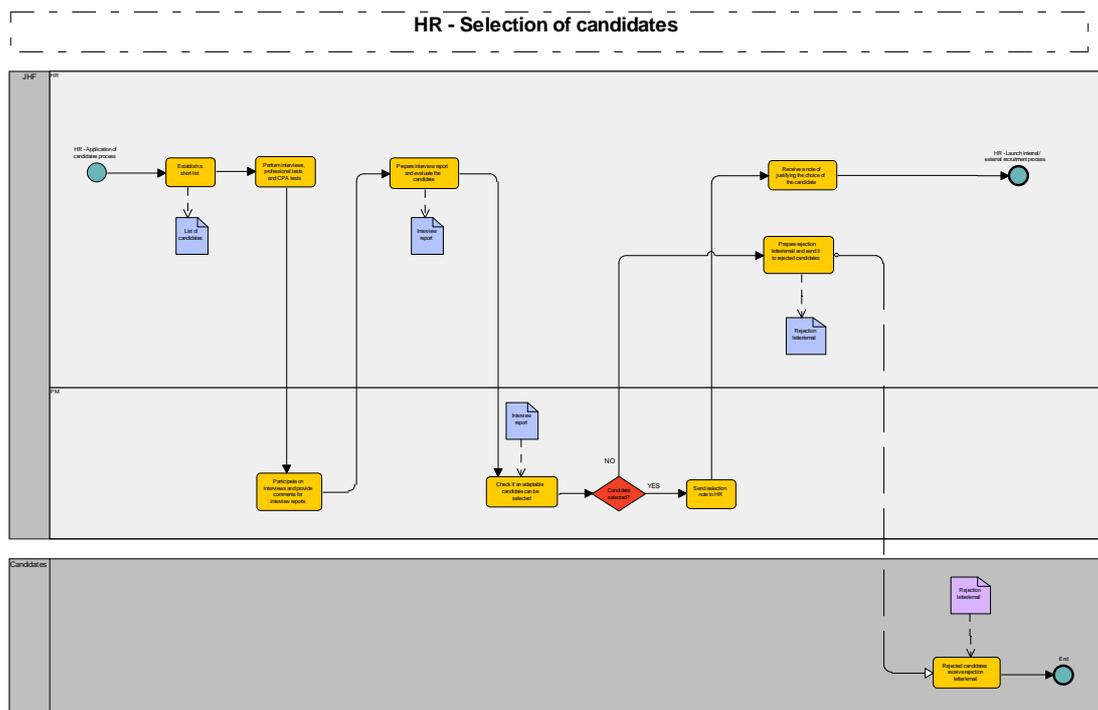
- The recruitment of new JHF staff is performed in accordance with the HR internal procedures, with the assistance of the PM as appropriate.



- HR applies its standard internal procedures launching recruitment. PM is actively engaged in this process (template).
- HR receives the list of the candidates – along with their CVs - after the first screening and provides feedback to PM. S/he participates in the interviews, receives the results of any tests undertaken by the candidates and provides his/her final comments to HR for the preparation of the interview reports.

Input: List of candidates, results of candidates results

Output: Comments for interview reports



- Following the standard selection process, PM proposes to the HoJ the recruitment of the selected candidate.

Input: List of candidates, interview reports

Output: Proposal to the HoJ for recruitment

## **2.6. Considerations of Need for External Services**

The JEREMIE initiative is a novelty in many aspects as it marks the beginning of utilisation of financial engineering instruments in the implementation of the Structural Funds. The special characteristics of these instruments that encompass reuse of repayments as well as operations under market terms pose further challenges for the efficient and effective utilisation of the funds earmarked for the initiative.

The fact that these instruments are deployed for the first time under the framework of the implementation regulations of the Structural Funds cannot be overlooked.

Indeed, any implications that may arise from a potential incompatibility of the regulations with the terms and conditions of the instruments that are in line with standard market practices should be addressed.

It is therefore understood that the multi-dimensional character of the initiative – both at the evaluation and the implementation phase – may result in challenges more than the ones inherent in the implementation of any project or even the implementation of a programme supported by Structural Funds. In order to overcome these problems, specialised services may be required.

### **2.6.1. External communication**

Although it is in the interest of the FI to promote the JEREMIE Financial Instrument it implements, the JHF may require taking additional steps to raise awareness of the instruments among potential FIs and potential final beneficiaries (SMEs). To reach maximum visibility, ad-hoc communication tools will target the broad public, private and public entities (such as chambers, associations), specialised groups of SMEs / entrepreneurs as well as market players of a specific industry or financial sector.

### **2.6.2. Translation Services**

It may be the case that market experts are required to staff committees, teams or panels of the JHF.

Furthermore, the selection and evaluation procedure of the most suitable FI may indicate an entity that is established in a different country.

### **2.6.3. Legal Counsel**

In the context of ensuring compliance with the Structural Funds regulations, specialised legal services may be needed in the agreements between the mandating authority and the JHF. This holds regardless of the structure selected for the JHF, as a separate block of finance or as special purpose vehicle; especially in the latter case, there are necessary legal actions to be undertaken for its establishment under the local legislation.

In addition to other miscellaneous actions that should be legally documented and contractually binding (such as service agreements), the agreements with the FIs require special legal attention as they touch upon financial regulations and EU regulations on State aid; expertise on the latter may be necessary.

#### **2.6.4. Bank Account(s)**

It is evident that the JHF may not have the capacity to establish and manage bank accounts or may not have direct access to such services. Reliance on services of the highest professionalism cannot be overstated as the optimal use of the funds may require payments under tight deadlines.

The existence of different sources of funding plus the possible contribution of private investors along with the possibility of operations in more than one currency, require a well-established and highly competent institution for the management of the bank accounts that will overcome implications in the consolidation of the accounts and contributors and provide accurate overview of the movements at an aggregated level.

The importance of such competence is clear when considering the diverse reporting requirements as well as the monitoring practices based on them and the provision of such data to outside investors and bodies of the European Communities.

#### **2.6.5. Treasury**

While the JEREMIE funds are only considered finally utilised upon their disbursement to the final beneficiaries, (SMEs), the initial allocation of the funds to the JHF (regardless of the form it takes and the structure selected for the JHF) is regarded as “spent” and therefore sufficient for the allocating authority to file a replenishment request of these funds to the EC.

Given the special characteristics of the financial engineering instruments as well as the evaluation that each investment should undergo, the time between allocation to the JHF and disbursement to the FIs for final payment to the SMEs may be quite extensive.

It is therefore vital that a satisfactory return is achieved on funds that are pooled and deposited before their disbursement is authorised. Such a return should be considered appropriate and evaluated as such when measured against the minimum risk that may be incurred by the treasury management decisions.

The financial engineering instruments are in a dynamic environment and, thus, the reliability of traditional cash flow forecasting might not be sufficient. In order to optimise utilisation or take advantage of business opportunities, funds may need to be made available at short notice.

### **2.7. Summary Checklist Initiation Phase**

- Are the PT members available and not over committed to other projects?
- Have the Funding Agreement and Investment Strategy been approved and circulated to all relevant parties?
- What is the latest status of the local office?
- What is the status of any requests to HR?

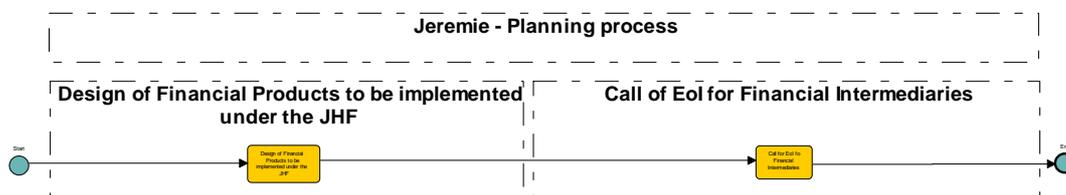
- Has there been a reply to the request for the establishment of the JHF?
- Have the custodian and the treasury bank been made aware of the information flow needed, and the names of the main and alternate contact points of both sides?
- Is the retention of documents properly organised with the totality of the documentation relating to the JEREMIE mandate (either at the premises of the JHF or the premises of an FI) filed in a separate binder to be kept until 31/12/2020 the latest, in accordance with the regulatory requirements.<sup>16</sup>

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<sup>16</sup> Article 90 of EC Regulation 1083/2006.

### 3. Planning

There are two distinct phases within the planning phase:



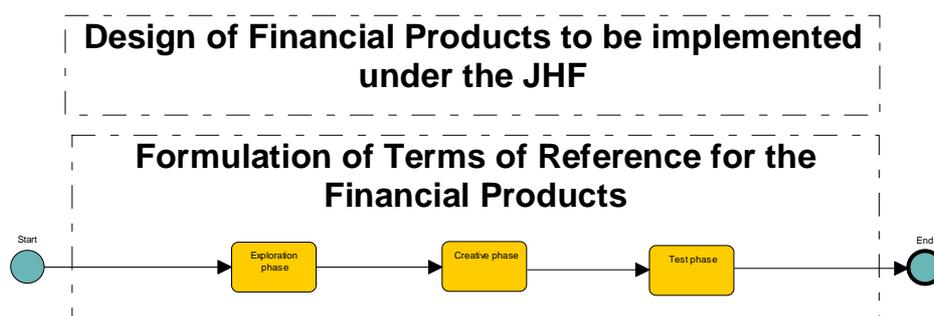
#### 3.1. Design of Financial Products to be implemented under the JHF

##### 3.1.1. Formulation of Terms of Reference for the Financial Products

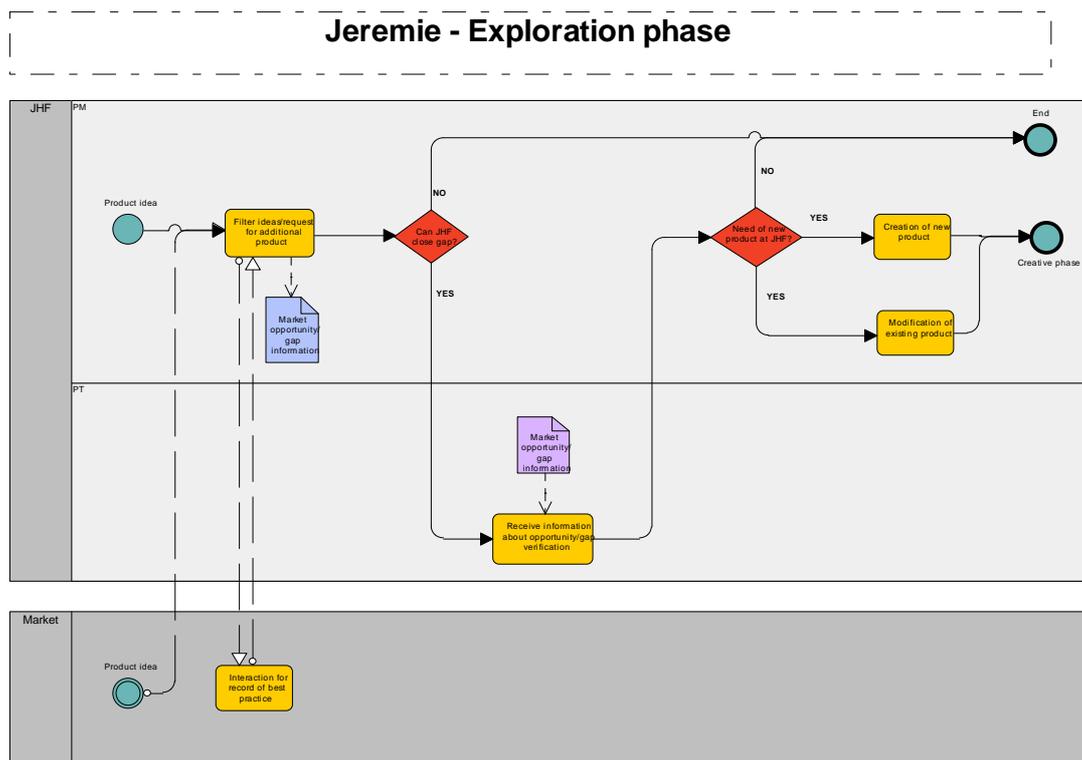
Based on the gap analysis performed by the EIF, where applicable, and further to consultations with relevant public authorities and both public and private bodies as well as discussions with market players and potential FIs, the PT drafts the Terms of Reference for each financial product that will form an integral part of the Call for EoI. In doing so, it takes into consideration relevant State aid regulations, ERDF or ESF regulations as well as the relevant Operational Programme(s).

The ToR document outlines the structure of the financial product as well as the eligibility criteria for the final beneficiaries and the contributions to them from the FIs (see template for an example of a specific product, the funded risk sharing).

Product Development Process



Exploration phase

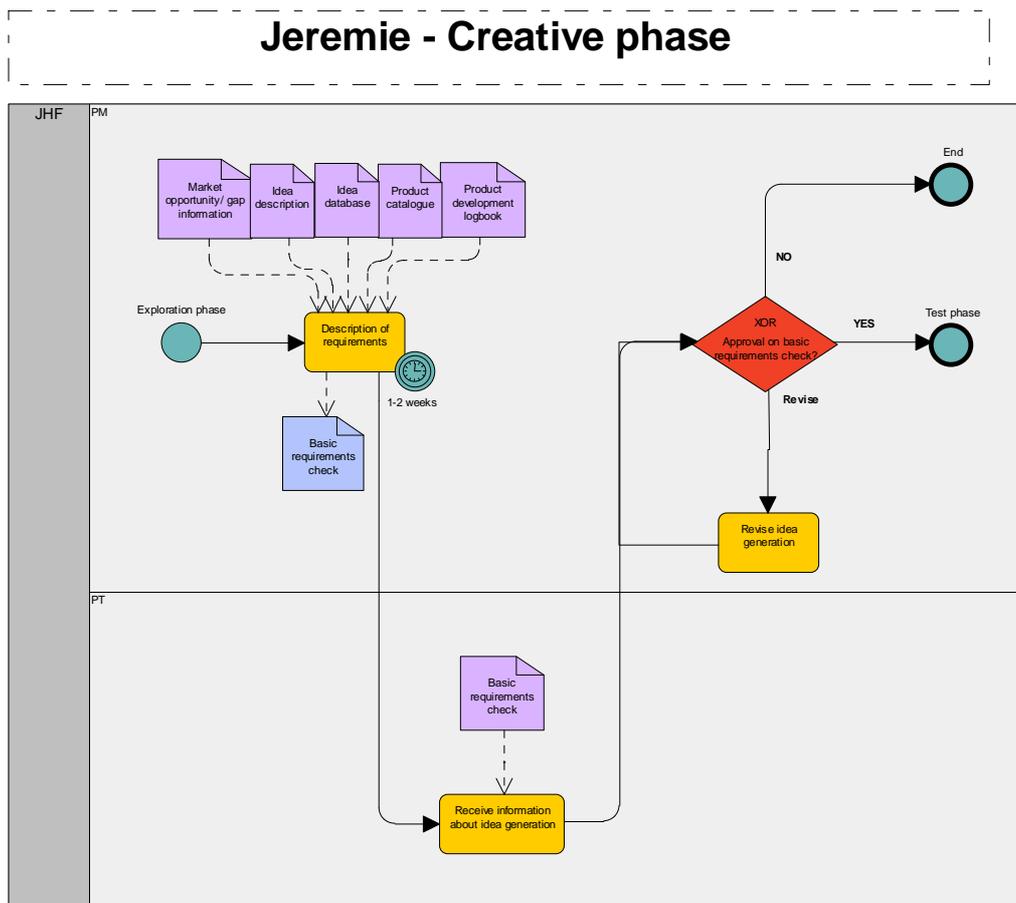


The purpose of the Exploration phase is to better understand the market context in which JHF operates and subsequently be able to determine which products are best suited for a specific situation given a new idea. This stage also functions as a filter to ensure that high quality ideas are not omitted and that not too much effort is spent on ideas without substance or ideas out of scope for the Creative Phase.

Output: E.g. market opportunity/gap information provided to the PT

The PM decides if and when it is appropriate to move an idea into the Creative Phase.

## Creative Phase



### Description of requirements

The next step starts with the preparation of a small document which gives a brief description of the idea and the general concept of the underlying product/products. Attached to this document there is checklist (template) that contains questions which serve the purpose of understanding how the new product can fit within the JHF`s internal structure and which is crucial to decide if conditions are met in order to move ahead with this new idea. The basic requirements checklist contains relevant information as e.g. the cost/benefit measure, its associated risk, strategic fit to JHF, etc. As a support to this exercise one can consult the product catalogue which contains the entire range of products delivered by JHF and its main characteristics.

Input: Idea description from originator

Input: Market opportunity /gap information

Input: Idea database, Product catalogue, Product development logbook

Output: Basic requirements checklist

Inform PT.

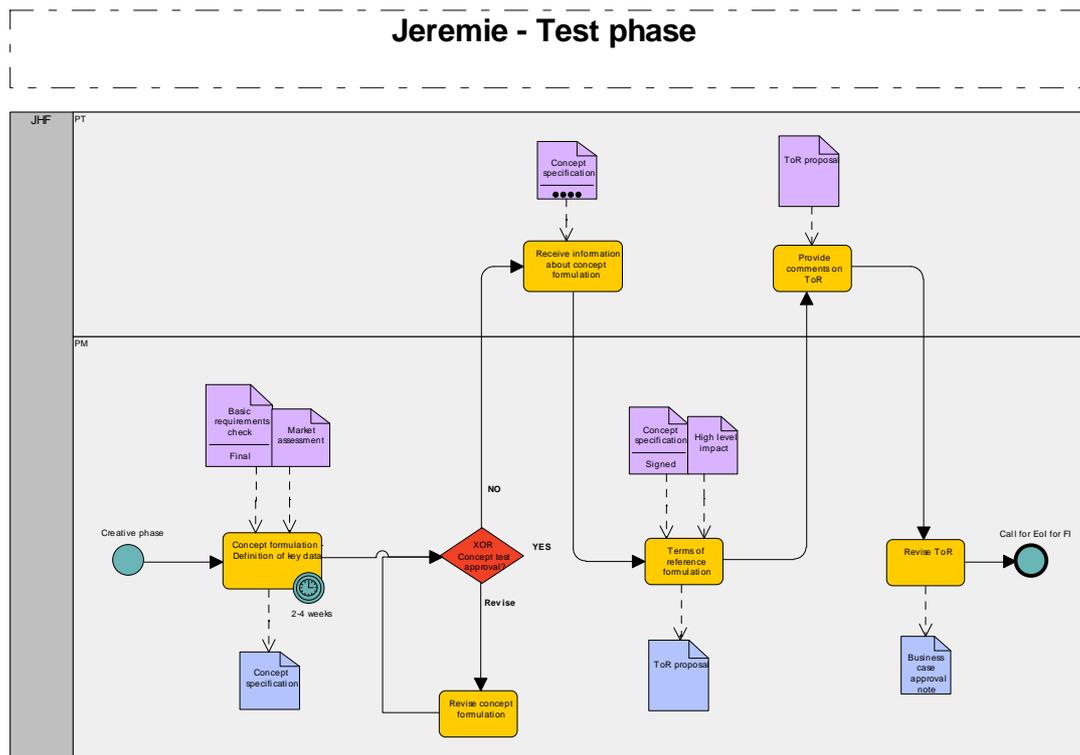
### Approval of basic requirements checklist

This document is generated within PM and circulated to the PT for comments. The PM decides if and when it is ready to move to the next gate within the process flow.

Input: Basic requirements checklist

Output: Basic requirements checklist approved

## Test phase



### Concept formulation

#### Definition of key data

At this stage the output is documented based upon a Concept Specification template (template) to ensure a better understanding and a further development of the concept behind the new idea including its important/broad features with particular emphasis on added value to the market. It is supported by a preliminary market test made by PM which can take the form of e.g. one or more meetings with market participants. This document is shared with the PT.

Input: Basic requirements checklist approved by PT

Input: Know-how and features of market assessment by PT as appropriate

Output: Concept specification

#### Concept test approval

The Concept specification is issued and approved by PM and discussed at PT.

Input: Concept specification

Output: Concept specification approved submitted to the PT

### Terms of Reference formulation

The Terms of Reference proposal gives a broad outline of all major aspects of the product. The Terms of Reference proposal is circulated amongst the PT for comments (template).

Input: Concept specification approved

Input: Resource impact by PT

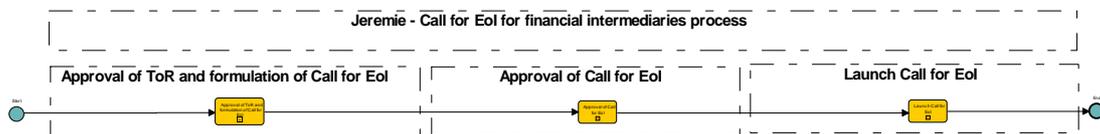
Output: Terms of Reference proposal

### 3.1.2. State Aid and Structural Funds compliance of Terms of Reference

The ToR are drafted taking into consideration any implications with State aid and Structural Fund compliance. The ultimate responsibility for verifying such compliance lies within the competence of the relevant public authorities. The submission of each call for EoI to the IB and its subsequent approval is regarded as a *de facto* positive assessment of the compliance of the Financial Instrument's terms and conditions to the Structural Funds regulations. The MA undertakes to ensure that the verification of the State aid compliance by the competent public authorities is communicated to the JHF.

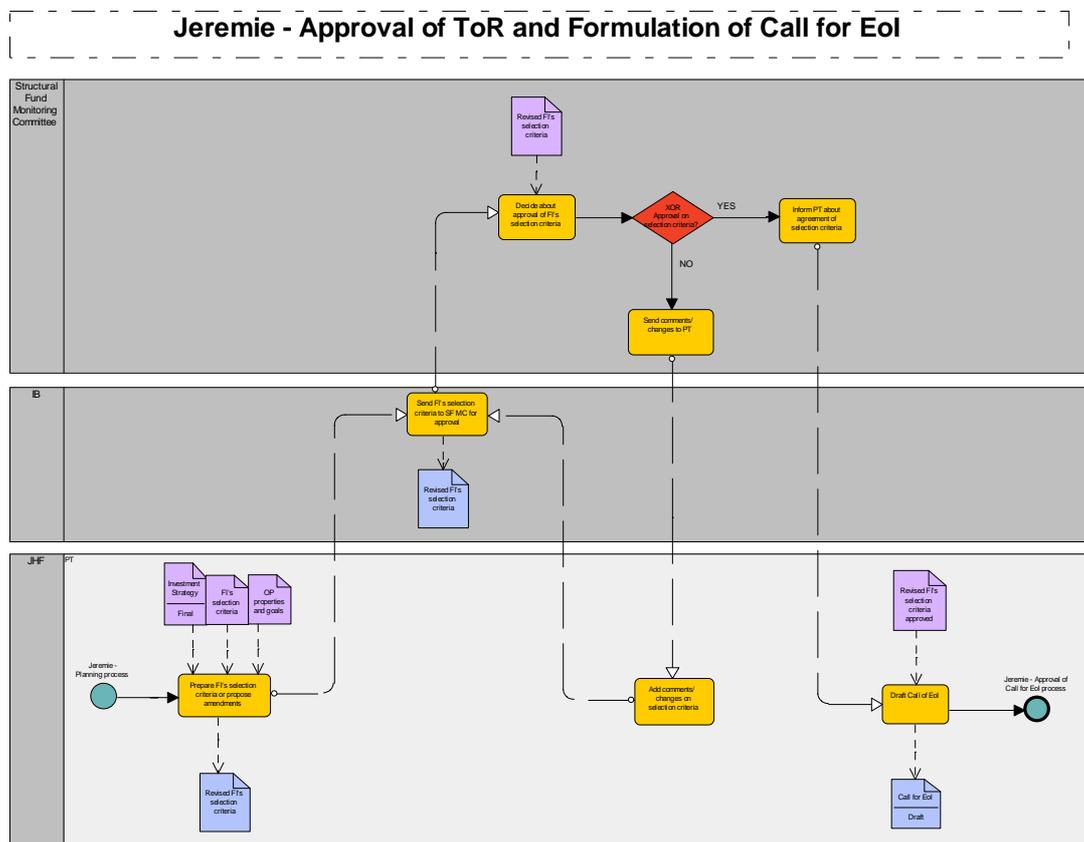
Only upon receipt of the formal attestation and approval by the IB, the Call for EoI is publicised.

## 3.2. Preparation of Calls for Expression of Interest (EoI) for Financial Intermediaries for the Implementation of the JEREMIE Financial Products Designed



- After the formulation and the approval from the HoJ, IC and IB as appropriate, the launch of the Call for EoI will follow.

### 3.2.1. Definition of Selection Criteria and Preparation of Calls for EoI Documentation



The following process is repeated for the implementation of each product.

- PM decides which product a call is launched for, in accordance with the Investment Strategy, the Operational Programme priorities and goals. This decision can be taken via a consultation with the IB, if applicable.
- PM calls the **PT** to assess country and mandate specific features, as well as any generic items applicable to the Financial Instrument in question. The PT prepares the FI's selection criteria<sup>17</sup> in accordance with PE experience and knowledge of best market practices.

Input: Operational Programme priorities and goals, FIs selection criteria

Output: (Revised) FIs selection criteria

- If applicable, **PM** element of the PT communicates the FI selection criteria to the IB or the responsible authority to be submitted by the MA to the local Structural Funds Monitoring Committee (SF MC) for approval.

Input: (Revised) FIs selection criteria

Output: Approved FIs selection criteria

- Further to the SF MC approval of the FI selection criteria, the PM element of the PT drafts the Call for EoI documentation with the assistance of other relevant PT members. In particular, the PT ensures that the documentation is as standardised as possible, and any changes from the standardised approach are justified in the light of the specific product and Funding Agreement.

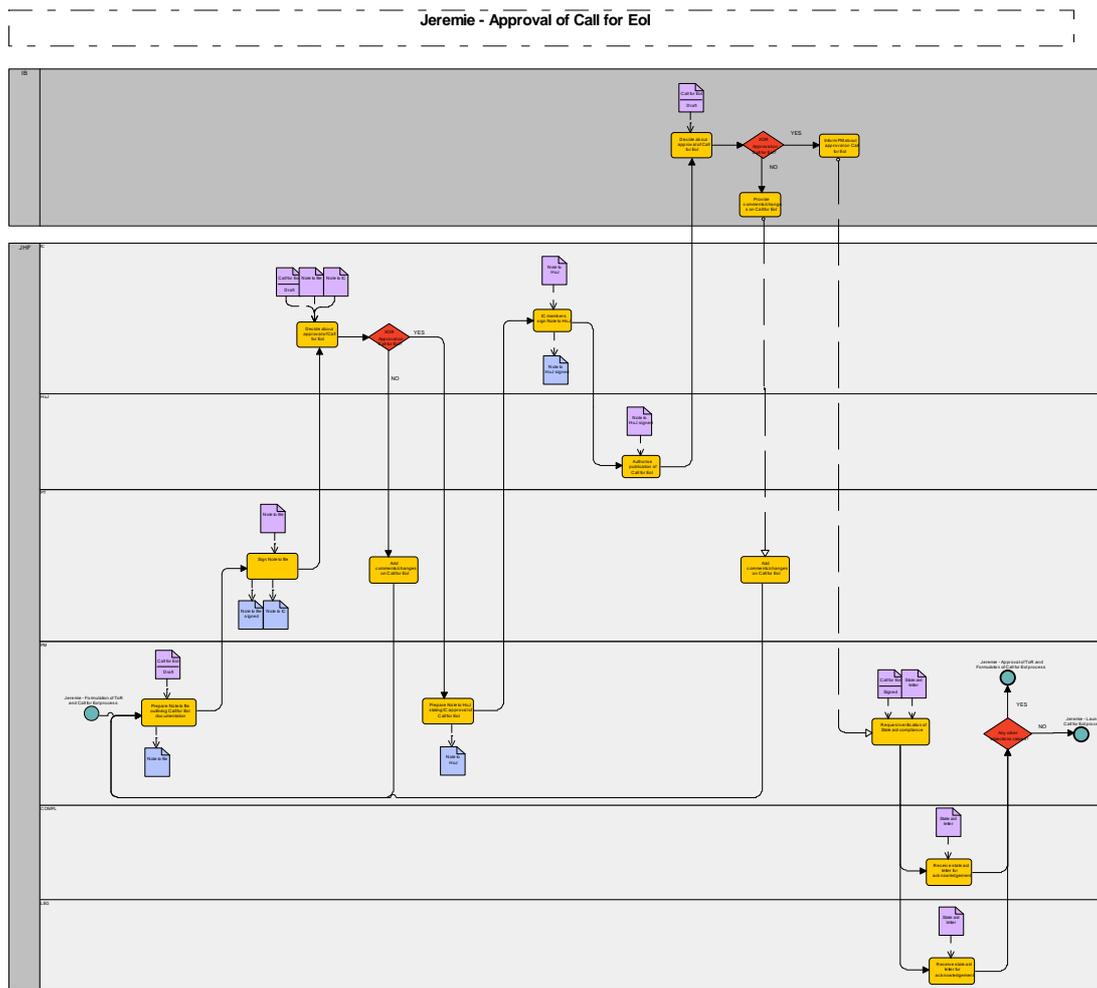
Input: Approved FIs selection criteria

Output: Draft Call for EoI documentation

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<sup>17</sup> or to propose amendments to the FIs selection criteria, if any already approved by the SF MC

### 3.2.2. Approval of Call Documentation



- **PM** prepares a Note to file outlining the main features of the Call for Eol documentation, as well as evidencing the common agreement of the Call for Eol documentation by all PT members. The Note to file is signed by PT members.

Input: Draft Call for Eol documentation

Output: Note to file

- **PT** submits the Call for Eol documentation, the Note to file and the Note to IC to the **IC** for approval. Should the **IC** not approve the Call for Eol documentation, the previous steps are repeated, taking into account **IC** comments. Ultimately, the **IC** approves the Call for Eol documentation with or without conditions.

Input: Draft Call for Eol documentation; Note to file

Output: IC approval

- **PM** prepares a note to HoJ, to be reviewed and signed by all **IC** members stating **IC**'s approval of the Call for Eol documentation and requesting the HoJ to authorise the publication of the Call for Eol documentation.

Input: Note to file for HoJ (template)

Output: Note to file for HoJ – signed by **IC**; HoJ's authorisation to publish the Call for Eol documentation.

- Subject to the provisions set out in the Funding Agreement, Call for Eol documentation is submitted to the IB for positive opinion. Should the IB's opinion not be positive, requiring substantial changes to the Call for Eol documentation, then the previous steps are repeated, taking into account IB comments. Ultimately, the IB provides the PM with positive opinion.

Input: Draft Call for Eol documentation

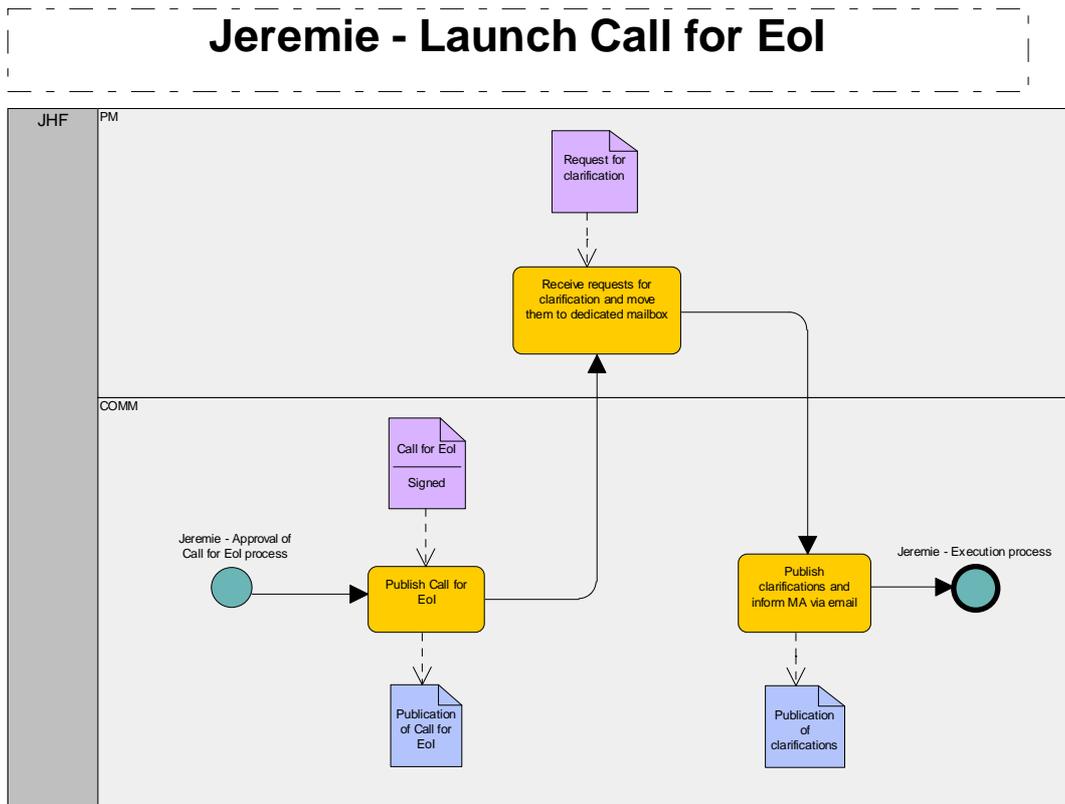
Output: IB's positive opinion on the Call for Eol documentation

- Further to a request by PM to the competent authorities and transmission of the relevant Call for Eol documentation, JHF receives a duly signed letter verifying that the proposed instrument (as described in the Call for Eol documentation) is in all its elements compliant with all applicable rules on State aid and that neither a notification is needed nor another activity is expected. The letter makes reference to the provisions of the Funding Agreement contractually stipulating the national authority responsibility to ensure compliance with State aid rules. The letter is provided to **COMPL** and **LEG** for acknowledgement.

Input: PM request

Output: State aid letter received

### 3.2.3. Launch Call for Eol



- Upon approval of HoJ and receipt of the State aid letter satisfactory to the JHF (and in compliance with the relevant Funding Agreement) and if no objections are raised by the MA or any other competent authority, the **COMM** publishes the Call for Eol documentation (template) in the JHF or other designated website, and, whenever possible, on the website of the MA and on the website of the relevant associations/organisations in the Member State/Region.

- **PM** receives questions / requests for clarification in a clearly designated e-mail account. PM should move them to the mailbox dedicated to the Call (e.g. JER / Call 1) and deal with them during the clarification period.
- **PM** – with the assistance of PE and, if necessary, the MA (only for Structural Funds relevant questions) - publishes the clarifications on a clearly designated web-site (via COMM) and informs the applicants via e-mail that a clarification document has been published on the relevant web-site within the deadlines set out in the Call for Eol.
- No individual replies are sent to FIs and there is no other discussion or contact with FIs during the entire Call period (from publication to deadline for submission of Eols).

Input: Questions / requests for clarification

Output: Clarifications published on website; notice to applicants via e-mail

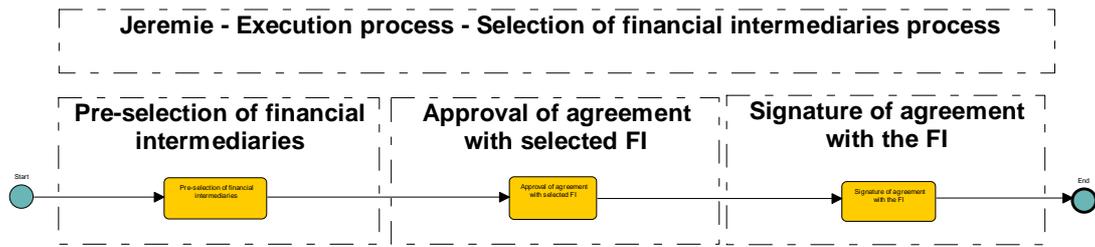
### 3.3. Summary Checklist Planning Phase

- Status and follow-up on any on the outstanding issues from the previous checklist.
- Have the selection criteria been approved by the SF MC?
- Have sufficient staff been engaged to ensure an adequate service? If not, then what are the next steps to be taken?
- Are the JHF services aware and committed to providing the necessary support?
- Is the selection panel aware of its commitments and have alternates been nominated?
- Have all rejection letters been sent and have there been any reactions? If so have these been dealt with appropriately?
- Has the Investment Board been kept informed of the on-going developments and are the members satisfied?
- Have the first expenses been billed and accepted?
- Is the retention of documents properly organised?
- Has the e-mail account for the deposit of the official tender documents been emptied from the previous call?

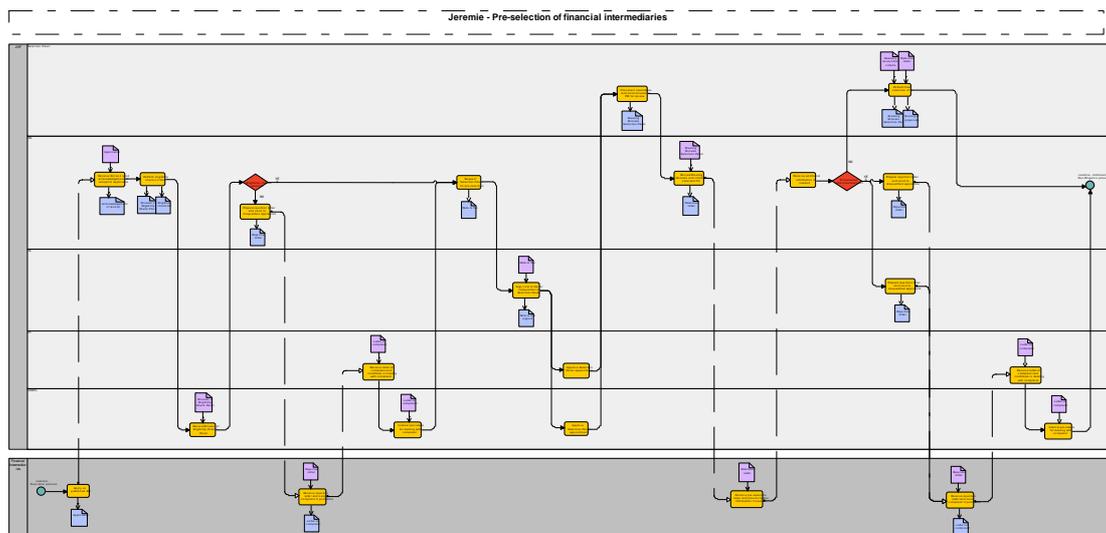
## 4. Selection of Financial Intermediaries

JHF distinguishes two phases within the complete selection process:

- Planning phase: i.e. call for Eol ending with the submission of Eol by FIs who will enter the following phase; this phase has been presented in Part I.
- Execution phase: JHF standard investment process as detailed in relevant JHF internal procedures. This phase is covered in this section.
- The main part of the execution phase of the JEREMIE process consists of the selection of the Financial Intermediaries.



## 4.1. Pre-selection of Financial Intermediaries



- **PM** receives the expressions of interest.  
 Electronic copies are saved in dedicated folders in a shared drive, accessible by panel members and **PM**. Paper copies to be filed by **PM**.  
**PM** sends acknowledgement of receipt to applicants, by e-mail, including:  
 expression of Interest number; reference number of the Call for Eol; date of receipt.

Input: Expressions of Interest

Output: Acknowledgement of receipt

- An Eligibility Check Panel consisting of at least 2 **PM** staff members undertakes the eligibility check of the Eols. Before opening envelopes, **PT** must check correspondence between e-mail and envelope Eols. As the paper copy prevails, checks are carried out on the paper copies of the expressions of interest. Minutes are prepared by **PM** and reviewed by **COMPL**.

Input: Expressions of Interest

Output: Minutes and eligibility checklist for each FI signed by all panel members

- In case of non-eligibility, **PM** sends rejection letters signed by the **Head of PM** to disqualified applicants, by both mail and electronic mail, including: expression of Interest number; reference number of the Call for Eol; date and time of receipt and reasons for rejection.

Input: Non-eligible expressions of Interest

Output: Rejection letter

- In case the PT receives any letter of complaint regarding the rejection decision, the PT immediately transfers such a letter to COMPL for assessment. COMPL internal procedure for dealing with complaints applies, with the assistance of the PT as appropriate.
- Eligible Eol are transferred to the **Selection Panel**
- Further to a request by Head of PM, **PE** appoints the members of the Selection Panel which is composed of PE representatives only. The Heads of PT and COMPL approve the appointment after checking that there are no potential conflicts of interest. The Selection Panel should include at least 3 voting members. PM acts as Observer, PE acts as Secretary.

Input: PM request

Output: Note to file signed by Heads of PE, PT, COMPL

- The **Selection Panel** performs the pre-selection; it minutes the discussions and outcome and circulates the minutes to PM for comments.

Input: Eligible Expressions of Interest and further information

Output: Pre-selection meeting minutes

- The pre-selected FIs are informed in writing, if needed, asking for further information to be provided.

Input: Pre-selected Eol replies

Output: Request for further information, if needed

- In case of exclusion after the pre-selection, **Heads of PE and PM** send rejection letters to excluded applicants, by both mail and electronic mail, including: expression of Interest number; reference number of the Call for Eol; date of receipt.

Input: Pre-selection meeting minutes

Output: Rejection letters

- Upon receipt of additional information, the **Selection Panel** performs the final selection on the basis of the Quality Assessment criteria (template) set out in the Call for Eol documentation.

Input: Receipt of additional information

Output: Minutes; scoring of proposals; list of short-listed applicants

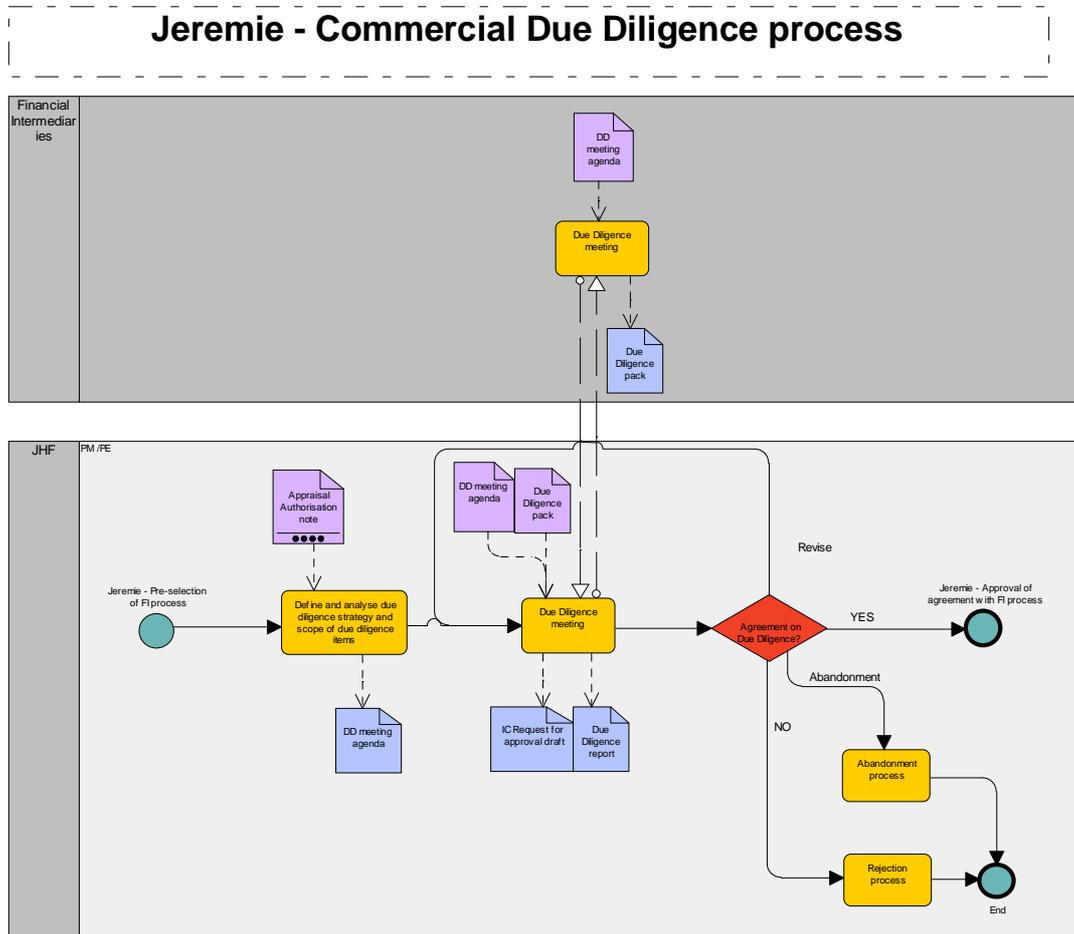
- In case an FI objects to the outcome of the selection procedure and PM receives a letter of complaint regarding the rejection decision further to either the eligibility check or the quality assessment scoring, **PM** immediately transfers such a letter to the COMPL for assessment.

Input: Letter of complaint

Output: Letter of complaint

## 4.2. Contract signature with the selected Financial Intermediaries

### 4.2.1. Selection of Financial Intermediaries

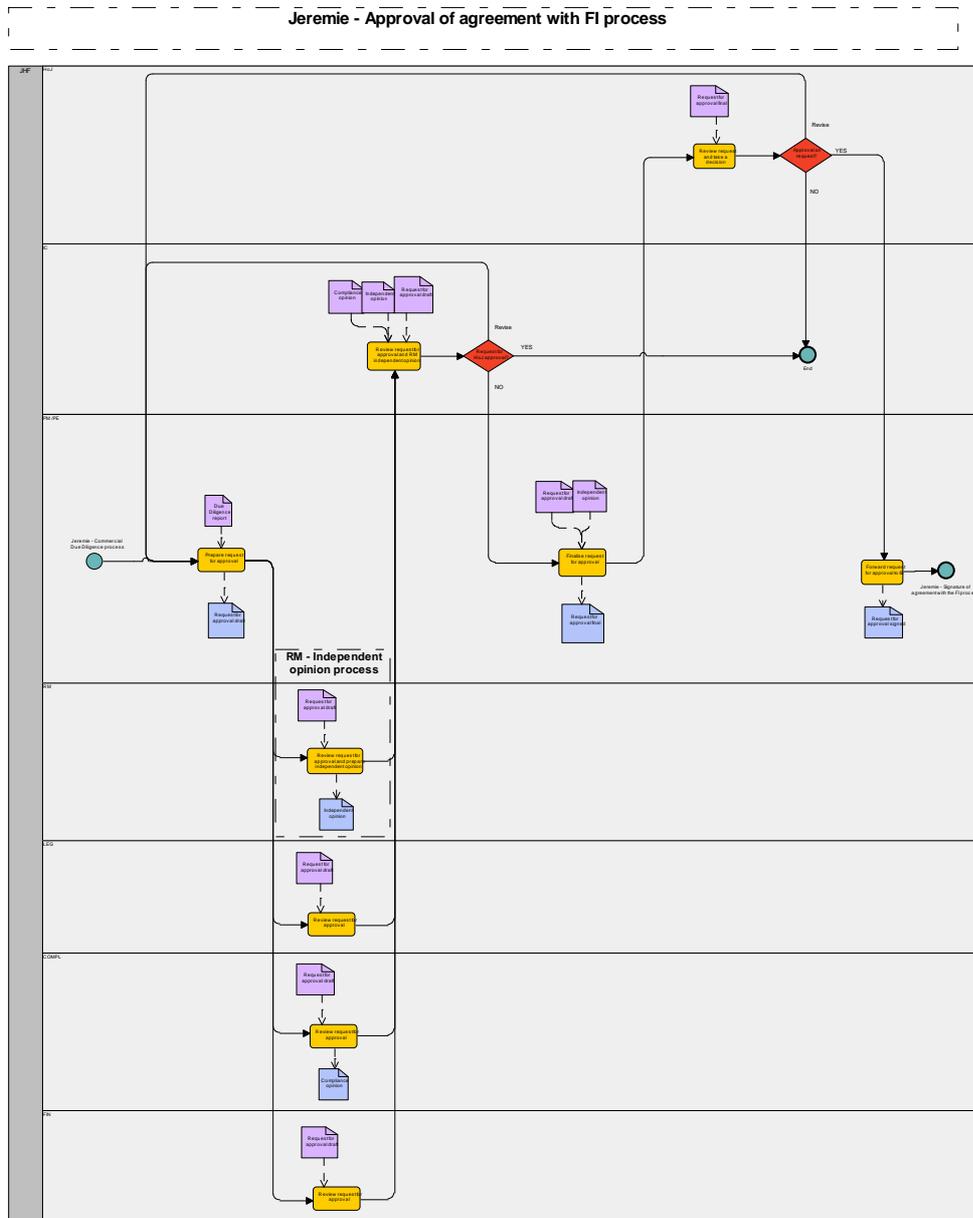


- **PE** and **PM** are jointly responsible for the initiation and completion of a Due Diligence process on short-listed applicants that have excelled in the final selection. The resulting Due Diligence report is a predominantly technical document to be used internally and for future reference.

Input: Receipt of additional documentation

Output: Draft Due Diligence report

## 4.2.2. Approval of agreement with FI



- **PE** and **PM** are jointly responsible for the preparation of a Request for Approval document (template) summarising key information on the applicant and its business proposal – **COMPL** provides its opinion within this document. The ultimate receiver of this document is the HoJ.

Input: Receipt of additional documentation

Output: Request for Approval document

- The Due Diligence report – along with the Request for Approval and any other documentation deemed necessary from the Due Diligence team or the Selection Panel – is forwarded to **RM** for the preparation of an independent opinion approval. The results of the Independent Opinion process are sent in the form of a signed note to the IC.

Input: Receipt of relevant documentation

Output: Note to IC

- If there is a major change to the transaction - after the issue of the Independent Opinion and before the signing of the transaction - which is expected to have a significant impact on the substance, the economic reality, or on the IC decision on the transaction, **PM** must immediately inform the IC and the responsible RM officer of the change. **RM** will then decide whether a new or modified Independent Opinion note is necessary.

Input: Notification by PM

Output: Possible revised Independent Opinion

- The Request for Approval – along with the Independent Opinion - is forwarded to the HoJ for approval.

Input: Receipt of additional documentation

Output: Approved request

- The Request for Approval is then forwarded to the IB for approval or information in accordance with the terms and provisions of the Funding Agreement.

Input: Request for Approval / notice

Output: Approved request / notice of acknowledgment



- PM drafts a signing note (template) presenting the terms and conditions of the agreement. It is also signed by all involved parties: PE, RM, LEG and COMPL. The finalised Operational Agreement – alongside the note - is presented to the HoJ for approval and signature.

Input: Final draft of Operational Agreement

Output: Signed draft of Operational Agreement

- The finalised Operational Agreement may then be forwarded to the IB for approval or information in accordance with the terms and provisions of the Funding Agreement.

Input: (Request for Approval of) Operational Agreement

Output: (Approved) Operational Agreement

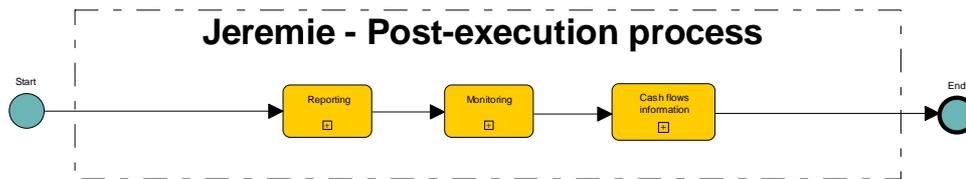
### 4.3. Summary checklist execution phase

The execution phase is completed by the signature of the Operational Agreement with the FI. From this point on, the funds are disbursed to the FIs and the JHF bears a “post-execution” or “implementation” role, mainly consisting of monitoring, reporting and networking with the aim, *inter alia*, to explore opportunities of engaging additional ERDF funding. This also involves a great deal of “soft” activities in terms of gauging market appetite and providing input as to possible modifications. Thus from time to time such issues, as briefly summarised below, should be considered by the group and actions taken if deemed necessary.

- Have all the selection meetings been minuted and selection process is clear and auditable?
- Is the selection panel aware of its commitments and have alternates been nominated?
- Have all rejection letters been sent and have there been any reactions? Have these been dealt with?
- Has the IB been made aware of about lower commitments and have the alternatives of redistribution or reimbursement been discussed and decided upon?
- Have the proposals of service modifications been discussed with the relevant Financial Intermediary?
- How have the investment proposals been received?
- Has the product been adequately publicised and has enough been done to ensure that SME s are aware of its existence?
- Has the IB been adequately informed and are its members satisfied?
- Are high level meetings with any of the parties considered necessary?
- Has DG REGIO been kept updated of the operational progress of JEREMIE execution especially for calls launched and the FIs selected?

- Has the regular progress reporting been updated?
- Is the retention of documents properly organised?

## 5. Implementation of Financial Products



- The post-execution phase of the JEREMIE process consists of three main steps related to Reporting, Monitoring and cash flows information.

### 5.1. Update / adjustment of Holding Fund Investment Strategy / product portfolio

The JEREMIE initiative has been intended to cover the gap identified in the SME financing market.

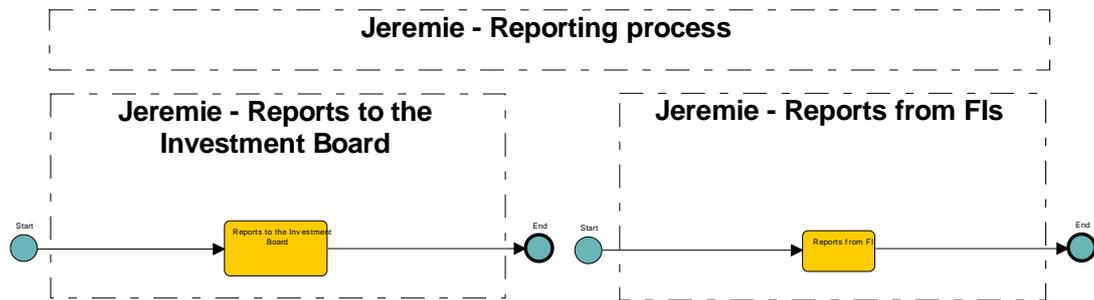
Its source of funding (apart from Structural Funds funding) consists of private leveraged funds; these private investors should be drawn to invest in JEREMIE Financial Instruments and, thus, there should be a guarantee that the planning and supervision of these Financial Instruments are performed in line with market practice.

The characteristics of the initiative and especially its portfolio approach enable the shift of unutilised funds from one Financial Instrument to another. It also allows for the funding of a Financial Instrument with uncommitted funds after the initial Financial Instruments are launched. Moreover, the recycling character of the funds implies that repayments from one Financial Instrument may be used again in a Financial Instrument of choice.

It is, therefore, clear that the JEREMIE initiative is endowed with the flexibility as well as the responsibility of retaining a dynamic approach and gauging the market. To this end, the Investment Strategy and the composition of the products portfolio may be adjusted and updated so as to reflect the changing market conditions and ensure the efficiency and suitability of the selected Financial Instruments.

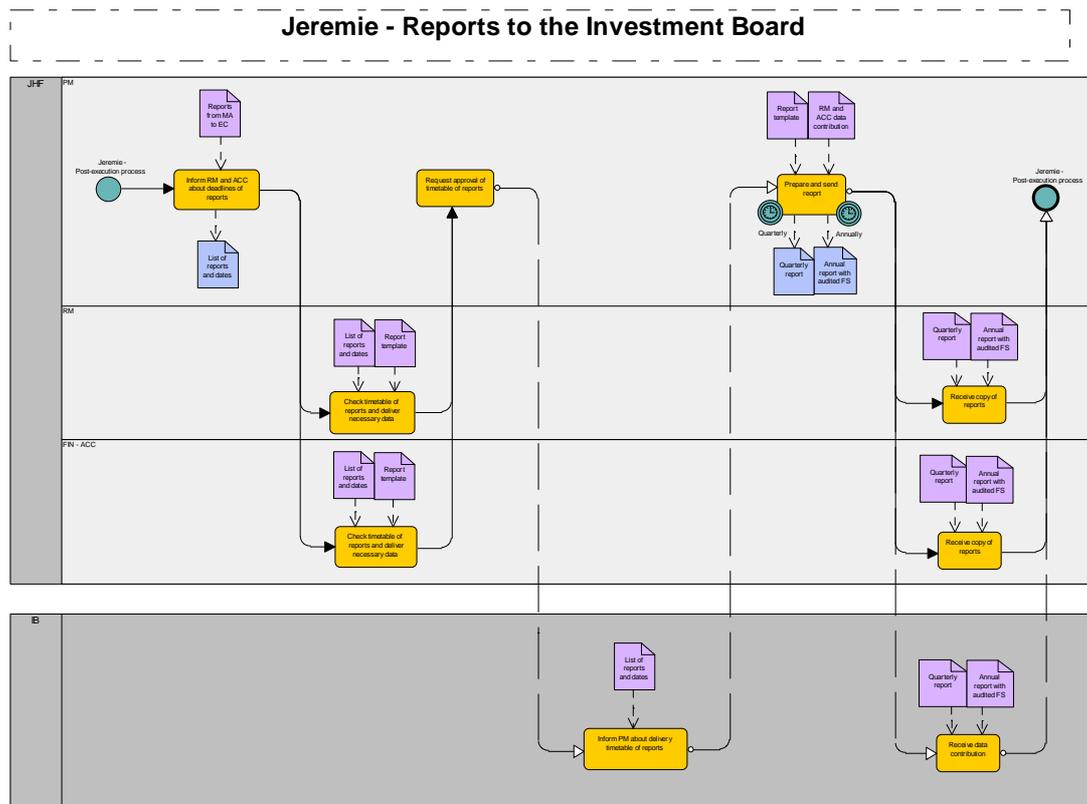
Notwithstanding that the continuous monitoring of the market conditions constitutes the most prudent approach and that the evolution of the utilisation of the committed funds by the Financial Instruments should be monitored and assessed, the Investment Strategy may be subject to annual revision. In such a case, the exact procedure for the approval of the Investment Strategy as presented in the relevant chapter of this handbook - which requires the approval by the IB - may be followed.

## 5.2. Reporting



- Two sets of reporting are concerned in this phase: annual / quarterly reports to IB and quarterly reports received from Financial Intermediaries. One of the core responsibilities of the JHF is to collect data from the FIs, check their reliability and compile reports that will be communicated to the IB in relation to the evolution of the implementation of the Financial Instruments, irregularities as well as all relevant reporting requirements of the MA towards the EC.

### 5.2.1. Reporting to Investment Board



## Preparation

- **PM** will liaise with **RM** and **ACC** so as to inform them of the deadlines and contents of reports from the national/regional authorities to the EC that have been identified as needing a JEREMIE input.<sup>18</sup>

Output: List of reports and dates

- **PM** will be informed of the time that **RM** and **ACC** can deliver the necessary data.

Output: List of reports and delivery dates

- Although reporting on a quarterly basis is in line with best market practice, in case the quarterly report does not constitute a contractual obligation, the IB members are informed by **PM** of the timetable of the reports delivery and decide in an IB meeting whether the reports would be submitted to the IB members as soon as they become available or within the context of the first IB meeting following their release.

Input: List of reports and delivery dates

Output: Approved list and relevant contact persons

- JHF provides an annual report to the IB in the same format than the quarterly report, but covering the full year under review, with the specific additional feature being that Financial Statements of the HF are audited by JHF external auditors.

## Delivery

- Upon delivery of the reports by **RM** and/or **ACC**, **PM** checks the contents for completeness and prepares the final report based on the template.

Output: Finalised data contribution

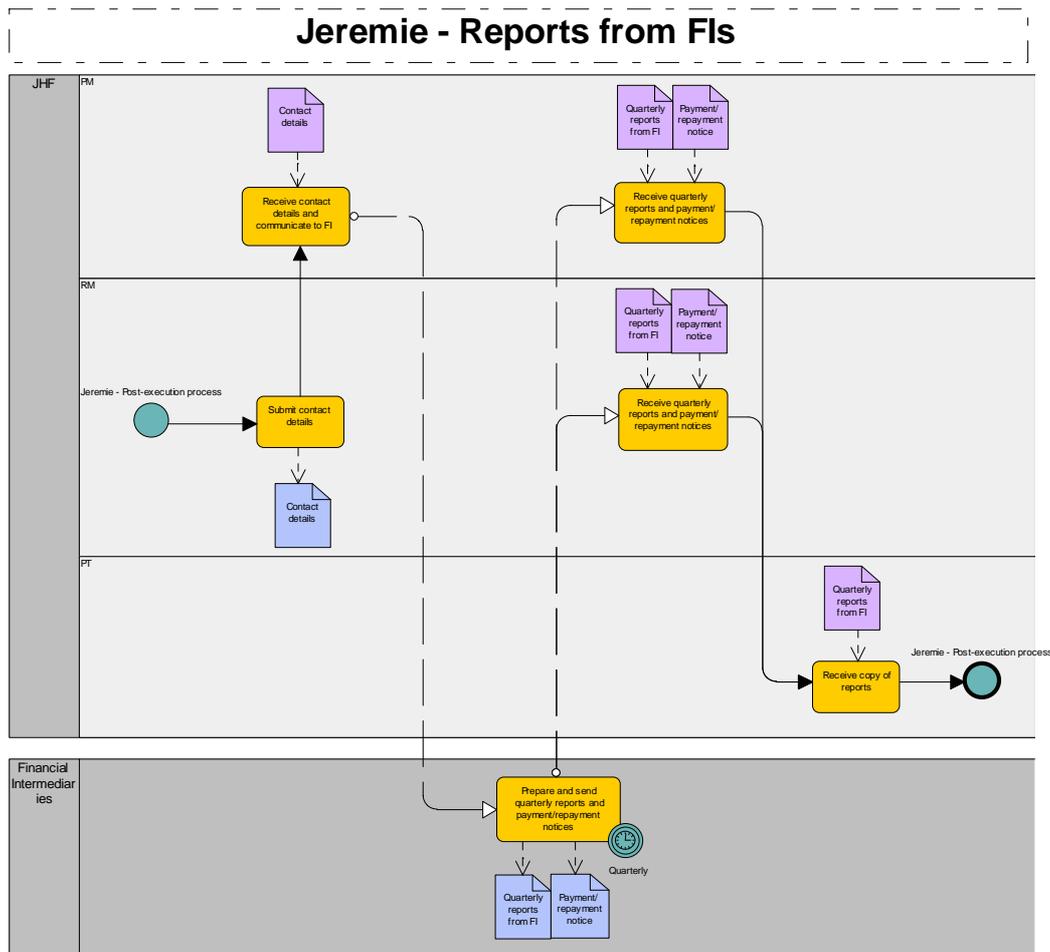
- The reports are submitted by **PM** both by mail and e-mail to the IB (or the relevant national/regional authorities). A copy is sent to **ACC** and **RM**.

Input: Finalised data contribution

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<sup>18</sup> As notified to the JHF by the national/local authorities and in accordance to deadlines set in the EU relevant Regulations such as the annual report on implementation due by 30 June each year and the final report on implementation due by 31 March 2017 (article 67 of Reg. 1083/2006).

## 5.2.2. Reporting from the Financial Intermediaries



- If not specified in the contract, **PM** communicates to the FI the contact details of **RM** (respective electronic mail address and fax number) for receiving the quarterly reports and payment requests from the JHF or repayment notices to the JHF according to their contractual obligations.

Output: RM contact details

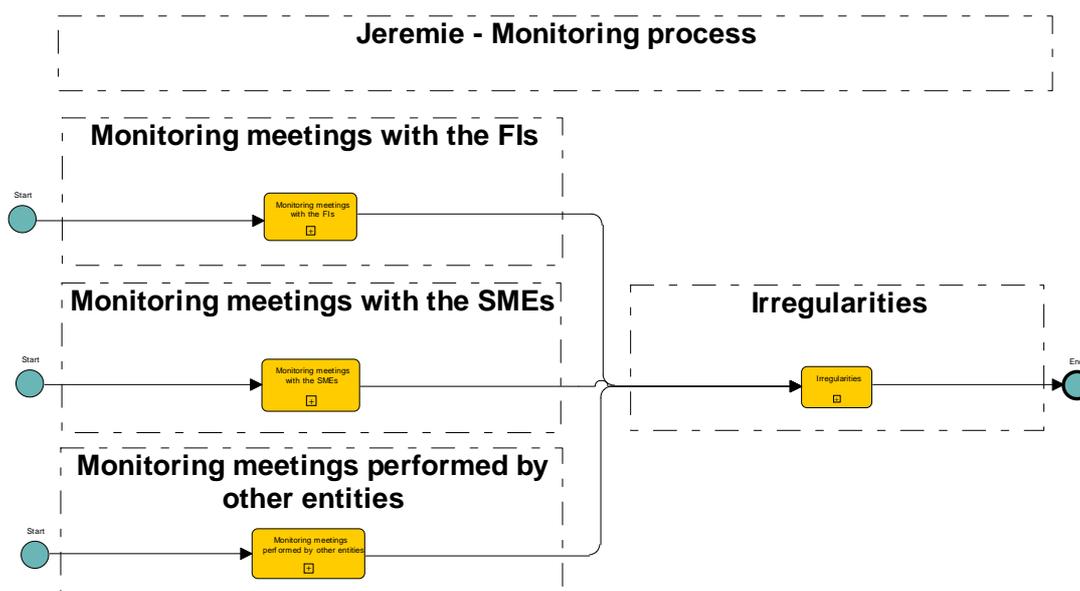
- The templates of the reports to be received from the FIs are annexed to the Operational Agreement between them and the JHF and form part of their contractual obligations. The design of the templates takes into consideration the generic characteristics of each Financial Instrument as well as individual specificities of each operation and/or mandate. The templates ensure that all data is made available to the JHF for the appropriate monitoring of the evolution of each operation. Moreover, the templates guarantee the collection of data that is explicitly provided for in the relevant EC Regulations.<sup>19</sup> All originals are sent to the contact person specified in the Operational Agreement with the FI. An electronic copy should be forwarded by the **FI** to **RM**.

Output: Original and duplicate quarterly reports

- **PM** ensures that the **PT** receive(s) a copy of such reports.

<sup>19</sup> Including, *inter alia*, article 7.2.d of EC Reg. 1828/2006.

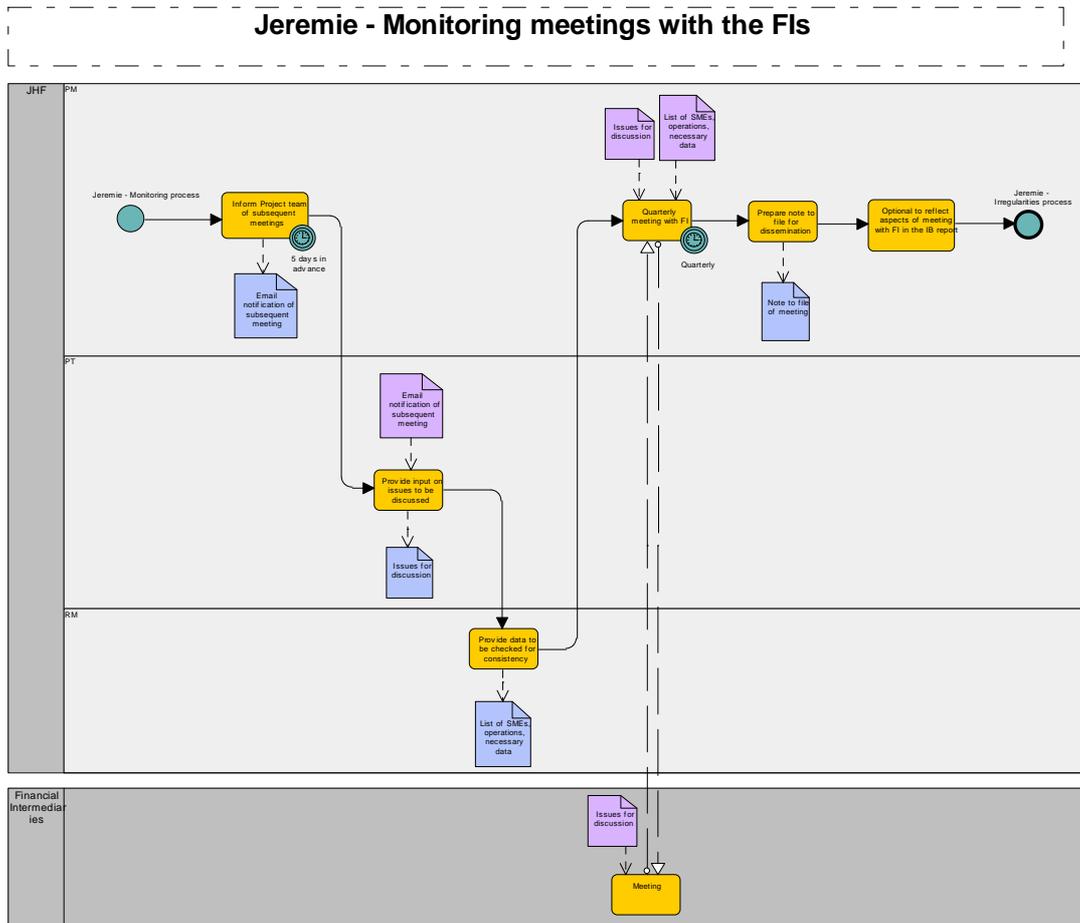
### 5.3. Monitoring



- The monitoring phase relates to the meetings between any relevant JHF team member and the FIs, the SMEs and any other counterparties.<sup>20</sup> This is complementary to any checks undertaken on documentation relating to a sample of operations of the supported portfolio of each FI. The detection and treatment of irregularities constitute a pivotal objective of the monitoring process.

<sup>20</sup> Such as the European Commission, the European Court of Auditors and any governmental entity or regional authority.

### 5.3.1. Monitoring tools and procedures at the level of the Financial Intermediaries



Visits to FIs are the sole responsibility of PM with the assistance of PT as appropriate.

Input: Meetings

Output: Note to file, possible input in the IB report

PM is to engage in regular meetings with the FIs with a view to monitor the evolution of the Financial Instrument, possible problems and improvement opportunities, any changes on important elements of the FI that have been presented in the Due Diligence process, as well as adherence of the FI and the portfolio SMEs to contractual obligations. The meetings should take place as soon as quarterly data become available in accordance with the contractual obligation of the FI.

- **PM** should inform the PT of each subsequent meeting within a set deadline.

Output: E-mail notification of subsequent meeting

- **The PT** provides possible input on issues to be discussed or clarified with the FI.

Output: Issues for discussion with FI

Apart from open discussions, **PM** enquires on:

- o Possible checks performed and problems identified by the FI on any of the portfolio SMEs as well as any corrective measures undertaken to remedy problems identified (eg. restriction imposed on the transfer of SME assets)

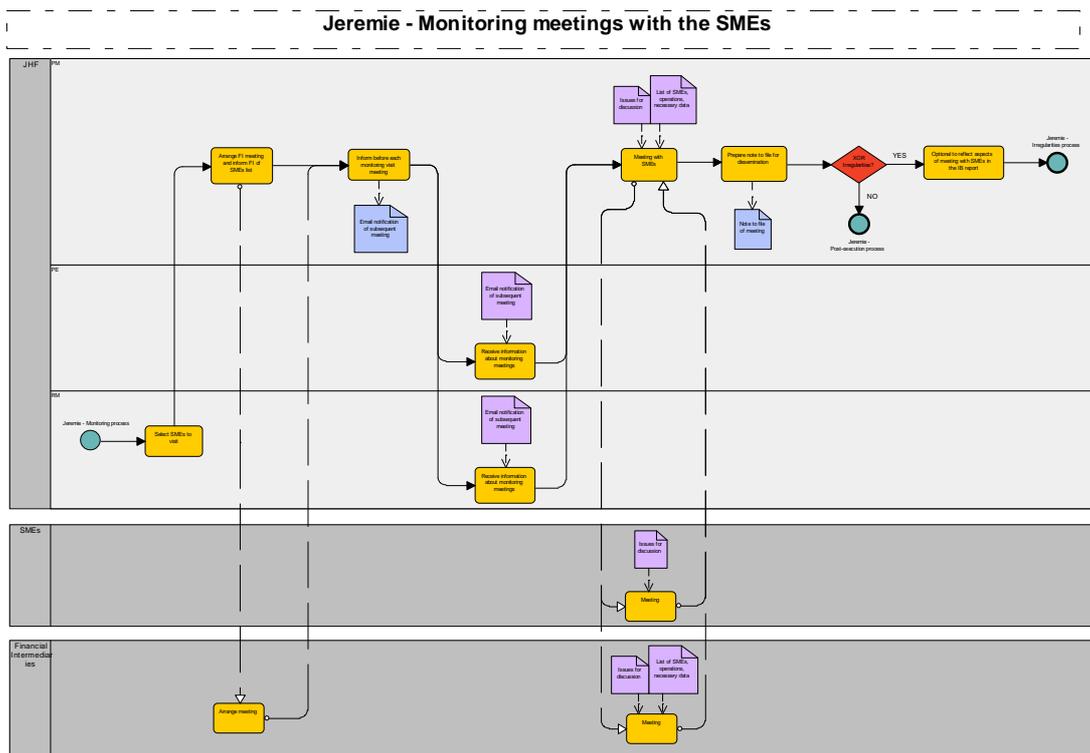
acquired with the support of a JEREMIE Financial Instrument to another SME).

- o Contractual obligations of the FI (e.g. visibility clause).<sup>21</sup>

- Certain aspects of those meetings may be reflected in the IB report. Any JHF existing procedure, however, for the internal dissemination of information to all relevant functions will also apply.

Output: Note to file, possible input in the IB report

### 5.3.2. Monitoring tools and procedures at the level of the SMEs



Visits to SMEs are carried out and are the sole responsibility of PM. The SMEs to be visited are selected by RM before the monitoring meeting on the basis of a statistical methodology established by RM (template). The exact methodology may also be used for the establishment of the sample of SMEs from which relevant documentation is requested and is subjected to checks.

The meetings may take place with the presence of an FI representative and will be arranged by the FI.

- **PM** informs **PE** and **RM** before each monitoring visit.

Input: Selected SMEs

Output: e-mail notification of planned monitoring visits

<sup>21</sup> In case of breach of contractual obligations, the JHF and the MA shall in each case agree on the most appropriate course of action to enforce the claims against the FI. In case the costs related to negotiations or legal actions to enforce such claims are deemed eligible expenditure, the JHF may start the relevant negotiations or take the relevant legal actions to enforce its claims. In case the above-mentioned costs are not deemed eligible, the JHF may assign the relevant claims to the MA.

Apart from open discussions, PM enquires on:

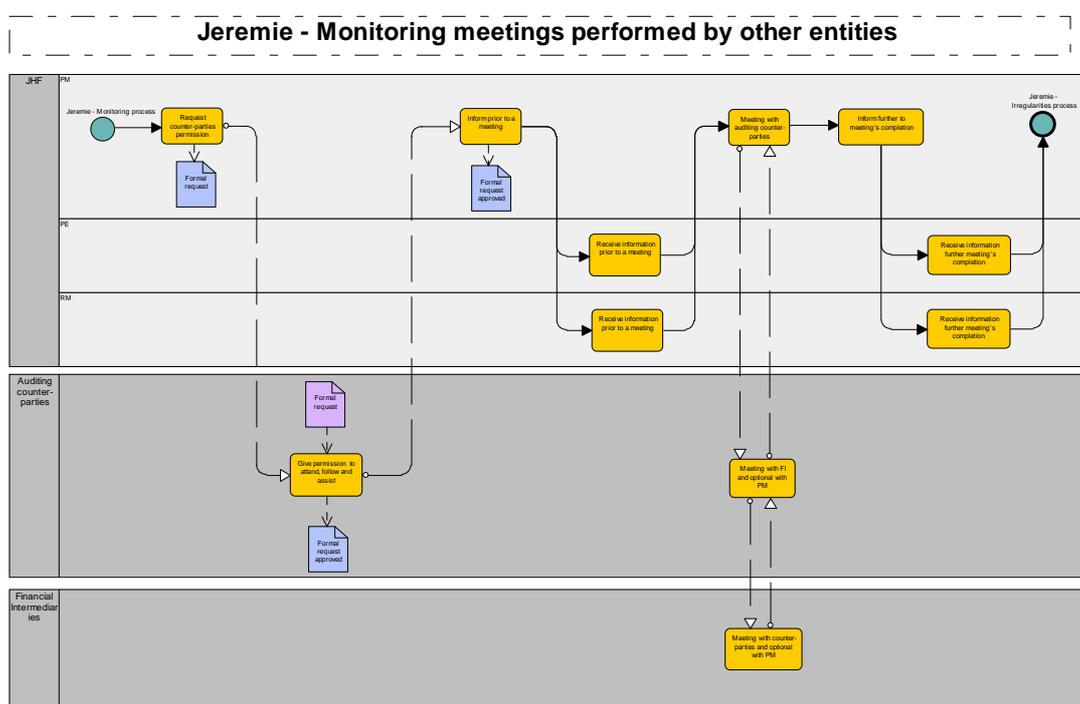
- o Contractual obligations of the FI that affect the SME (e.g. level of collateral).
- o Contractual obligations of the SME (e.g., publicity clause).

- Certain aspects of those monitoring visits may be reflected in the IB report. Any JHF existing procedure, however, for the internal dissemination of information to all relevant functions will also apply only in case that an anomaly is detected.

Input: Outcome of visits

Output: Possible note to file, possible input in the IB report

### 5.3.3. Monitoring by other entities



The Monitoring follows JHF procedures in place. Visits to FIs are the sole responsibility of PM whereas visits to SMEs are the sole responsibility of PM with the assistance of RM and PE as appropriate.

PM may act as a liaison between the FI and any of the counterparties with audit rights over the FI and the portfolio SMEs (such as the European Commission, the European Court of Auditors and any governmental entity or regional authority) at least at the initial contact phase and to the degree requested by the auditing counterparty.

- PM requests the auditing counterparty's authorisation to attend, follow and assist in any of the meetings and/or visits carried out to this extent.

Input: Formal request

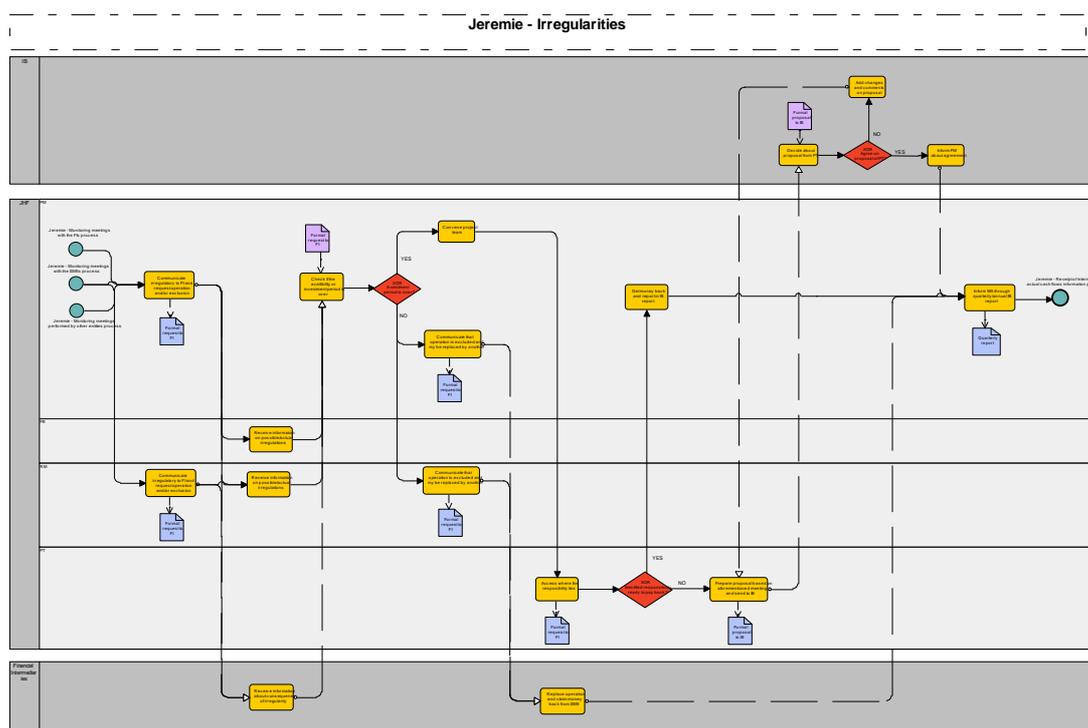
Output: Formal request approved

- Prior to a meeting and further to its completion, PM informs both RM and PE.

Input: Outcome of visit

Output: Note to file

### 5.3.4. Irregularities



The outcome of the monitoring process may fall under the category of irregularities.<sup>22</sup> JHF internal procedure applies with regard to follow up of findings with respect to FI. With regard to monitoring of SMEs, PM informs RM and PE on possible / actual irregularities.

- Notwithstanding the JHF internal procedures<sup>23</sup> in place and only in the event of an irregularity, Heads of PM and RM communicate to the FI the irregularity and indicate the consequences as to the treatment of the funds corresponding to the irregularity.

Input: Identification of irregularity

Output: Formal communication to FI

An indicative action plan is as follows:

*If the availability or investment period of the specific Financial Instrument has already been terminated:*

- PM convenes the PT.
- The PT decides upon claiming back the funds from the FI and crediting them to the JHF account unless there are pending or forthcoming obligations of the JHF to the FI, namely, management fees.<sup>24</sup>

<sup>22</sup> EC Reg. 1083/2006 defines irregularity as “any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget”.

<sup>23</sup> In case of fraud, JHF anti-fraud policy comes into force and COMPL is informed.

<sup>24</sup> This section refers to netting off. The funds in question is still recorded as money coming back to JHF but there is no transaction involved because of forthcoming JHF payments to the FI. Upon closure, any positive balance is ultimately returned to the EC.

The irregularity constitutes a “de-commitment” of funds from the original budget of the Financial Instrument and it should be communicated to the MA and the funds are withheld in the JHF account and earmarked for another use in accordance with the provisions of the agreement between the JHF and the managing authority.

Output: Element of the aforementioned formal request to the FI.

If the availability or investment period of the specific Financial Instrument is not over:

- The Head of **PM** jointly with the Head of **RM**, with the approval of **COMPL**, communicates to the FI that the operation excluded may be replaced by another; the FI is still requested to exclude the operation from its JEREMIE portfolio and consider the portion of the JEREMIE funding as if it has never been used for this operation.

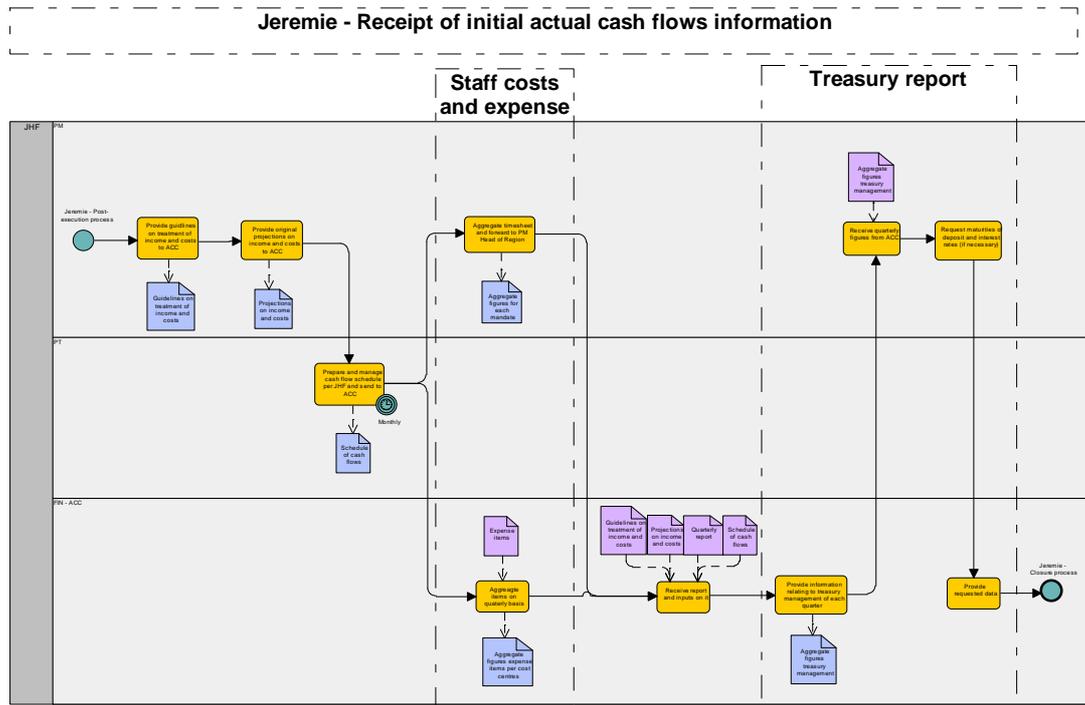
Output: Element of the aforementioned formal request to the FI

- The MA is kept informed of any such development through the quarterly IB report or through the relevant sections of the annual report whichever is produced first after the incident.

Input: Identification of irregularity

Output: Input in either quarterly or annual report

## 5.4. Actual cash flows information



- **PM** provides the designated ACC member with guidelines on the treatment of income and costs per Financial Instrument as well as any update of them.<sup>25</sup>

Input: Guidelines on income/costs treatment

Output: Input in either quarterly or annual report

<sup>25</sup> E.g., whether the interest received on loans can be used to cover the JHF costs or it should be used to grant new loans or to cover FI fees.

- **PM** provides the designated ACC member with the original projections on income and costs as well as any update of them for each specific Financial Instrument. In case that this exercise takes place through means of a cash flow model, the PM may provide an indicative and preliminary overview of the timing and size of all cash flows to the FIs by the JHF.

Input: Projections on income and costs

Output: Input in either quarterly or annual report

- The PT will prepare and manage a cash flow schedule per JHF. The updated schedule will be forwarded on a monthly basis to ACC.

Input: CF schedule to ACC

Output: Aggregated CF forecasts for bank account management

### **Treasury reporting**

- ACC provides PM with the information relating to the treasury management of each quarter. The information includes the opening balance, the end balance, treasury income earned and all transactions with value date, amount and purpose. Repayments will further be identified as recycled funds and non-recycled funds. Upon request and if deemed necessary by PM, ACC will provide information relating to the maturities of deposits at the end of each month as well as the interest rates offered by the treasury bank.

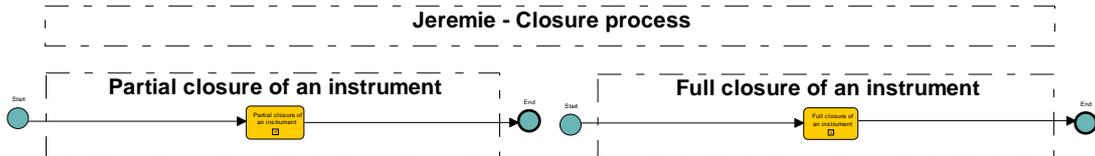
Input: Data

Output: Section in Annual / Quarterly Reports

## 6. Closure of Holding Fund Financial Instruments

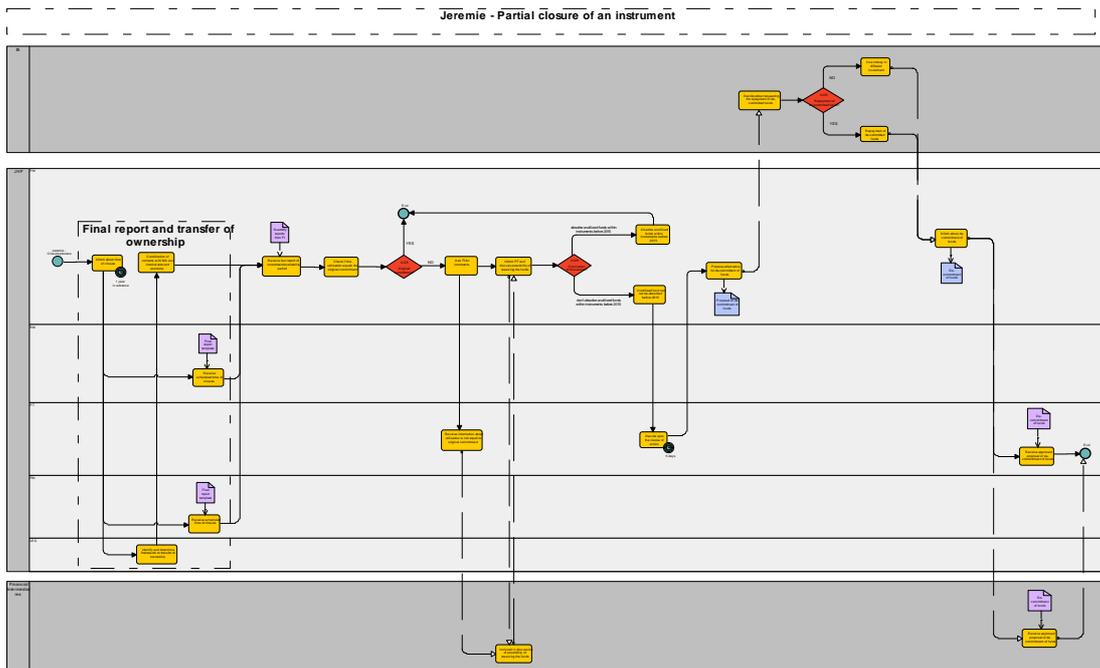
The closure phase includes three main steps: the closure procedures, the transfer of ownership of assets and the final reporting.

### 6.1. Closure procedures



- The closure procedures relate to the partial closure or the full closure of the Operational Programme(s) that provide(s) funds to the relevant JEREMIE initiative.

#### 6.1.1. Partial closure of a Financial Instrument



The partial closure of an OP may be made at periods to be determined by the Member State / MA.

In accordance to Regulation 1083/2006 (article 88), partial closure relates to operations completed during the period up to 31 December of the previous year. For the purposes of this Regulation, an operation is deemed complete where the activities under it have been actually carried out and for which all expenditure by the beneficiaries and the corresponding public contribution have been paid. In this context, the interim assessment procedure for the debt Financial Instruments and the procedure of releasing a certain amount that corresponds to the difference between the approved amount and the finally committed amount for an equity operation are relevant.

In order to enhance the impact of the initiative, it is proposed that all utilised funds that are repaid to the JHF will not be returned to the Member State until the Funding Agreement is terminated on 31/12/2015 or cancelled. The procedure for full closure is, therefore, followed.

Notwithstanding the above-mentioned procedure for an OP, an indicative action path at the level of a Financial Instrument is as follows:

It may be the case that part of the original commitment for a Financial Instrument is -at a certain point in time- regarded as non-utilisable, i.e., there is no possibility that it will be used under the specific Financial Instruments. This may happen at the end of the investment period or availability period of an equity Financial Instrument or debt/guarantee Financial Instrument, respectively. This portion of funds is not deemed as recycled but as non-utilised and should be either returned to the national or local authority or used for a different purpose – as indicated in the agreement between the national or local authority and the JHF.

- **PM** receives the last quarterly report for the investment/availability period.

Input: Quarterly report

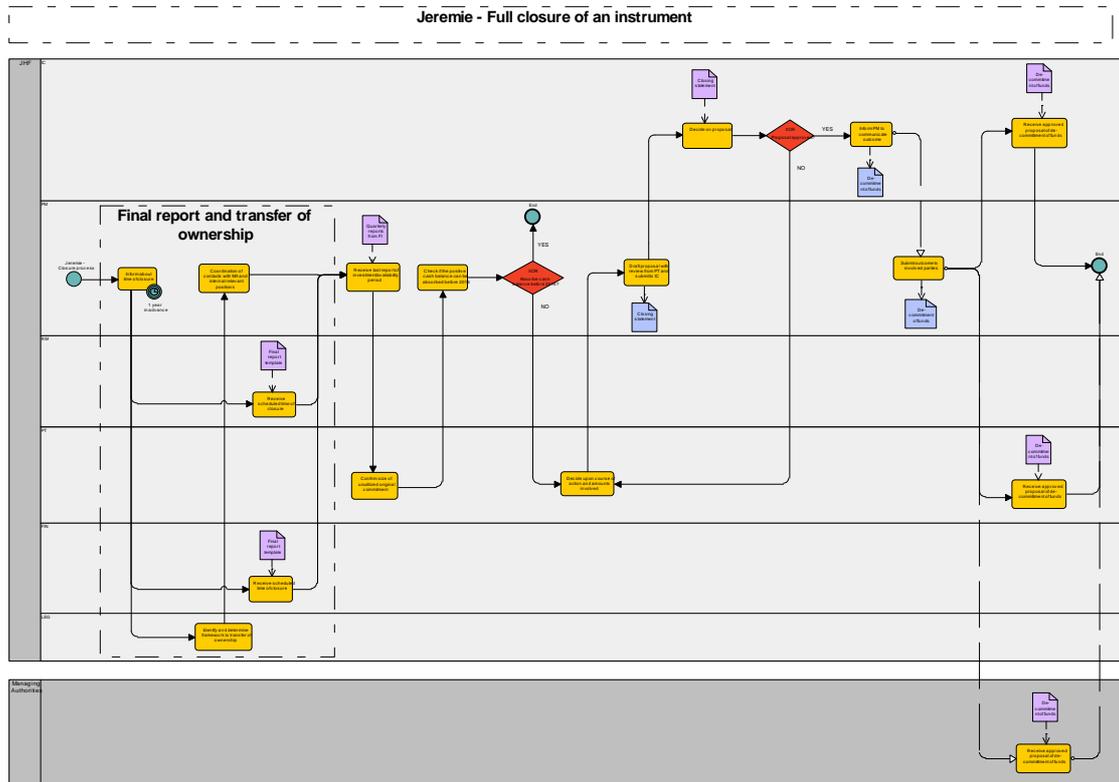
- If utilisation does not equal the original commitment and further to confirmation by the RM, **PM** reverts to the FI to request preliminary comments on the possibility of the absorption of the unutilized portion.
- **PM** then informs the PT and discusses the possibility of reserving the funds for future funding requirements of the Financial Instrument before the end of 2015 (FI management fees or even follow-on investments for equity Financial Instruments).
- Discussions are held between the PM and the FI.

There are two eventualities: the unutilized funds (whole or part) can be absorbed within the Financial Instrument before 2015 or they cannot. In the case of full or partial “de-commitment” of these funds, the IB should decide on requesting the repayment of the de-committed funds or approving an alternative use after a proposal by the **PT**.

- To this extent, the **PT** is convened within a pre-set number of days after the end of discussions with the FI.
- The **PT** decides upon the course of action to take and the amounts involved.
- **PM** drafts the proposal and, further to clearance of the draft by the PT, the proposal is put on vote by the IB.
- The outcome is communicated by **PM** to the MA, to the FI and internally to the PT.

The same procedure is followed in case of breach of an Operational Agreement.

## 6.1.2. Full closure of a Financial Instrument



- PM receives from the FI the last quarterly report for the end of the life of the Financial Instrument. The closure procedure is determined according to the individual product specification. PM is informed of the final closing position of the Financial Instrument.

Input: FI quarterly report

Output: Communication to PM

- PM receives input by ACC, drafts the closing statement and submits it to the IC.

Input: Info from ACC

Output: Closing statement

- Further to IC clearance, the outcome is communicated by PM to the MA based on the reporting template of the EC Regulations and internally to the IC.

Input: Reviewed closing statement

Output: Communication to MA

Notwithstanding the abovementioned procedure for an OP, an indicative action path at the level of a Financial Instrument is as follows:

The end of the life of a Financial Instrument may occur before the year 2015. It can be the scheduled end (the end of the life of an equity vehicle or the final maturity date of the last loan in a loan or guarantee portfolio) or an un-forecasted one (liquidation of the equity fund or early and full repayment of all loans).

Any unutilized portion of the original commitment and/or any capital or revenue repayments to the JHF, should be either returned to the Managing Authority or used for a different purpose – as indicated in the agreement between the Managing Authority (or any other competent body) and the JHF.

- **PM** receives the last quarterly report for the end of the life of the Financial Instrument.

Input: Quarterly report

- The **PT** is convened so as to confirm the size of any unutilized portion of the original commitment and/or the aggregate size of any capital or revenue repayments to the JHF.

There are two eventualities: the positive cash balance of the Financial Instrument can be absorbed by another scheme or Financial Instrument before 2015 or they cannot.

- The **PT** decides upon the course of action to take and the amounts involved.
- **PM** drafts the proposal and, further to clearance of the draft by the PT, the proposal is submitted to the IC which deliberates based on its internal rules of procedure.
- The IC decision is put into a proposal by **PM** and, further to clearance of the draft by the IC, the proposal is put on vote by the IB.
- The outcome is communicated by **PM** to the MA and internally to the IC and to the PT.

Allowing for any litigation implications, the same procedure should be followed in case of an agreement cessation at a timing to be specified by LEG.

## 6.2. Exit policy and transfer of ownership of assets

- Given the legal complications that this step may entail, **PM** is to inform the designated LEG one year prior to the termination of any Funding Agreement.
- **LEG** is responsible, with the help of any appropriate local counsel, for the identification and determination of the legal framework applicable to the transfer of ownership of all agreement in place with any FIs – in line with any winding-up provisions of the agreement between the JHF and the Managing Authority (or the competent body that has signed the agreement).
- **PM** assists LEG and coordinates contacts with the national and/or local authorities involved for this process.
- **PM** coordinates within JHF for the closure of all positions connected to the relevant JEREMIE Holding Fund (e.g., bank accounts agreements, local offices as applicable, consultancies, *et similia*).

### 6.3. Final reporting

Further to the final closure, the MS provides the EC with a detailed account of the achievements and requirements of the initiative.

- Given the amount of work this exercise requires, **PM** informs RM and ACC designated persons of the scheduled time of closure one year in advance – both RM and ACC already have the reporting template for the final report as stipulated in the EC Regulation 1828/2006.
- Further to input and review by RM, ACC and PE, the final report is submitted by **PM** to the Managing Authority and copies are dispatched to the IC.

Input: Extensive input from RM, ACC and PM

Output: Final report to MA

## 7. Annexes

### 7.1. JEREMIE Sequence Overview

	1. Level	2. Level	Responsible	Accountable	Consulted	Informed
Initiation	Initiative kick off	Initial contacts with authorities	PM	PM	EC	HoJ
		Establishment of PT	PM	PM	PE, COMPL, RM, LEG	PT
	Investment strategy	Development of inv. strategy	PM	PT		IC
		Approval of general inv. strategy	PM	IC	PT, MA	MA
	Funding Agreement	Clearance to proceed with FA	PM	HoJ	PE, COMPL, RM, LEG, FIN	
		Formulation of FA	LEG, PM	LEG	PE, COMPL, RM, LEG, FIN	HoJ
		Signature of FA	PM, LEG	HoJ	COMM, MA	
	JHF Structures	Opening of bank account	ACC	ACC	PM	
	Resource acquisition	Identification of local resources and internal needs	FM, PM	FM	COMPL, RM, LEG, FIN, HR	HoJ
		Launch of recruitment	HR, PM	HR		HoJ
Summary checklist initiation phase						
	1. Level	2. Level	Responsible	Accountable	Consulted	Informed
Planning	Design of financial products to be implemented under the JHF	Formulation of ToR for the financial products	PM	PM	PT	
		State aid and structural fund compliance of ToR	PM	MA		
	Preparation of calls for Eol for Fls	Definition of Selection Criteria and Preparation of Calls for Eol Documentation	PM	PT	PE, SF MC	IB
		Approval of call documentation	PM	HoJ	PT, IB, IC	COMPL, LEG
		Launch call for Eol	PM, COMM	PM	PE, (MA)	

Summary checklist planning phase						
	1. Level	2. Level	Responsible	Accountable	Consulted	Informed
Selection of FIs	Pre-selection of FIs		PM, Selection Panel	Selection Panel	COMPL, FIs, PM	RM, IB, COMPL
	Contract signature with selected FIs		LEG, PE (PM)	HoJ	PM	FIs, IB
Summary checklist execution phase						
Implementation of financial products	Update/adjustment of Holding Fund Investment Strategy/product portfolio		PM	IC	PT, MA	MA
	Reporting	Reporting to Investment Board	RM, ACC, PM	PM		IB
		Reporting from the FIs	RM			PT
	Monitoring	Monitoring tools at the level of the FIs	PM		PE	PM (or PE), FI
		Monitoring tools at the level of the SMEs	PM		RM	RM, PE, FI
		Monitoring by other entities	PM		PE	RM, PE, FI
		Irregularities	RM, PM	PM	COMPL	PE, MA, FI
Actual cash flows information		ACC		PM	IB	
Closure of Holding Fund Financial Instruments	Closure procedures	Partial closure of a Financial Instrument				
		Full closure of a Financial Instrument	RM, PM	IC	ACC	MA
	Exit policy and transfer of ownership of assets		LEG		PM	MA
	Final Reporting		RM, ACC, PM	PM		MA, RM, ACC and PE

Term	Definition
Responsible	The individual(s) who is RESPONSIBLE to perform the task. R's can be shared across a task.
Accountable	The individual who is ultimately ACCOUNTABLE has the power of veto. Only one "A" can be assigned to a task.
Consulted	The individual to be CONSULTED prior to a final decision or action being taken.
Informed	The individual(s) who needs to be INFORMED after a decision or action is taken.

## 7.2. Templates

### 7.2.1. Approval of general Investment Strategy

#### JEREMIE <country/region>

Place, date

Note to JEREMIE Investment Committee

PM name

**Subject: Request for Approval of the Investment Strategy for JEREMIE-<country/region>**

#### **1. Background**

On xxx, the <JHF> and the <national/local authorities> entered into a Funding Agreement on the Implementation of the JEREMIE Initiative in the <country/region>.

In accordance with clause xxx of the aforementioned Funding Agreement, the attached document constitutes the initial Investment Strategy for the period 2010 to 2015 that is submitted to the Managing Authority or to the Investment Board on xxx, two months after the Framework Agreements becoming effective. Approval of the Investment Strategy will come within one month of submission.

The Investment Strategy will be revised on an annual basis taking into account, *inter alia*, the historic performance and the impacts on the <country/region> economy of the JEREMIE Initiative and submitted for approval on the xxx of each subsequent year.

#### **2. Sign off by Project Team**

Based on the full understanding of the above, the Project Team seeks approval from the JEREMIE Investment Committee to submit the annexed Investment Strategy to the <country/region> authorities (Managing Authority or Investment Board).

Name	PM	
Name	COMPL	
Name	LEG	
Name	PE	
Name	RM	

7.2.2. Formulation of Funding Agreement

JEREMIE <country/region>

Place, date

Note to HoJ

PM name

Subject: Request for Approval of the Funding Agreement for JEREMIE-<country/region>

**1. Background**

- Further to negotiations jointly pursued by PM and LEG (under the lead responsibility of PM) with the Managing Authority, a first draft was submitted by the JHF services to the <country/region> authorities.
- Further to comments received by the Managing Authority and subsequent incorporation of the comments.

The attached document constitutes the final draft of the Funding Agreement.

**2. Sign off by HoJ**

Based on the full understanding of the above, the Project Team has asked the HoJ to confirm his agreement and sign the attached draft of the Funding Agreement.

Name	PM	
Name	LEG	

Name  
Head of JEREMIE

### 7.2.3. Governance

#### Investment Committee rules of procedure

##### **Composition**

The Investment Committee may consist of senior delegated persons of the following services:

- PM
- PE
- LEG
- COMPL (observer status)
- RM

In case of absence of the delegated person, the staff member representing the function is expressly delegated by the respective senior delegated persons by means of a power of attorney the existence of which is expressly referred to in the minutes of the meeting in question.

IC deliberations are open for IC members only, unless third parties are invited by PM or upon specific request by any IC member for a specific purpose.

##### **Responsibilities**

The IC is responsible for:

1. Subject to the competencies of the Investment Board, the validation or the review of the Investment Strategy as finalised by the PT;
2. the validation of the cash flow model for each mandate;
3. the decision to submit a proposal to enter into a Funding Agreement to the HoJ;
4. the decision to propose the publication of a Call for the Expression of Interest for the selection of FIs for treasury, custodian or instrument management services to the HoJ for approval;
5. the approval of the weighting system to be applied to the Selection Criteria;

##### **Proceedings**

The IC quorum requires the presence of representatives of all its members.

No decision can be taken by the IC on a product unless the competent PE to which such product relates is validly represented.

The representative of PM chairs the IC meetings.

The right to vote is given to the following IC members: PM, PE, LEG and RM.

The IC takes its decisions unanimously, provided that, as regards the voting of PE, decisions on product-related issues may be taken with the sole vote of the PE representative for the line of business to which the product in question relates.

## ***Meetings***

The IC may meet upon invitation of PM or at the request of at least two of its members or at the request of COMPL, each time communicated in writing to PM.

Decisions by the IC may also be made by written procedure; such decision requires an invitation of the IC members by PM in writing which invitation must contain the entire set of documents required. IC members may be given a number of business days for deliberation and voting; failure to vote within the deadline and despite receipt of the complete invitation in time equals approval of the proposal. Each IC member may request to report a decision proposed by written procedures to a physical meeting, which has then to be convened by PM. Decisions taken by written procedure are not validly taken if one of the IC members can prove not to have received in time the complete invitation with all annexes.

## ***Notice of meetings***

Notice of each meeting of the IC may be communicated to the members by PM by e-mail at a pre-set deadline. Each notice may specify the date, time, place and the agenda of the meeting.

Decisions may be taken by the IC without having respected the aforementioned invitation formalities, provided that each IC member so expressly agrees; such agreement needs to be minuted.

All documents relating to the activity of the IC may be circulated by PM to the IC members, where possible, together with the notice of the meeting.

Except with the prior agreement of PM, no new items may be introduced in the meeting.

## ***Agenda***

All items to be decided upon by the IC may be specified in the agenda, which may be circulated to the IC members with the notice of the meeting.

Any IC member may propose an item for inclusion on the agenda not later than a pre-set number of business days before the meeting.

The agenda of each meeting may be prepared by PM and approved by the IC in the meeting.

The agenda may include the approval of the minutes of the previous IC meeting.

Other items may be considered under "Other Business" upon the agreement of the IC at the meeting.

## ***Minutes***

The meetings of the IC may be tape-recorded, unless a IC member expressly disagrees to such recording, and PM may ensure that minutes are also kept for all meetings. The minutes outline the main discussions and decisions of the IC and include a list of action points as were agreed during the meeting.

The minutes are circulated in draft to all IC members within a pre-set deadline after the relevant meeting. The members are requested to communicate proposed amendments to the Secretariat within a pre-set number of business days of receipt of the draft minutes.

Following approval, the minutes are forwarded for information to the HoJ.

The approved minutes are signed by the chairman of the meeting and filed by PM; minutes of IC meetings are safeguarded until the finalisation of the final audit on the JEREMIE Holding Funds.

Tape-recordings of the IC meetings have to be confirmed at the beginning of each meeting; these recordings remain accessible only to the IC members at any time upon express written request; PM destroys tape-recordings immediately following the approval of the minutes of the recorded meeting.

### ***Confidentiality and conflict of interest***

Deliberations and voting in the IC are strictly confidential; all documentation relating to the IC is kept with PM and communicated upon request to the members of the IC only.

Any member of the IC who has a potential conflict of interest must inform immediately the IC and COMPL; the IC, acting upon the advice of COMPL, decides on the management of such conflict of interest. Pending such decision, the IC member concerned does not participate in the IC deliberations.

### ***Secretariat***

PM may provide the secretariat of the IC which may bear the following responsibilities:

- Organising meetings of the IC, including preparation and distribution of the agenda, documents and minutes;
- Proposing amendments to the IC rules of procedure;
- Coordinating communication between the members of the IC.

All communication relating to the activity of the IC will be addressed to PM.

### ***Changes to the rules of procedure***

The IC approves these rules of procedure and decides on any amendments in accordance with the provisions laid out in these rules of procedures.

#### 7.2.4. Launch of recruitment

##### Project Management staff member profile

<p><b>Business Unit</b></p>	<p>The Project Manager will report to the hierarchy of the Project Management Unit and will work in close relation with other services contributing to the implementation of the JEREMIE initiative as well as potentially with International Financial Institutions (IFIs) such as the EIB and other.</p> <p>The successful candidate will participate in the finalisation of the JEREMIE implementation agreements with the Managing Authorities ("MA"), in particular establishing business plans, structuring holding funds and managing the contractual obligations as regards development of operations, reporting and monitoring. He/she will also be responsible for ensuring the implementation of JEREMIE financial engineering instruments ("Operations") for the support of SMEs in the fields of debt-related instruments and venture capital, in accordance with the investment strategy defined.</p>
<p><b>Responsibilities</b></p>	<p><b>Operational expertise to assist in the implementation of the JEREMIE initiative</b></p> <ul style="list-style-type: none"> <li>• Represent JHF vis-à-vis services of the relevant Ministries and those MA contributing to the holding fund under JEREMIE;</li> <li>• Develop and maintain contact with MA for the use of Structural Funds (ERDF and ESF)</li> <li>• Develop and organise Operations in accordance with the business plan and investment strategy, updating the strategy annually;</li> <li>• Cooperate closely with the divisions of the JHF, the IFIs (such as the EIB and other) and private investors to enhance the leverage of Operations;</li> <li>• Prepare and present items at Investment Board (IB) meetings and follow up on decisions taken;</li> <li>• Submit and justify Operations to the Investment Board;</li> <li>• Assist in the day to day management of the office and the SPV through which the holding fund activity will be implemented;</li> <li>• Instigate, manage and develop relations with the local financial community, SME agencies, EU services and IFIs through regular contact;</li> <li>• Spearhead the development and growth of this exciting new venture;</li> <li>• Analyse, on an ongoing basis, changing market requirements and develop/propose initiatives to address these requirements.</li> </ul> <p><b>Monitoring and reporting</b></p> <ul style="list-style-type: none"> <li>• Manage and ensure fulfilment of the JHF reporting and monitoring requirements on behalf of the MA;</li> </ul>

	<ul style="list-style-type: none"> <li>• Work in close cooperation with any Risk Management as well as Accounting services to ensure timely and efficient delivery of the reporting and monitoring requirements.</li> </ul>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>• University degree and preferably postgraduate degree in Finance/Economics or a related subject;</li> <li>• At least 3 years' professional experience and proven track record in the fields of SME guarantees, venture capital, lending, micro-finance, technical assistance or SMEs regional development; experience combining some of these would be an advantage;</li> <li>• Good knowledge of the financial sector in the specific market; an additional asset when related to the financing of SMEs ;</li> <li>• Knowledge of EU procurement procedures and State Aid issues would be an advantage;</li> <li>• Good institutional knowledge of regional development issues and policies at national and/or EU levels ;</li> <li>• Clearly demonstrated track record of performance and achievement in a fast paced, complex and internationally orientated environment;</li> <li>• Excellent knowledge of the local language and English, both oral and written. Knowledge of other EU languages would be an advantage.</li> </ul>
<b>Competencies</b>	<ul style="list-style-type: none"> <li>• Team-working and pioneering spirit;</li> <li>• Strong commercial and negotiation skills;</li> <li>• Sense of responsibility, organisation and initiative;</li> <li>• Ability to work under pressure and meet deadlines;</li> <li>• Problem solving and positive approach.</li> </ul>

## 7.2.5. Formulation of Terms of Reference for the Financial Products

### Terms of Reference

#### Funded Risk Sharing Financial Instrument: Description and Selection Criteria

##### Part I: Description of the Financial Instrument

Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

#### 1 Rationale

The purpose of the Financial Instrument is twofold. It:

- 1) provides funding to the Financial Intermediary to support new SME lending; and
- 2) shares the risk of new SME loans, thereby freeing up capital for the Financial Intermediary.

SME loan portfolios to be established on the basis of the Financial Instrument are geared towards eligible SMEs which are sound, well-performing and within the normal credit risk spectrum of SMEs in <county/region> (i.e. bankable SME risk). The Financial Instrument will have a special focus on SME lending in the manufacturing industry.

#### 2 Structure

JEREMIE Holding Fund funds will be provided by <the JHF> (acting in its own name but on behalf of the <country>) to selected Financial Intermediaries pursuant to individual facility agreements. Subject to the risk-sharing element set out below, the Financial Intermediary undertakes to repay to <the JHF> the disbursed amount and any interest accrued thereon.

The Financial Intermediary further undertakes to originate a new SME loan portfolio partly funded from the disbursed funds. The origination, due diligence, documentation and execution of the SME loans will be performed by the Financial Intermediary in accordance with a pre-set origination model agreed with <the JHF> but otherwise applying all normal standard procedures of the Financial Intermediary.

In this context, the Financial Intermediary will have the sole direct client credit relationship with each SME.

Each Financial Intermediary will be responsible (in compliance with its internal operating guidelines) for the handling of payments, the ongoing monitoring, the reporting to <the JHF> as well as the management and realisation of collateral backing the newly originated SME loan portfolio.

<The JHF> repayment claim under the facility agreement will be decreased, contingently on losses occurring under the originated SME portfolio (under agreed conditions and at a predetermined ratio), thereby providing a risk-sharing element to the Financial Intermediary.

### 3 Indicative Summary of Transaction Terms

Structure	Funded risk sharing financial instrument.
Governing law and language	The terms of the Funded risk sharing financial instrument are envisaged to be in the local language and to be governed either by the laws of <the country>.
Form	Facility agreement for co-funding of a loan portfolio and risk sharing thereof on a loan by loan basis.
Limitation of liability	Liability of <the JHF> vis-à-vis each Financial Intermediary will be limited to the amounts disbursed to such Financial Intermediary under the relevant facility agreement.
Co-financing rate	In addition to the funding provided through the JEREMIE Holding Fund, the Financial Intermediary will provide co-financing of at least xx% of the SME loan portfolio.
Risk sharing rate	<The JHF> and the Financial Intermediary will share the risk on each loan financed by the Facility on a <i>pari passu</i> basis. Accordingly, <the JHF> will cover up to xx% of the losses on a loan by loan basis.
Eligible SMEs	<p>Micro, small and medium enterprises as defined in the Commission Recommendation 2003/361/EC, with applicable industry restrictions for JEREMIE, which is not “a firm in difficulty” within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2.), as amended or substituted by future Community guidelines.</p> <p>A number of industries will be supported, except:</p> <ul style="list-style-type: none"> <li>gambling;</li> <li>production, supply or trade in arms, tobacco, alcohol;</li> <li>human cloning;</li> <li>undertakings active in the fishery and aquaculture sectors, as covered by Council Regulation (EC) No. 104/2000 (1);</li> <li>undertakings active in the primary production of agricultural products as listed in Annex I to the Treaty establishing the European Community.</li> </ul> <p>There will be a special focus on the manufacturing industry as defined by Section C of NACE Rev.2 (the Statistical Classification of Economic Activities in the European Community). The loans to SMEs in the manufacturing industry will be at least xx% in terms of volume of the SME loan portfolio.</p> <p>SME’s primary place of business is in the &lt;country/region&gt;.</p>
Eligible forms of SME financing	<p>Investment loans (tangible and intangible assets)</p> <p>Working capital</p>
SME Loan Maturity	Minimum xx months and maximum xx months including a grace period (for capital repayment), if any. Loans with a fixed repayment profile (both amortising and bullet) are eligible, subject to suitable maturity criteria to be established.

SME Loan Amount	The maximum loan amount to an individual SME final beneficiary will be set ex ante by <the JHF> and in such a manner as to allow the newly formed portfolio to be sufficiently diversified. The maximum obligor concentration will be set at xx% of total loan portfolio.
Availability period	Up to xx months from date of signature of the facility agreement.
Origination Model	<p>Newly originated SME loans to be covered by the Financial Instrument are automatically included in the portfolio subject to pre-set loan inclusion criteria defined on a loan-by-loan basis.</p> <p>As part of its due diligence, &lt;the JHF&gt; will carry out an in-depth review of the SME loan origination and credit risk assessment procedures (including SME credit rating systems) of the Financial Intermediary and define loan inclusion criteria on a loan as well as portfolio basis, thereby allowing the application of a portfolio approach in &lt;the JHF&gt; risk analysis. It is expected that each SME portfolio which is risk-shared will contain at least xx SME obligor exposures after full ramp-up. The newly originated SME portfolio shall be representative of the SME portfolio generated under the lending policies for comparable (in terms of maturity, collateral, risk, size etc) loans of the Financial Intermediary.</p>
Risk sharing arrangements	Cover of residual losses (following recoveries/realisation of collateral) on a <i>pari passu</i> basis by <the JHF> acting through the JHF and the Financial Intermediary. <The JHF> repayment claim under the facility agreement will be reduced accordingly.
Loss Cover	<The JHF> liability will be limited to its share of the residual losses (on the principal amount only) calculated at the applicable risk sharing rate.
Default definition	Applicable default definition of the Financial Intermediary in the context of Basel II.
Disbursement under the facility agreement	Disbursement in one or several tranches based on actual utilisation of the Facility.
Repayment under the facility agreement	<p>Repayments would occur regularly (e.g. quarterly) on a pro rata basis mirroring principal repayments of the underlying SME loans covered by &lt;the JH &gt; risk sharing component of the facility.</p> <p>&lt;The JHF&gt; repayment claim will be reduced/written-off in proportion to the losses occurring under the risk-shared portfolio.</p>
Pricing	<p>At market terms both at the level of the Financial Intermediary (facility agreement) and of SMEs (underlying portfolio of new loans) to ensure the Financial Instrument does not entail any element of state aid.</p> <p>To the extent funds drawn by the Financial Intermediary are not utilized (i.e. not disbursed for SME loans), the Financial Intermediary pays a commercial deposit interest rate as applied by the Financial Intermediary for an equivalent maturity period on such funds.</p> <p>To the extent funds provided are utilised for SME loans, &lt;the JHF&gt; will share pro rata with the Financial Intermediary (i) any interest accrued on the SME loans included in the portfolio; (ii) the principal repayments thereof, as well as (iii) any recovered amount according to the risk</p>

	<p>sharing rate (equal to the co-financing rate), i.e. repayment of the facility granted by the &lt;the JHF&gt; will reflect repayment of the SME loans included in the portfolio.</p> <p>The Financial Intermediary shall apply pricing and other lending terms for the new SME loans originated under the Financial Instrument according to its normal lending policies for comparable (in terms of purpose, maturity, collateral, risk, size etc) loans. The lending terms and conditions, especially pricing policy, under this Financial Instrument shall not disadvantage the SMEs as compared to normal lending policies of the Financial Intermediary.</p> <p>The pricing for the new SME loans originated under the Financial Instrument in euro shall be at least the reference rate set for the Member States of the euro area according to the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 014, 19.01.2008, p. 6 – 9). The application of the reference rate set for the Member States of the euro area shall be based on the condition that the Financial Intermediary primarily raises financing for its operations in euro currency. Otherwise, the reference rate set for &lt;the country&gt; shall be applicable.</p> <p>Financial Intermediaries might receive a management fee in accordance with applicable rules<sup>+++++</sup> for their origination and servicing of the portfolio. The management fee shall be calculated as a percentage of the pro rata share (i.e. on the co-funding contributed by &lt;the JHF&gt; acting through the JHF) of the average outstanding amount of the SME loan portfolio.</p>
Reporting	Financial Intermediaries shall provide the <the JHF> with periodical information in a standardised form and scope, as agreed earlier by <the JHF>.
Monitoring and Audit	Financial Intermediaries and the relevant SMEs (final beneficiaries) shall agree to allow and to provide access to documents related to the relevant Financial Instrument for the representatives of the GRL, the European Commission (including the European Anti-Fraud Office (OLAF)), the Court of Auditors of the European Communities, <the JHF> and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with the SMEs.
Publicity	Financial Intermediaries will have to carry out adequate marketing and publicity campaigns as will be specified in the Operational Agreement, focussed in the relevant territory as appropriate, aimed at making the JEREMIE initiative known to the SMEs in <country/region> in line with applicable law.

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<sup>+++++</sup> According to the Commission Regulation (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L371 of 27.12.2006).

## Part II: Selection Criteria for the Funded Risk Sharing Financial Instrument

1.	ELIGIBILITY CRITERIA	System of appraisal
		Yes/no
1.1.	Banking institution authorised to carry out business in the <country/region> under the applicable regulatory framework	
1.2.	Ability to deliver nationwide geographical coverage in the <country/region>	
1.3.	Total new loan volume to SMEs of at least EUR 30 million per annum (at least 20% of that to projects in manufacturing industry as defined by section C of NACE (Statistical Classification of Economic Activities in the European Community) Rev.2.) and at least 100 new SME loans (at least 20% of that to projects in manufacturing industry as defined by section C of NACE Rev.2.) annually over last three calendar years	
1.4.	External rating by Moody's Investor Service Limited, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or Fitch Ratings Ltd. assigned to the Financial Intermediary	
1.5.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided.	
1.6.	The Expression of Interest is completed and submitted in <local language >	
1.7.	The Expression of Interest is submitted within the Deadline	
1.8.	The Expression of Interest specifies at least the items included in Article 43.2 of EC Regulation 1828/2006 <sup>#####</sup>	
1.9.	The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions, set out in the relevant parts of the Financial Instrument description (Part I of this Annex)	
2.	QUALITY ASSESMENT CRITERIA	
2.1.	Financial standing <ul style="list-style-type: none"> <li>• Capital adequacy</li> <li>• Provisions</li> <li>• Liquidity</li> <li>• Financial ratios</li> </ul>	Assessed during due diligence to check whether Financial Intermediary reaches necessary quality level to be accepted as eligible counterparty
2.2.	Credit assessment and risk management <ul style="list-style-type: none"> <li>• Credit policy: internal procedures and guidelines</li> <li>• Origination</li> </ul>	Assessed during due diligence to check whether

<sup>#####</sup> As described in the supporting documents to be submitted in accordance with Appendix 2 to Annex 1 of the Call for Expression of Interest JER-003/2

	<ul style="list-style-type: none"> <li>• Risk assessment (rating/scoring)</li> <li>• Loan approval procedures</li> <li>• Collateral requirements</li> <li>• Monitoring</li> <li>• Recovery procedures</li> <li>• Risk management</li> </ul>	Financial Intermediary reaches necessary quality level to be accepted as eligible counterparty
2.3.	Leverage offered by Financial Intermediary (xx multiplied by amount of Financial Intermediary's own co-financing offered in addition to the JEREMIE Holding Fund funding divided by the highest offer of co-financing in the Call for Expression of Interest)	xx points
2.4.	Annual management fee (xx multiplied by the lowest offer of management fee in the Call for Expression of Interest divided by management fee offered by Financial Intermediary)	xx points

## Risk Capital Fund: Description and Selection Criteria

Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest, unless otherwise defined below or the context requires otherwise.

In addition to the above, the table below should be read by taking into account the meaning attributed to certain technical and industry-specific terms by Reg. 800/2008. Unless the contrary intention appears, words in the singular include the plural and words in the plural include the singular.

### Part I: Description of the Financial Instrument:

<b>Financial Instrument</b>	Risk Capital Fund (or "Fund"). One or more Financial Instruments will be created, depending on the results of the Call and subsequent selection process.
<b>Fund Manager</b>	Financial Intermediary selected by JHF to manage a Risk Capital Fund. The Fund Manager will comprise an experienced professional team, operating according to best industry practices, complying with professional standards issued by the EVCA <sup>§§§§§§§§</sup> or other equivalent organisation. Such team will be expected to act independently. One or more Fund Managers (Financial Intermediaries) will be selected as a result of the Call and subsequent selection process.
<b>Indicative maximum amount of funding foreseen for the Financial Instrument (JHF contribution)</b>	Up to Euro XX million
<b>Investment amount into an Eligible SME</b>	Investments into an Eligible SME cannot exceed EUR 1,500,000 during any period of twelve months.
<b>Financial Instrument availability (Fund duration)</b>	Up to 10 years, with the possibility of extension for 2 years .
<b>Fund's investment period</b>	Initial investments in Eligible SMEs are envisaged to be made until 31 December 2013 (or 2015, provided that the applicability of Reg. 800/2008 is extended). Follow-on investments may be made throughout the duration of the Fund. The disbursements will follow the asymmetric disbursement schedule described below under "Schedule of disbursements".
<b>Type of investments</b>	The Fund will undertake Risk Capital investments, taking the form of either equity or quasi-equity. The Financial Instrument shall be restricted to providing seed capital, start-up capital and expansion capital, as defined by Reg. 800/2008

<b>Eligible SMEs</b>	<p>The Fund will target only SMEs as defined under Commission Recommendation 2003/361/EC and under Reg. 800/2008, which are not “firms in difficulty” within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty<sup>*****</sup>, as amended or substituted by future Community guidelines (“Eligible SMEs”). However, as stipulated by art. 1 (7) of Reg. 800/2008, an SME which has been incorporated for less than three years shall not be considered, for the purpose of the Financial Instrument, to be in difficulty with regard to that period, unless it fulfils the criteria under the relevant national law for being the subject of collective insolvency proceedings.</p> <p>Eligible SMEs must be registered and have their main place of business in &lt;country/region&gt;.</p>
<b>Excluded sectors and activities</b>	<p>Investments can be made in Eligible SMEs active in all sectors of the economy, <u>with the exception of</u>:</p> <p>A. The sectors stipulated by Article 1, paragraphs 2-6 of Reg. 800/2008.</p> <p>B. The following economic activities as classified by NACE Rev. 2<sup>†††††††</sup>:</p> <p>C. Furthermore, no investment will be made in SMEs active in any fields related to: arms production and arms trading; tobacco; alcohol; gambling; human cloning; genetically modified organisms.</p>
<b>Governing law and language</b>	<p>The legal documentation of the Fund shall be in the English language and shall be governed by the laws of the country of incorporation, to be within the European Union.</p>
<b>State aid regime</b>	<p>Investments are subject to the state aid regime defined by Reg. 800/2008, implemented in &lt;country/region&gt; through the XXX published in XXX.</p> <p>The Fund Manager will be contractually responsible for ensuring that investments respect the provisions of such regulation.</p>
<b>Private Investors</b>	<p>The Private Investors’ participation in the Financial Instrument shall constitute, at any time, at least xx percent of the total capital of the Financial Instrument.</p> <p>For the purposes of the above, “Private Investors” shall be deemed to be any investors which, in the reasonable determination of the Fund Manager, are normal economic operators (i.e. investors operating in circumstances corresponding to the market economy investor principle) in a free market economy, irrespective of the legal nature and ownership structure of such operators.</p> <p>In this case, the JEREMIE Holding Fund will be deemed to act as a public investor.</p>
<b>Management Costs of the Fund</b>	<p>The management costs of the Financial Instrument shall be according to market practice and shall not exceed, on a yearly basis, 3% of the</p>

\*\*\*\*\* Official Journal of the European Union C 244 of 1.10.2004.

††††††† Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains

	<p>committed capital during the investment period, and of the invested capital thereafter.</p> <p>For the purposes of the above, the management costs shall be deemed to include any fees, expenses and costs necessary to set up and manage the Financial Instrument.</p>
<b>Schedule of disbursements</b>	<p>In principle, all amounts paid by the JHF should be totally disbursed and spent, either towards investments or management costs, before the end of 2015. In order to cater for this, the Risk Capital Fund's schedule of disbursement by the Private Investors and the JHF may be asymmetrical. As it is currently envisaged, for any expenses of the Financial Instrument, the JHF will initially contribute 100% of the amount necessary to cover said expenses, whilst the Private Investors will pay out their respective share of the drawdown amount, e.g. 30%, into an interest-bearing escrow account. The amounts in the escrow account would not be utilised until all JHF monies have been drawn down and either invested into SMEs or paid as management costs, or until the beginning of 2016. In any case, the mechanism to be eventually put in place shall ensure that the underlying economic interests of, and the risks taken by the JHF and the Private Investors, will be aligned throughout the existence of the Fund. The mechanics of the disbursements and the escrow arrangement will be set out in the Operational Agreement.</p>
<b>JHF/ Private Investor ranking</b>	<p>The JHF and the Private Investors in the Risk Capital Fund will rank "pari-passu".</p>
<b>Fund's due diligence before investments</b>	<p>The Fund Manager will make investment decisions based on each investment's business plan, which should contain product description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment's clear and real exit strategy compatible with relevant EC regulations.</p>
<b>Fund's distribution cascade</b>	<p>The distributions of proceeds from a Fund will be made according to the schedule below:</p> <ol style="list-style-type: none"> <li>1. First, 100% to the Private Investors and the JHF (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital commitments.</li> <li>2. 6% Hurdle Rate: Second, 100% to the Private Investors and the JHF (pro-rata to their underlying economic interest) until each investor has received sums equal to a 6% cumulative annual rate of return on their contributions drawn down and not yet returned;</li> <li>3. Fund Manager Catch-up: Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 20% of the total preferred returns distributed to the investors under paragraphs above; and</li> <li>4. 80/20 Split: Thereafter, 80% to the Private Investors and the JHF (pro-rata to their underlying economic interest) and 20% to the Fund Manager (Carried Interest).</li> </ol>

<b>Additional features of the Financial Intermediary</b>	<p>The Fund Manager will manage the Fund based on commercial principles.</p> <p>Investors' representatives shall be appointed in appropriate advisory committee structures to review <i>inter alia</i> Fund corporate governance.</p> <p>In the management of the Fund, the Financial Intermediary shall apply best practices and perform control applicable to the public nature of JHF investment, <i>inter alia</i> considering guidelines developed by EVCA.</p>
<b>Reporting</b>	<p>The Fund Manager shall provide &lt;JHF&gt; with periodical information in a standardised form and scope, in compliance with structural funds regulations, as to be specified in the Operational Agreement.</p>
<b>Monitoring and Audit</b>	<p>The Fund Manager and the relevant SMEs (final beneficiaries) shall agree to allow and to provide access to documents related to the Financial Instrument for the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the Court of Auditors of the European Communities, Managing Authority for and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Fund Manager shall include appropriate provisions in each investment agreement with Investment Targets.</p>
<b>Publicity</b>	<p>The Fund Manager, in line with applicable law and Structural Funds publicity provisions, shall carry out adequate marketing and publicity campaigns aimed at making the JEREMIE initiative known to the SMEs in &lt;country/region&gt;.</p>
<b>Additional Structural Fund requirements</b>	<p>This Financial Instrument is funded by EU structural funds and it is therefore subject to structural funds regulation and requirements, some of which have already being presented in this Annex, hereabove (e.g. Monitoring and Audit, Publicity, Reporting etc). It should be noted, however, that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all structural funds requirements (e.g. retention of documents, environmental protection, equality and non discrimination) will be provided to, and discussed with the selected Financial Intermediary during the contractual negotiations process.</p>

## Part II: SELECTION CRITERIA for the Financial Intermediary

1.	ELIGIBILITY CRITERIA	System of appraisal
		Yes/ No
<b>A.</b>	<b>Receivability</b>	
1.1.	The Expression of Interest is submitted within the Deadline;	
1.2.	The Expression of Interest is submitted both by registered mail and e-mail;	
1.3.	The Expression of Interest is completed and submitted in English;	
1.4.	The Expression of Interest is duly signed;	
1.5.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided.	
<b>B.</b>	<b>Eligibility</b>	
1.6.	Applicant's absence of conflict of interest (as per template provided in Appendix 4 to the Expression of Interest);	
1.7.	Applicant and its senior management are not in any situation of exclusion (as per template provided in Appendix 5 to the Expression of Interest);	
1.8.	Ability to communicate in <country/region> language and English;	
1.9.	The Expression of Interest addresses all the items set out in the Project Description;	
1.10.	The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions, set out in the relevant parts of the Financial Instrument description (Part I of Annex 2);	
1.11.	Commitment to raise at least <b>xx%</b> of the Risk Capital Fund from Private Investors within an estimated <b>6 months</b> from the date when each selected Fund Manager is announced;	
1.12.	Applicant commitment for own investment in the Fund of at least <b>1%</b> of the total Fund size.	

2.	QUALITY ASSESSMENT CRITERIA	WEIGHTING
2.1.	<p><b>Project Relevance, Quality and Coherence</b></p> <p>Evaluation of the Fund focus and proposed investment strategy, including viability of Fund's size.</p> <p>Evaluation of the Fund Manager team profile, stability and ability to implement the Financial Instrument.</p> <p>Assessment of operational, financial, technical and VC competences.</p> <p>Track record of the Fund Manager team (specifically in &lt;country/region&gt;).</p> <p>Capability as members of boards and/or committees of an investment and/or advisory nature.</p> <p>Evaluation of Applicant's investment processes, including dealflow generation, ability to invest, ability to add value to companies and exit strategy.</p>	xx points
2.2.	<p><b>Project Maturity</b></p> <p>Demonstration of ability to raise at least xx% of the Fund from private investors within an estimated 6 months from the date when each selected Fund Manager is announced.</p> <p>Demonstration of ability to source deals in &lt;country/region&gt; (SMEs).</p>	xx points
2.3.	<p><b>Institutional Capacity &amp; Sustainability</b></p> <p>Fund Manager organisation, structure and long-term viability.</p> <p>Assessment of the corporate governance in place.</p> <p>Assessment of legal structures and independence.</p> <p>Terms and Conditions, including management fee and profit share arrangements.</p> <p>Assessment of the alignment of interests between the Fund Manager and the Investors.</p> <p>Assessment of Reporting and Control Procedures.</p>	xx points

## 7.2.6. Formulation of Terms of Reference for the Financial Products

### Basic Requirements Checklist

Presentation of Product Development Idea	<i>Summary description of the proposed product.</i>
Mandate/ Resource Constraints	<i>List of non-eligible items, specific allocations per sectors or social groups, etc.</i>
Geography Constraints	<i>Regardless of the specific geographical focus, there may be specific allocation per region.</i>
<JHF> Statutory Constraints	<i>Any legal or compliance implications the structure of the instrument may have on the JHF (such as ownership of shares of SMEs etc).</i>
<JHF> Expertise / Experience	<i>An assessment of the current resources situation within the JHF structure.</i>
Strategic Fit	<i>The suitability of the proposed product to the overall JEREMIE portfolio composition and its correlation with the other instruments.</i>
Risk / Reward	<i>A correlation matrix between the depth and breadth of the two variables.</i>
Cost / benefit	<i>The results of any preliminary cost-benefit analysis performed.</i>
Added value	<i>The effect that this instrument will bring in comparison to the other instruments or what exists already in the market.</i>
Initial assessment of impact across <JHF> functions	<i>Preliminary analysis of resource allocation necessary across the functions – estimate of recruitment, outsourcing or secondment.</i>

### Concept Specification

Market Feedback	Results from probable primary and secondary research on the market conditions.
Market Impact / addressing a gap	<i>The effect that the implementation of the instrument will have vis-à-vis exact market conditions.</i>
Mandate/ Resource Constraints	<i>As described above.</i>
Geography Constraints	
<JHF> Statutory Constraints	
<JHF> Expertise / Experience	
Risk / Reward	

Cost / Benefit
Added Value
Initial Assessment of Impact across <JHF> Functions

7.2.7. Approval of Call Documentation

JEREMIE <country/region>

Place, date

Note to File

PM name

Subject: Request for Approval of the Call for Expression of Interest JER-xxx/xx to implement a Risk Capital Instrument under JEREMIE-<country/region>

1. Background of the call
2. Summary of the call
  - a. General description of the call
  - b. Summary description of the instrument
  - c. Summary description of the selection criteria
  - d. State aid
3. Sign-off by HoJ

Based on the full understanding of the above, the IC seeks approval from the HoJ that the attached Call can now be published.

Name	PM	
Name	COMPL	
Name	LEG	
Name	PE	
Name	RM	
Name	PM	

Name  
Head of JEREMIE

## 7.2.8. Launch Call for Eol

### Call for Expression of Interest

To:  
<JHF address>

### EXPRESSION OF INTEREST

Call for Expression of Interest No.: xx

Deadline for the submission of the Expression of Interest : xx/xx/xx

Expression of Interest for Funded Risk Sharing Financial Instrument

Applicant submitting the Expression of Interest: \_\_\_\_\_,  
<company name,  
registration number>

Dear Sir or Madam,

Herewith we are submitting our Expression of Interest on behalf of <the applicant> in response to the Call for Expression of Interest No.xx in the framework of JEREMIE initiative implemented through <JHF> acting as JEREMIE Holding Fund (JHF). Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

The undersigned duly authorised to represent the <the applicant>, by signing this form certifies/certify and declare(s) that the information contained in this Expression of Interest and its Appendices is complete and correct in all its elements.

The undersigned certifies/certify that the <the applicant> is not in one of the situations which would exclude it from taking part in this Call for Expression of Interest listed out in Appendix 4 to this Expression of Interest. The undersigned shall, upon request, provide all evidence to that extent.

Yours sincerely,

Signature(s):  
Name and position in capitals:  
Applicant's name  
Place:

Stamp of the Applicant (if applicable):

Date (day/month/year):

#### Appendixes

Appendix 1 Applicant Identification

Appendix 2 List of Documents Attached

Appendix 3 Declaration of Absence of Conflict of Interest

Appendix 4 Statement Regarding Situations of Exclusion

## Appendix 1 to Expression of Interest

### APPLICANT IDENTIFICATION

#### 1.1. Applicant identification

INFORMATION REQUIRED	
<b>APPLICANT NAME</b>	
<b>CONTACT DETAILS</b>	address: telephone: fax: email:
<b>LEGAL FORM</b>	
<b>COMMERCIAL REGISTER , ETC. – REGISTRATION DETAILS</b>	Denomination of register: Date of registration: Country of registration: Registration number:
<b>VAT</b>	Registration number or Statement of exemption issued by the national VAT authority dated.....enclosed under reference..... Issued by.....

#### 1.2. Person authorised to submit the Expression of Interest on behalf of the Applicant and appropriate evidence of such authorisation

INFORMATION REQUIRED	
<b>TITLE</b>	Mr/Ms/Dr/other (delete or complete as appropriate)
<b>NAME</b>	Surname: Forename(s):
<b>FUNCTION</b>	
<b>CONTACT DETAILS</b>	address: telephone: fax: email:

#### 1.3. Contact person (if different from 1.2)

<b>TITLE</b>	Mr/Ms/Dr/other (delete or complete as appropriate)
<b>NAME</b>	Surname: Forename(s):
<b>FUNCTION</b>	
<b>CONTACT DETAILS</b>	address: telephone: fax: email:

## Appendix 2 to Expression of Interest

### LIST OF DOCUMENTS ATTACHED

- 1) Project proposal:
  - a) Description of the Applicant:
    - (aa) Short description of the Applicant's institution (date of establishment, number of employees, shareholders etc.), legal status, and applicable regulatory framework;
    - (bb) Geographical area of operation and branch network in <the country/region>;
  - b) Information on the Applicant's present activities:
    - (aa) Commitment to SME lending in <the country/region>:
      - (i) Total volume and number of new SME loans granted by the Applicant annually over the last three calendar years;
      - (ii) Share of newly granted SME loans in its total commercial lending portfolio both in terms of volume and number (on an annual basis over the last three calendar years);
      - (iii) Total volume and number of newly granted SME loans in manufacturing industry (on an annual basis over the last three calendar years);
    - (bb) Current interest rates and pricing for comparable loans (in terms of maturity, purpose, collateral, etc.) to a similar target group:
      - (i) Interest rate (split in the cost of funding and margin over the cost of funding);
      - (ii) Up-front fees and any other non-interest payments;
  - c) Information on the implementation of the Financial Instrument by the Applicant:
    - (aa) Terms and conditions of the Financial Instrument:
      - (i) The targeted market of the eligible SMEs;
      - (ii) Lending criteria, terms and conditions (including the planned pricing policy);
      - (iii) Estimate of the expected timing for implementation;
      - (iv) Justification for the contribution from the JEREMIE Holding Fund (e.g. increased lending volume, new target groups, new lending products, better lending conditions, etc.);
    - (bb) The operational budget of the Financial Instrument, of which:
      - (i) Amount of Applicant's own co-financing offered in addition to JEREMIE Holding Fund funding;
      - (ii) Amount of financing requested from the JEREMIE Holding Fund that the Applicant undertakes to lend to SMEs over a period of xx months (please indicate the minimum amount if proposal is limited to any);
      - (iii) Description of the sources of co-financing;
      - (iv) Amount of the annual management costs (pro rata share of total annual administrative costs of the Applicant incurred in managing the

loan portfolio financed by the Financial Instrument). The management fee shall be calculated as a percentage of the pro rata share (i.e. on the co-funding contributed by <the JHF>) of the average outstanding amount of the SME loan portfolio;

- 2) Annual reports for the last three calendar years;
- 3) Certified copy of banking license or other proof of Applicant's authorisation to operate as banking institution in <the country/region>;
- 4) Information on the actual external rating of Applicant, including the relevant rating report(s), provided by at least one of the following rating agencies: Moody's Investor Service Limited, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or Fitch Ratings Ltd. on the Applicant or mother company;
- 5) Appropriate evidence of the representative's authorisation to act for and on behalf of the Applicant (signatory powers);
- 6) Declaration on absence of conflict of interest as per template provided in Appendix 3, duly signed;
- 7) Statement regarding situations of exclusion as per template provided in Appendix 4, duly signed.

**The Applicant may be requested to submit additional information to complement its Expression of Interest before or during the due diligence process, in particular:**

- a) Information on the Applicant's present operating principles:
  - (i) Origination;
  - (ii) Risk assessment procedures (internal rating / scoring system);
  - (iii) Loan approval procedures;
  - (iv) Delegation system;
  - (v) Collateral requirements;
  - (vi) Monitoring;
  - (vii) Recovery procedures (what steps are taken and when; which departments are involved);
  - (viii) Risk management: methods utilised for loss forecasting, provisioning and credit risk management on portfolio level;
- b) Track-record of SME lending (of the past three years, if available):
  - (i) Non-performing loan rates (defaulted loans /outstanding loan amount);
  - (ii) Details on annual gross (before recoveries) and net (after recoveries) losses
  - (iii) Average time lags between the granting of the loan, the payment default by the borrower and the establishment of the final loss;
- c) Information on the implementation of the Financial Instrument by the Applicant:  
Indicative cash flow for the duration of the Financial Instrument: all revenue sources, expenditure, and assumptions, and the repayments to the JEREMIE Holding Fund (on the quarterly basis).

There is no set expectation on the documents' length, but the Applicants are encouraged to be concise.

## Appendix 3 to Expression of Interest

### DECLARATION OF ABSENCE OF CONFLICT OF INTERESTS

The undersigned declares that neither (i) the Applicant nor (ii) he/she/they personally as authorised representative(s) of the Applicant have a direct or indirect interest of such a nature and scale that may affect the performance of the tasks assigned the Applicant under any Operational Agreement referred to in the Call for Expression of Interest No. xx.

The undersigned is/are aware that a conflict of interest could arise in particular as a result of economic interests, political or national affinities, family or emotional ties, or any other relevant connection or shared interest.

The Applicant will inform <the JHF>, without delay, of any situation constituting a conflict of interest or which could give rise to a conflict of interest.

Furthermore, the Applicant and the undersigned in his/her/their capacity as duly authorised representative(s) of the Applicant confirm to have read the <the JHF>Anti-Fraud Policy and declare not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the Operational Agreement and not to have granted nor to grant, not to have sought nor to seek, not to have attempted nor to attempt to obtain, and not to have accepted nor to accept, any advantage, financial or in kind, to or from any party whatsoever, constituting an illegal practice or involving corruption, either directly or indirectly, as an incentive or reward relating to signing of the Operational Agreement.

Yours sincerely,

Signature:

Stamp of the Applicant's (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

## Appendix 4 to Expression of Interest

### STATEMENT REGARDING SITUATIONS OF EXCLUSION

The undersigned certifies/certify that the <the applicant> is not in any of the situations which would exclude it from taking part in this Call for Expression of Interest and accordingly declare(s) that the <the applicant>:

- i) has never been the subject of a conviction by final judgment for one or more reasons listed below:
  - participation in a criminal organisation, as defined in Article 2 (1) of the Council Joint Action of 21 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on making it a criminal offence to participate in a criminal organisation in the Member States of the European Union (98/733/JHA);
  - corruption, as defined in the Council Act of 26 May 1997 and in Article 3 (1) of the Council Joint Action 98/733/JHA;
  - fraud within the meaning of Article 1 of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests;
  - money laundering as defined in the Directives 2005/60/EC<sup>31</sup> of 26 October 2005 and 2006/70/EC<sup>32</sup> of 1 August 2006, and Directive 2001/97/EC of 4 December 2001<sup>33</sup>;
- ii) has not performed any act which may be qualified as illegal activity in the meaning of the terms of the <the JHF> Anti-Fraud Policy;
- iii) is not bankrupt or is being wound up, where its affairs are not being administered by the court, where it has not entered into an arrangement with creditors, where it has not suspended business activities or is not in any analogous situation arising from a similar procedure under national laws and regulations;
- iv) is not the subject of proceedings for a declaration for bankruptcy, for an order for compulsory winding up or administration by the court or of an arrangement with creditors or of any other similar proceedings under national laws and regulations;
- v) no member of its senior management has been convicted as a consequence of a judgment which has the force of *res iudicata*, in accordance with the legal provisions of the country of any offence concerning its professional conduct;
- vi) no member of its senior management has been guilty of grave professional misconduct;
- vii) has fulfilled obligations relating to the payment of social security contributions in accordance with the legal provisions of the country in which it is established;
- viii) has fulfilled obligations relating to the payment of taxes in accordance with the legal provisions of the country in which it is established and in the countries where it operates, as applicable;
- ix) will respect the policy of gender equality and non-discrimination;

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<sup>31</sup> Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

<sup>32</sup> Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis

<sup>33</sup> Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering

- x) will respect the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty;
- xi) is not found to have provided serious misrepresentation in supplying the information required in accordance with the Call for Expression of Interest or has supplied such information.

The Applicant and the undersigned in his/her/their capacity as duly authorised representative of the Applicant commit to provide all evidence to the above, upon request by the JHF.

Signature:

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

## 7.2.9. Pre-selection of Financial Intermediaries

2.	<b>QUALITY ASSESMENT CRITERIA</b>
2.1.	Financial standing <ul style="list-style-type: none"> <li>• Capital adequacy</li> <li>• Provisions</li> <li>• Liquidity</li> <li>• Financial ratios</li> </ul>
2.2.	Credit assessment and risk management <ul style="list-style-type: none"> <li>• Credit policy: internal procedures and guidelines</li> <li>• Origination</li> <li>• Risk assessment (rating/scoring)</li> <li>• Loan approval procedures</li> <li>• Collateral requirements</li> <li>• Monitoring</li> <li>• Recovery procedures</li> <li>• Risk management</li> </ul>
2.3.	Leverage offered by Financial Intermediary (xx multiplied by amount of Financial Intermediary's own co-financing offered in addition to the JEREMIE Holding Fund funding divided by the highest offer of co-financing in the Call for Expression of Interest)
2.4.	Annual management fee (xx multiplied by the lowest offer of management fee in the Call for Expression of Interest divided by management fee offered by Financial Intermediary)

## 7.2.10. Approval of agreement with FI

### Equity Financial Instrument

REQUEST FOR APPROVAL	
Source of funding	
Fund manager	
Prior relationship	
Location	
Target fund size	
Proposed JHF contribution	
Fund focus	
Legal structure	
Duration	
Prospective investors	
Team	
Track record	
Deal flow	
Establishment costs	
Management fee	
Fee offset	
Carried interest	
Hurdle / catch-up	

Claw back	
Key-man clause	
Equalisation fee	
Advisory Board	
Rationale for JHF contribution	
JEREMIE's added value	
Expected grading	
Compliance	

## Debt / (guarantee) Financial Instrument

REQUEST FOR APPROVAL	
Source of funding	
Financial Intermediary	
Background on the country	
The FI	
Description	
Funding and financial standing	
Establishment costs	
Activities	
Relative financial market position and geographical coverage	
Pricing policy	
Structure	
Maximum Portfolio Amount	
(Minimum Portfolio Volume)	
(Reference Loan Volume)	
(Guarantee amount)	
(Cap amount)	
Risk sharing rate / (guarantee rate)	
(Cap rate)	
Proposed JHF contribution	
Availability period	
Management fee	
External rating of the FI	
Internal rating	
Trigger events	
Events of default	
JHF remuneration	
Origination and servicing	
Description of portfolio	
Risk analysis	
Transfer of benefits	
Monitoring and administration	

Counterparty risk	
SF visibility	
JEREMIE's added value	
Compliance	

## 7.2.11. Signature of agreement with an FI

Date: \_\_\_\_\_ PM:  
 Number: \_\_\_\_\_

### Signing note

#### Summary of HoJ Approval:

Investment:  
 Manager:  
 Geograph. Focus:  
 HoJ Approval Date:  
 Grading:  
 Source of funding:  
 Approved Amount:  
 JHF Investment Limits:

#### Previous Closings

#### Disbursement Information:

Expected date of signature:  
 Expected JHF Commitment at Closing:  
 Expected date of disbursement:  
 Drawdown notice to be received prior to disbursement:  
 Comments:  
 Amounts due at first disbursement:  
 a) Capital Draw Down:  
 b) Equalisation Payment:  
 c) Establishment expenses:  
 d) Other:

PM confirms that agreement has been reached on all matters subject to confirmation and approval to be received by LEG on the following issues:

Issue Nr.:	Description	Cleared/ Waived:	By (Legal Service):	Initials/ Date:
1.				

PM requests LEG to proceed, subject to agreement on the above stated issues, which need to be signed off for clearance by the Legal Service, with the signature of the documentation for the above stated investment.

LEG has reviewed the attached documentation and can confirm that it is (i) in line with the approval of the proposed transaction granted by the Board of Directors on xxx and (ii) in general within the relevant statutory and contractual framework which JHF is obliged to respect. The Final Negotiation Note and the Legal Checklist attached hereto provides a summary of the terms and conditions which have been negotiated and agreed upon. Based hereon, the Legal Service is satisfied to proceed with the signature of the documentation for the above-mentioned investment.

PE		
LEG		
COMPL		
RM		

# JEREMIE [Mandate]

## Quarterly Report

[Quarter]

[Date]

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# 1. INTRODUCTION

[...text]

EIF JEREMIE [Country/Region] Team  
[City], [Date]

# 2. PROGRESS ON IMPLEMENTATION

## 2.1. Overview of Last Quarter

[...text]

### 2.1.1. Monitoring activity

### 2.1.2. Irregularities

## 2.2. Feedback on Existing Transactions

[...text]

## 2.3. Recent Transactions Completed

[...text]

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[...text]

## 2.5. Progress against Utilisation targets

[...text]

## 2.6. Pipeline Overview

[...text]

## 2.7. Other Key Information related to Holding Fund

[...text]

## 2.8. EIF Publicity Activities

[...text]

## 2.9. Litigation

JEREMIE [MANDATE] Operations Litigation			
Financial Intermediary	Claim	Amount	Comment
No events to report			

### 3. JEREMIE HOLDING FUND - STATUS

## JEREMIE [MANDATE] Operations

All figures in EUR

JEREMIE HOLDING FUND	Since inception	Annual
<b>Funds</b>	102,000,000	1,040,000
funds contributed	100,000,000	0
income from operations	120,000	100,000
income from treasury	1,880,000	940,000
<b>Commitments</b>	50,000,000	10,000,000
disbursements for operations	35,000,000	15,000,000
disbursements for management costs	700,000	300,000
<b>JHF costs - expenses</b>	1,322,700	992,025
<b>Balance</b>	50,677,300	

### JER OXX - JEREMIE [MANDATE] [Date]

Management cost [Date] (EUR)

Unaudited

	Actual year-to-date	Actual year-to-date - 1	Variance 0%	Budget year-to-date	Variance Budget %	Total Budget	Remaining Budget
<b>JHF Direct cost</b>							
JHF Standard Costs-prof							
JHF Standard Costs-admin							
JHF Costs-Temporary Support Staff							
JHF Travel Costs							
JHF Local Office Costs							
<b>Associated Expenses</b>							
Consultants costs							
Legal costs							
Conducting Tenders costs							
Translations costs							
External audit costs							
Marketing costs							
Inv. Board Costs							
other costs (*)							
<b>Additional expenses (if applicable)</b>							
<b>TOTAL Management costs</b>							

(\*) Other costs will mainly include minor costs or exceptional costs (i.e capability audit).  
An explanation will be provided if the amounts included in other costs are material.

## JEREMIE [MANDATE] Operations Activity per OP from inception to [Date]

Operational Programme\EIB\Public Contribution\Private	Product type	Number of agreements	SME financing supported in mEUR	Number of SMEs supported	Number of employees	Average support per SME in EUR
<b>OP1</b>		<b>23</b>	<b>1,882.75</b>	<b>2,315</b>	<b>62,505</b>	
	VC	14	1,236.88	844	22,788	1,465,498
	FRS	6	98.24	245	6,615	400,980
	GS	3	547.63	1,226	33,102	446,680
<b>Private</b>		<b>2</b>	<b>7</b>	<b>126</b>	<b>3,402</b>	
	VC	2	7.37	126	3,402	58,492
<b>GRAND TOTAL</b>		<b>25</b>	<b>1890.12</b>	<b>2,441</b>	<b>65,907</b>	

VC = Venture Capital

FRS = Funded Risk Sharing product (incl. Micro Loans)

GS = Guarantees & Securitisation

SME financing supported in mEUR

VC = Sum of investment amounts

FRS = Sum of loans granted

GS = Sum of loans guaranteed

## JEREMIE [MANDATE] Operations Activity per Region from inception to [Date]

Operational Programme\EIB\Public Contribution\Private	Product type	Number of agreements	SME financing supported in mEUR	Number of SMEs supported	Number of employees	Average support per SME in EUR
<b>Region 1</b>		<b>8</b>	<b>511.48</b>	<b>1,045</b>	<b>28,215</b>	
	VC	2	78.55	45	1,215	1,745,556
	FRS	4	66.51	184	4,968	361,467
	GS	2	366.42	816	22,032	449,044
<b>Region 2</b>		<b>5</b>	<b>502.69</b>	<b>579</b>	<b>15,633</b>	
	VC	4	321.48	169	4,563	1,902,249
	GS	1	181.21	410	11,070	441,976
<b>Region 3</b>		<b>12</b>	<b>875.95</b>	<b>817</b>	<b>22,059</b>	
	VC	10	844.22	756	20,412	1,116,693
	FRS	2	31.73	61	1,647	520,164
<b>GRAND TOTAL</b>		<b>25</b>	<b>1,890.12</b>	<b>2,441</b>	<b>65,907</b>	

VC = Venture Capital

FRS = Funded Risk Sharing product (incl. Micro Loans)

GS = Guarantees & Securitisation

SME financing supported in mEUR

VC = Sum of investment amounts

FRS = Sum of loans granted

GS = Sum of loans guaranteed

## 4. VC OPERATIONS

### GLOSSARY

Approved amount	Amount approved for investment in a VC fund by the Investment Board
Capital repayments	Amount of commitment repaid to the investors
Drawn amount	Aggregate amount of all investments in a VC fund
Enterprise size	Definition per EC
Fund name	The VC fund (or fund management company)
Holding fund contribution	Stake holding of the JEREMIE holding fund in the VC fund
Holding period (in months)	Length of time in months that the fund will have/has had its investment in the company
Income & Dividends	Aggregate amounts repaid to the VC fund that exceed the amount invested in a company
Investment amount	Total amount invested in a company by the VC fund
NAV	The Net Asset Value of the fund (usually the Valuation plus current assets less current liabilities)
Net amount disbursed	Drawn amount less Capital repayments
Partial exit	An investment that has been sold in part
Proceeds	The cash results of the sale of an investment
Realisation	The sale of an investment in a company, whether by trade sale, IPO or secondary investment. Here: Proceeds less Investment amount
Region	The geographical location of the company as per NUTS 3
Released commitment	The unutilised part of either the Approved amount or the signed commitment which will be cancelled
Sector	The industry sector in which the company operates as per NACE Rev. 2
Signed commitment	Amount committed to the VC fund through the subscription agreement (cannot exceed approved amount)
Source of funding	The combination of Operational Programme and Priority Axis
Stage	The description of time point of VC investment in a company's life-cycle / development
Total exit	An investment that has been sold in full, and is thus realised
Valuation	The fair value of the investment in the company

## Venture Capital Operations VC.1 APPROVALS - FORECAST

Start Date	01/01/200x
End Date	[Date]
Forecast date	

Forecasts	Forecast Date	Fund name	Source of funding Operational Programme / EIB / Public Contribution / Private	Priority Axis	Total
January		Name X			
<b>January</b>					
February		Name Y Name Z			
<b>February</b>					
<b>Total</b>					

## Venture Capital Operations VC.2 Consolidation - per Source of Funding Aggregate figures from inception to end of [quarter/year] All figures in EUR (Commission Exchange Rates Prevailing at [Date])

Source of funding Operational Programme \ EIB \ Contribution \ Private	Priority Axis	Fund name	Signature date	Approved amount	Signed commitment	Drawn amount	Capital repayments	NAV held	Net amounts disbursed at last NAV date	Income & Dividends	Released commitment
<b>OP 1</b>	1	Name A	dd/mm/yyyy	4,000,000,000	3,383,554,457	2,091,288,632	628,511,217			99,218,085	616,445,543
		Name B	dd/mm/yyyy	402,565,956	402,565,956	234,016,830	77,432,218			27,701,438	
		Name C	dd/mm/yyyy	298,674,344	298,674,344	149,313,376	37,934,778			16,336,550	
		Name D	dd/mm/yyyy	106,390,417	106,390,417	97,250,415	34,444,084			16,267,565	
<b>OP 1</b>				<b>4,807,630,717</b>	<b>4,191,185,174</b>	<b>2,571,869,253</b>	<b>778,322,297</b>			<b>159,523,638</b>	<b>616,445,543</b>
<b>Private</b>		Name B	dd/mm/yyyy	119,571,922	119,571,922	45,621,529	2,091,719			5,785	
<b>Private</b>				<b>119,571,922</b>	<b>119,571,922</b>	<b>45,621,529</b>	<b>2,091,719</b>			<b>5,785</b>	
<b>Total</b>				<b>4,927,202,639</b>	<b>4,310,757,096</b>	<b>2,617,490,782</b>	<b>780,414,016</b>			<b>159,529,423</b>	<b>616,445,543</b>

## Venture Capital Operations VC.3 Consolidated NAV Analysis per Operational Programme Aggregate figures from inception to end of 4th quarter/2009

Source of funding Operational Programme \ EIB \ Public Contribution \ Private	Priority Axis	Fund name	Signed commitment	Net amounts disbursed at last NAV date	NAV held
<b>OP 2</b>					
<b>Private</b>					
<b>Private</b>					
<b>Total</b>					

**Venture Capital Operations**  
**VC.4 Portfolio Details per Fund**  
 Aggregate figures from inception to end of [quarter/year]

Fund name	Region	Investment stage	Number of SMEs	Number of employees	Investment amount in mEUR	Valuation in mEUR
Name A	Region 1	Start-up				
Name A	Region 2	Start-up				
Name A	Region 1	Seed				
Name B	Region 1	Expansion				
Name C	Region3	Expansion				

<b>Total</b>			-	-	-	-
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**Venture Capital Operations**  
**VC.5 Aggregate figures by SME region**  
 Aggregate figures from inception to end of [quarter/year]

Region (NUTS code)	Investment stage	Number of SMEs	Number of employees	Investment amount in mEUR	Holding fund contribution in mEUR
Region 1	Start-up				
Region 2	Start-up				
Region 3	Seed				
...					

<b>Total</b>		0	-	-	-
--------------	--	---	---	---	---

**Venture Capital Operations**  
**VC.6 Sector allocation**  
 Aggregate figures from inception to end of [quarter/year]

Investment stage	Investment sector (NACE Rev.2)	Number of SMEs	Number of employees	Investment amount in mEUR	Holding fund contribution in mEUR

<b>Total</b>		-	-	-	-
--------------	--	---	---	---	---

**Venture Capital Operations**  
 VC.7 SME per size  
 Aggregate figures from inception to end of [quarter/year]

Investment stage	Enterprise size	Number of SMEs	Investment amount in mEUR	Holding fund contribution in mEUR
Seed	Micro	20		
Start-up	Micro	7		
Start-up	Small	10		
Expansion	Medium	12		
<b>Total</b>	<b>Total</b>	<b>49</b>	<b>-</b>	<b>-</b>

**Venture Capital Operations**  
 VC.8 Stage  
 Aggregate figures from inception to end of [quarter/year]

Stage	Number of SMEs	Number of employees	Investment amount in mEUR	Holding fund contribution in mEUR
Seed				
Start-up				
Expansion				
...				
<b>Total</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Venture Capital Operations**  
 VC.9 On-site monitoring visits  
 Activity during [quarter/year]

Fund name	Date of visit	Findings description	Status of findings
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**VC Operations**  
**VC.10 List of SME exits**  
**Exits during [quarter/year]**

Fund Name	SME name	Transaction type	Date of 1st investment	Date of exit	Holding period (months)	Investment amount	Proceeds	Realisation
<b>PARTIAL EXITS</b>								
Fund 1	Company 1	Sell	22/04/2004	09/06/2006	26	1,564,131	3,722,000	2,157,869
Fund 2	Company 2	Sell	29/09/2004	31/12/2004	3	1,631,315	1,631,315	0
Fund 3	Company 3	Sell	12/05/2003	09/06/2006	37	6,133,310	12,556,000	6,422,690
Fund 4	Company 4	Sell	13/06/2002	09/06/2006	48	9,832,871	28,468,000	18,635,129
						<b>19,161,627</b>	<b>46,377,315</b>	<b>27,215,688</b>
<b>TOTAL EXITS</b>								
Fund 5	Company 6	Sell	29/07/2002	22/05/2006	46	9,625,585	2,547,000	(7,078,585)
Fund 6	Company 7	Written-off	14/02/2003	17/04/2005	26	2,611,997	0	(2,611,997)
						<b>12,237,582</b>	<b>2,547,000</b>	<b>(9,690,582)</b>
<b>TOTAL REALISATION</b>						<b>31,399,209</b>	<b>48,924,315</b>	<b>17,525,106</b>

**VC Operations**  
**VC.11 List of SMEs**  
**New investments during [quarter/year]**

Fund name	SME Name, registration number	Date of 1st investment	Region	Investment Sector (NACE Rev. 2)	Brief description of investment	Stage	Investment amount	Holding fund contribution	Holding period (Months)
Name 1	Company 1	22/04/2004	Region 1	Sector 1		Seed	14,077,184	33,489,898	38
Name 1	Company 2	20/11/2002	Region 2	Sector 1		Start-Up	20,670,738	16,532,100	55
Name 1	Company 3	29/09/2004	....	Sector 2		Seed	42,838,321	202,113,562	33
Name 1	Company 4	01/07/2005		....		Start-Up	14,461,500	42,492,000	24
Name 2	Company 5	12/05/2003				Start-Up	30,744,780	55,716,249	50
Name 3	Company 6	22/05/2006				Start-Up	2,472,611	2,486,604	13
Name 3	Company 7	13/06/2002				Seed	19,665,692	64,997,810	61
Name 3	Company 8	28/09/2001				Start-Up	9,658,653	2,000,000	69
Name 3	Company 9	16/06/2003				Start-Up	69,689,105	71,927,117	48
Name 3	Company 10	28/09/2001				Start-Up	3,049,521	500,000	69
<b>Total</b>							<b>227,328,105</b>		

## 5. GUARANTEE OPERATIONS

GLOSSARY	
(Actual) Utilisation	The outstanding aggregate amount of all transactions (e.g. loans, guarantees or leases) included under the portfolio.
Availability period	The period during which the FI can include transaction (e.g. loans, guarantees or leases) contracts under the JHF guarantee.
Drawn amount	The part of the JHF commitment used by the intermediary.
Estimated SME financing guaranteed	The maximum possible aggregate loan amount that will be supported by the JHF if full utilisation is achieved.
Guarantee calls	Payment demands addressed to the JHF in order to cover defaulted loans.
Holding fund contribution	The contribution of the Jeremie holding fund in the guarantee agreement (Actual utilization * JHF Guarantee rate)
Investment amount	The budgeted investment cost of the SME to be financed by the loan that is guaranteed.
JHF	Jeremie holding fund
JHF Guarantee rate	The rate at which JHF covers losses incurred by the financial intermediary under the guarantee agreement
Loan amount	The principal amount of a loan that is guaranteed by the JHF.
Maximum Portfolio Volume (MPV)	The maximum aggregate amount of all transactions (e.g. guarantees, loans or leases) included in the portfolio.
Portfolio name	The guarantee agreement between an FI and JHF.
Recoveries	Amount recovered in relation to a defaulted loan
Region	The geographical location of the company as per NUTS 3
Release of signed commitment	The cancellation of a portion of the signed commitment after the end of the availability period due to low utilisation
Signed Commitment	JHF's maximum liability.
Theoretical utilization	The Utilisation that would be expected to be achieved in the time elapsed between a given point in time and the beginning of the availability period assuming an even distribution throughout the availability period
Undrawn amount	The part of the JHF commitment still available for use by the intermediary
Utilisation	See (Actual) Utilisation

## Guarantee Operations

### GS.1 Guarantees Forecasts

IB presentation date	Signature date	Portfolio of the FI	Likelihood	Regions	Expected commitment	Expected cap amount	WAL	Default rate	Number of operations	Number of SMEs
200x Q2	200x Q3	Agreement 10	95%	Region 1	5,000,000	200,000	5	7.00%	100	90
				Region 2	10,500,000	420,000	6	7.00%	210	200
				Region 3	6,000,000	240,000	6	8.00%	120	100
					21,500,000	860,000			430	390

Source of funding			
Resource	Priority axis	Expected commitment	Expected cap amount
OP 1	1	10,000,000	400,000
OP 1	2	10,000,000	400,000
OP 2	5	1,000,000	40,000
Private foundation		500,000	20,000
		21,500,000	860,000

IB presentation date	Signature date	Portfolio of the FI	Likelihood	Regions	Expected commitment	Expected cap amount	WAL	Default rate	Number of operations	Number of SMEs
200x Q2	200x Q3	Agreement 11	95%	Region 1	5,000,000	200,000	5	7.00%	100	90
				Region 2	10,500,000	420,000	6	7.00%	210	200
				Region 3	6,000,000	240,000	6	8.00%	120	100
					21,500,000	860,000			430	390

Source of funding			
Resource	Priority axis	Expected commitment	Expected cap amount
OP 1	1	10,000,000	400,000
OP 1	2	10,000,000	400,000
OP 2	5	1,000,000	40,000
Private investor		500,000	20,000
		21,500,000	860,000

<b>Grand total</b>					<b>43,000,000</b>	<b>1,720,000</b>			<b>860</b>	<b>780</b>
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## Guarantee Operations

### GS.2 Consolidation - per Source of Funding

(all figures in EUR)

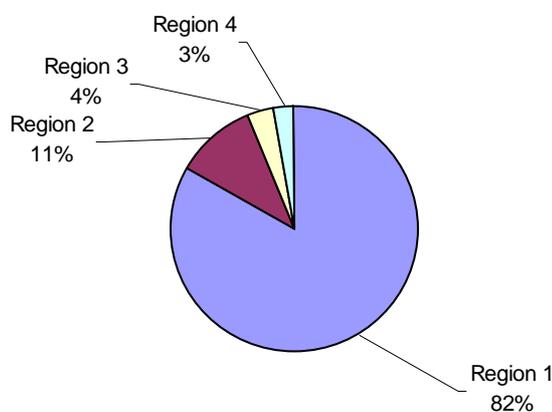
#### Aggregate figures from inception to end of [Quarter/Year]

Source of funding								
Operational programme \ EIB \ Public Contribution \ Private	Priority axis	Portfolio name	Signed commitment	Drawn amount	Undrawn amount	Guarantee calls	Utilisation of signed commitment %	Release of signed commitment
OP 1		Name A	438,600,653	290,000,000	148,600,653	15,000,000	3.42%	
		Name B	19,162,487	19,000,000	162,487	4,848	0.03%	
		Name C	56,711,097	56,711,097	0	2,977,059	5.25%	
		Name D	13,407,124	10,000,000	3,407,124	3,505	0.03%	
<b>OP 1</b>			<b>527,881,361</b>	<b>375,711,097</b>	<b>152,170,264</b>	<b>17,985,412</b>		<b>0</b>
Private		Name B	1,235,778	1,235,778	0	151,616	12.27%	
<b>Private</b>			<b>1,235,778</b>	<b>1,235,778</b>	<b>0</b>	<b>151,616</b>		<b>0</b>
<b>Total</b>			<b>529,117,139</b>	<b>376,946,875</b>	<b>152,170,264</b>	<b>18,137,028</b>		<b>0</b>

**Guarantee Operations**  
**GS.3 Consolidation - per Region**  
 (all figures in EUR)  
 Aggregate figures from inception to end of [Quarter/Year]

Region	Signed commitment	Drawn amount	Undrawn amount	Guarantee calls	Utilisation of signed commitment %	Release of signed commitment
Region 1	438,600,653	290,000,000	148,600,653	15,000,000	3.42%	
	1,235,778	1,235,778	0	151,616	12.27%	
<b>Region 1</b>	<b>439,836,431</b>	<b>291,235,778</b>	<b>148,600,653</b>	<b>15,151,616</b>	<b>3.44%</b>	
Region 2	56,711,097	56,711,097	0	2,977,059	5.25%	
<b>Region 2</b>	<b>56,711,097</b>	<b>56,711,097</b>	<b>0</b>	<b>2,977,059</b>	<b>5.25%</b>	
Region 3	19,162,487	19,000,000	162,487	4,848	0.03%	
<b>Region 3</b>	<b>19,162,487</b>	<b>19,000,000</b>	<b>162,487</b>	<b>4,848</b>	<b>0.03%</b>	
Region 4	13,407,124	10,000,000	3,407,124	3,505	0.03%	
<b>Region 4</b>	<b>13,407,124</b>	<b>10,000,000</b>	<b>3,407,124</b>	<b>3,505</b>	<b>0.03%</b>	
<b>Total</b>	<b>529,117,139</b>	<b>376,946,875</b>	<b>152,170,264</b>	<b>18,137,028</b>	<b>3.43%</b>	

**Commitment per region (%)**



**Guarantee Operations**  
**GS.4 Consolidation - per Agreement**  
 (all figures in EUR)  
 Aggregate figures from inception to end of [Quarter/Year]

Portfolio name	Signature date	Region	JHF Guarantee Rate	Signed commitment	Drawn amount	Undrawn amount	Guarantee calls	Utilisation of signed commitment %	Release of signed commitment
Agreement A		Region 1							
Agreement A		Region 3							
Agreement B		Region 4							
Agreement C		Region 2							
Agreement D		Region 1							
Agreement ....									
<b>Total</b>				<b>529,117,139</b>	<b>376,946,875</b>	<b>152,170,264</b>	<b>18,137,028</b>	<b>4.09%</b>	

**Guarantee Operations**  
**GS.5 Actual versus Theoretical Utilisation**  
 Aggregate figures from inception to end of [Quarter/Year]

Portfolio name	Start of availability period	End of availability period	Actual utilisation in mEUR	MPV in mEUR	Actual utilisation in %	Theoretical utilisation in %	Difference
Agreement A							
Agreement B							
Agreement C							
Agreement D							
Agreement ...							

**Total**

**Guarantee Operations**  
**GS.6 Aggregate figures by agreement**  
 Portfolio attributes  
 Aggregate figures from inception to end of [Quarter/Year]

Portfolio name	Number of SMEs	Number of loans	Number of employees as at time of inclusion	Average loan size in EUR	Average loan maturity in months	Loan amount in mEUR	Investment amount in mEUR	Estimated SME financing guaranteed in mEUR
Agreement A								
Agreement B								
Agreement C								
Agreement D								
Agreement ...								

**TOTAL**

**Guarantee Operations**  
**GS.7 Aggregate figures by SME region**  
 Portfolio attributes  
 Aggregate figures from inception to end of [Quarter/Year]

Region	Number of SMEs	Number of loans	Number of employees as at time of inclusion	Average loan size in EUR	Average loan maturity in months	Loan amount in mEUR	Investment amount in mEUR	Estimated SME financing guaranteed in mEUR	Actual utilisation in mEUR
Region 1									
Region 2									
Region 3									

**TOTAL**

Guarantee Operations  
 GS.8 Sector allocation  
 Portfolio attributes

Aggregate figures from inception to end of [Quarter/Year]

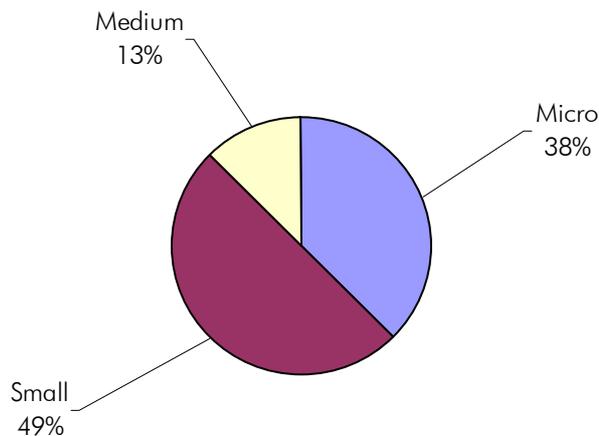
Sector	Number of SMEs	Number of employees as at time of inclusion	Actual utilisation in mEUR	Holding fund contribution in mEUR
Sector 1				
Sector 2				
Sector 3				
...				
<b>TOTAL</b>				

Guarantee Operations  
 GS.9 Enterprise Size  
 Portfolio attributes

Aggregate figures from inception to end of [Quarter/Year]

Enterprise size	Number of SMEs	Actual utilisation in mEUR	Holding fund contribution in mEUR
Micro	1,500		
Small	2,000		
Medium	500		
<b>TOTAL</b>	<b>4,000</b>		

Nbr of SMEs per enterprise size



**Guarantee Operations**  
**GS.10 On-site monitoring visits**  
 Activity during [Quarter/Year]

Financial Intermediary	Portfolio name	Date of visit	Findings description	Status of findings
------------------------	----------------	---------------	----------------------	--------------------

**Guarantee Operations**  
**GS.11 Publicity Activity**  
 Activity during [Quarter/Year]

Financial Intermediary	Date of invoice	Type of publicity activity
------------------------	-----------------	----------------------------

**Guarantee Operations**  
**GS.12 Guarantee Calls / Recoveries**  
 during [Quarter/Year]

Portfolio name	Amount paid	Amount recovered	Net amount paid
----------------	-------------	------------------	-----------------

**Guarantee Operations**  
**GS.13 List of SMEs**

New inclusions during [Quarter/Year]

Portfolio name	SME Name	Signature date	Region	Sector	Loan amount	Guarantee amount	Holding fund contribution in mEUR	Maturity (months)
Name 1								
Name 1								
Name 2								
Name 3								
Name 3								
Name 3								
...								
<b>TOTAL</b>								

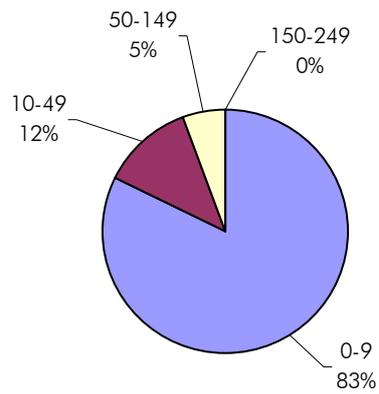
**Guarantee Operations**  
**GS.14 Breakdown by Loan size**

Loan size class (in EUR)	25k	50k	75k	100k	200k	500k	1,000k	2,500k	> 2,500k	TOTAL
Loan volume	1,509,835	1,351,356	1,351,616	351,376	1,209,841	12,415,161	141,566,246	25,252,456	2,253,415	187,261,302
%	0.81%	0.72%	0.72%	0.19%	0.65%	6.63%	75.60%	13.49%	1.20%	100.00%
Number of operations	26,477,772	242,452	257,272	84,546	235,267	256	26,637	3,453	2,345	27,330,000
%	96.88%	0.89%	0.94%	0.31%	0.86%	0.00%	0.10%	0.01%	0.01%	100.00%

## Guarantee Operations GS.15 Breakdown by number of employees (% of SMEs)

Nbr of employees	0-9	10-49	50-149	150-249
%	82.11%	12.43%	5.46%	0.00%

Breakdown of number of operations per SME size



## 6. FUNDED RISK SHARING OPERATIONS

GLOSSARY	
(Actual) Utilisation	The outstanding aggregate amount of all transactions (e.g. loans, guarantees or leases) included under the portfolio.
Availability period	The period during which the FI can include transaction (e.g. loans, guarantees or leases) contracts in the JHF portfolio.
Drawn amount	The part of the JHF commitment used by the intermediary.
Estimated SME financing	The maximum possible aggregate loan amount that will be supported by the JHF if full utilisation is achieved.
Holding fund contribution	The contribution of the Jeremie holding fund.
Investment amount	The budgeted investment cost of the SME to be financed by the loan.
JHF	Jeremie holding fund.
JHF financing rate	The rate at which JHF contributes at each loan.
Loan amount	The principal amount of a loan that is supported by the JHF.
Maximum Portfolio Volume (MPV)	The maximum aggregate amount of all transactions (e.g. guarantees, loans or leases) included in the portfolio.
Portfolio name	The agreement between an FI and JHF.
Recoveries	Amount recovered in relation to a defaulted loan.
Region	The geographical location of the company as per NUTS 3
Release of signed commitment	The cancellation of a portion of the signed commitment after the end of the availability period due to low utilisation.
Signed Commitment	JHF's maximum liability.
Theoretical utilization	The Utilisation that would be expected to be achieved in the time elapsed between a given point in time and the beginning of the availability period assuming an even distribution throughout the availability period.
Undrawn amount	The part of the JHF commitment still available for use by the intermediary.
Utilisation	See (Actual) Utilisation.

**Funded Risk Sharing Operations**  
**FRS.1 Consolidation - per Source of Funding**  
(all figures in EUR)

Aggregate figures from inception to end of [Quarter/Year]

Source of funding	Priority axis	Portfolio name	Risk Sharing Rate	Signed commitment	Disbursed commitment	SME Loan Amount Committed	SME loan Amount disbursed	SME loan Principal Repayment	SME loan Interest repayment	Sme loan principal amount outstanding	Total Loan Amount written off	Management fees paid	Utilisation of signed commitment %	Release of signed commitment
OP 1		Name A Name B Name C Name D												
<b>OP 1</b>														<b>0</b>
Private		Name B												
<b>Private</b>														<b>0</b>
<b>Total</b>														<b>0</b>

**Funded Risk Sharing Operations**  
**FRS.2 Consolidation - per Region**  
(all figures in EUR)

Aggregate figures from inception to end of [Quarter/Year]

Region	Signed commitment	Disbursed commitment	SME loan amount committed	SME loan Amount disbursed	SME loan Principal Repayment	SME loan Interest repayment	Sme loan principal amount outstanding	Utilisation of signed commitment %	Release of signed commitment
Region 1									
<b>Region 1</b>									
Region 2									
<b>Region 2</b>									
Region 3									
<b>Region 3</b>									
Region 4									
<b>Region 4</b>									
<b>Total</b>									

Funded Risk Sharing Operations  
FRS.3 Consolidation - per Agreement  
(all figures in EUR)  
Aggregate figures from inception to end of [Quarter/Year]

Portfolio name	Signature date	Region	JHF Sharing Rate	Signed commitment	Disbursed commitment	SME loan amount committed	SME loan Amount disbursed	SME loan Principal Repayment	SME loan Interest repayment	Sme loan principal amount outstanding	Management fees paid	Utilisation of signed commitment %	Release of signed commitment
Agreement A		Region 1											
Agreement A		Region 3											
Agreement B		Region 4											
Agreement C		Region 2											
Agreement D		Region 1											
Agreement ....													
<b>Total</b>													

Funded Risk Sharing Operations  
FRS.4 Aggregate figures by agreement  
Portfolio attributes  
Aggregate figures from inception to end of [Quarter/Year]

Portfolio name	Number of SMEs	Number of loans	Number of employees	Average loan size in EUR	Average loan maturity in months	Loan amount in mEUR	Investment amount in mEUR
Name A							
Name B							
Name C							
Name D							
Name ...							
<b>TOTAL</b>							

**Funded Risk Sharing Operations**  
**FRS.5 Aggregate figures by SME region**  
**Portfolio attributes**  
**Aggregate figures from inception to end of [Quarter/Year]**

Region	Number of SMEs	Number of loans	Number of employees	Average loan size in EUR	Average loan maturity in months	Loan amount in mEUR	Investment amount in mEUR
Region 1							
Region 2							
Region 3							
<b>TOTAL</b>							

**Funded Risk Sharing Operations**  
**FRS.6 Sector allocation**  
**Portfolio attributes**  
**Aggregate figures from inception to end of [Quarter/Year]**

Sector	Number of SMEs	SME loan amount disbursed
Sector 1		
Sector 2		
Sector 3		
...		
<b>TOTAL</b>		

**Funded Risk Sharing Operations**  
**FRS.7 Sector allocation**  
**Portfolio attributes**  
**Aggregate figures from inception to end of [Quarter/Year]**

Sector	Number of SMEs	SME loan amount disbursed
Location 1 (nuts code)		
Location 2 (nuts code)		
Location 3 (nuts code)		
...		
<b>TOTAL</b>		

**Funded Risk Sharing Operations**  
**FRS.8 Enterprise Size**  
**Portfolio attributes**  
**Aggregate figures from inception to end of [Quarter/Year]**

Enterprise size	Number of SMEs	SME loan amount disbursed
Micro	1,500	15,000,000
Small	2,000	5,000,000
Medium	500	35,000,000
<b>TOTAL</b>	<b>4,000</b>	

## Funded Risk Sharing Operations

FRS.9 On-site monitoring visits

Activity during [Quarter/Year]

Financial Intermediary	Portfolio name	Date of visit	Findings description	Status of findings
	Name A			
	Name B			
	Name C			

## Funded Risk Sharing Operations

FRS.10 SMEs loan amount written off / Recoveries

during [Quarter/Year]

Portfolio name	Total Loan Amount written off	Total Recovery amount
Name A		
Name B		
Name C		

**Funded Risk Sharing Operations**  
**FRS.11 List of SMEs**  
**New inclusions during [Quarter/Year]**

Portfolio name	SME Name	Fiscal Number	Signature date	Region	Sector	Loan amount committed	Maturity (months)
Name 1							
Name 1							
Name 2							
Name 3							
Name 3							
Name 3							
...							
<b>TOTAL</b>							

**FRSP Operations**  
**FRS.12 Breakdown by SME class (% of SMEs)**

Enterprise type	Micro	Small	Medium
%	82.10%	12.40%	5.50%

7. ACCOUNTING REPORTS

JER OXX - JEREMIE [MANDATE] [Date]

Balance Sheet [Date] (EUR)

Unaudited

ASSETS			LIABILITIES		
	31/12/2009	31/12/2008		31/12/2009	31/12/2008
	€	€		€	€
Cash and Cash equivalent			Other Liabilities		
Current accounts					
Term deposits					
Interest receivable			Equity		
Prepaid expenses			Capital		
			Profit brought fwd		
			Profit of the year		
<b>Total Assets</b>			<b>Total Equity and Liabilities</b>		

JER OXX - JEREMIE [MANDATE] [Date]

Profit and Loss [Date] (EUR)

Unaudited

	Actual year-to-date	Actual year-to-date - 1	Budget	Variance EUR	Variance %
<b>INCOME</b>					
INCOME FROM OPERATIONS					
<b>TOTAL INCOME FROM OPERATIONS</b>					
INCOME ON CASH ACCOUNTS					
INTEREST INCOME					
<b>TOTAL INCOME ON CASH ACCOUNTS</b>					
OTHER INCOME					
<b>TOTAL INCOME</b>					
<b>EXPENSES</b>					
<i>JHF Direct cost (see management cost report)</i>					
<i>Associated Expenses (see management cost report)</i>					
<i>Additional Expenses (if applicable, see management report)</i>					
<b>TOTAL EXPENSES</b>					
<b>OPERATING PROFIT</b>					
Exchange Gain&Loss					
<b>NET PROFIT</b>					

## 7. CONTACTS

[City] Office

Address

Telephone

Fax

---

Contact person 1

Contact person 2

Contact details

Contact details

## 7.2.13. Reporting from the Financial Intermediaries

### Reporting template for debt/guarantee product

#### PART A - NEW OPERATIONS

##### A1\_1\_SME Borrowers

(dd/mm/yyyy)

A.1.1.	A.1.2.	A.1.3.	A.1.4.	A.1.5.	A.1.6.	A.1.7.	A.1.8.	A.1.9.	A.1.10.	A1.11.	A.1.12.	A.1.13.	Comments
Fiscal number	SME name	Address	Postal Code	Place	Region	Country	Date of establishment	Sector (NACE code Level 2)	Number of employees at date of loan agreement	Turnover	SME Total assets	SME Scoring (added)	Optional
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional

#### PART A - NEW OPERATIONS

##### A2 Loans

A.1.1.	A.2.1.	A.2.2.	A.2.3.	A.2.4.	A.2.5.	A.2.5.0.	A.2.5.1.	A.2.5.2.	A.2.6.	A.2.7.	A.2.7.1.	A.2.7.2.	A.2.8.	A.2.9.	A.2.10.	A.2.11.	A.2.12.	A.2.13.	A.2.13.1.	A.2.13.2.	Comments	
Fiscal number	SME Loan reference	SME Loan Currency	Purpose (nature) of financing	Investment amount	SME Loan amount committed	of which: working capital	SME Loan reference rate	SME Loan Interest Margin	SME Loan signature date	SME Loan maturity (months)	Grace period (months)	Final maturity date	Repayment frequency	Investment location (NUTS)	Priority theme	Territory type	GGE amount	Collateral value	of which tangible	of which intangible	Optional	
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional

#### PART B - LIST OF INCLUDED OPERATIONS

(disbursements, repayments, etc.)

A.1.1.	A.2.1.	A.2.2.	B.0.	B.0.1.	B.1.	B.1.1.	B.1.2.	B.1.3.	B.2.	B.3.	B.4.	B.5.	B.5.1.	B.5.2.	B.5.3.
Fiscal number	SME Loan reference	SME Loan Currency	Date	D / R (Disbursement/Repayment)	SME Loan amount disbursed	SME loan reference rate (NUM)	Initial FX Rate	End of Disbursement period	SME Loan Principal Repayment	SME Loan Principal amount outstanding	SME Loan interest repayment	SME Loan Principal Repayment allocated to EIF (EUR)	SME Loan Interest Repayment allocated to EIF (EUR)	SME Base Currency Base Rate (NUM)	Spot Rate
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

#### PART C - DEFAULTED LOANS

A.1.1.	A.2.1.	A.2.2.	C.0.	C.1.	C.2.	C.2.1.	C.2.2.	C.3.	C.3.1.	C.3.2.
Fiscal number	SME Loan reference	SME Loan Currency	SME Loan amount (sum of disbursements)	SME Loan Default date	Outstanding amount of the Defaulted SME Loan	of which: principal	of which: interest	Loss Amount (EUR)	Initial FX Rate (weighted average)	interest lost on the Defaulted SME Loan
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

**PART D - RECOVERIES**

<b>A.1.1.</b>	<b>A.2.1.</b>	<b>A.2.2.</b>	<b>C.0.</b>	<b>D.1.</b>	<b>D.2.</b>	<b>D.2.1</b>	<b>D.2.1.2</b>	<b>D.2.2.3</b>	<b>C.3.2</b>	<b>D.3.1.</b>
<i>Fiscal number</i>	<i>Loan reference</i>	<i>SME Loan Currency</i>	<i>SME Loan amount (sum of disbursements)</i>	<i>Recovery date</i>	<i>Recovery amount</i>	<i>Recovery amount currency</i>	<i>of which: principal</i>	<i>of which: interest</i>	<i>Initial FX Rate (weighted average)</i>	<i>Spot Rate</i>
<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>

**PART E - EXPIRED LOANS**

<b>A.1.1.</b>	<b>A.2.1.</b>	<b>E.1.</b>
<i>Fiscal number</i>	<i>SME Loan reference</i>	<i>Expiry date</i>
<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>

**Reporting template for equity product**

It is advisable that the reporting template for an equity product is based on the Reporting Guidelines issued by the European Private Equity and Venture Capital Association.

[http://www.evca.eu/uploadedFiles/Home/Toolbox/Industry\\_Standards/evca\\_reporting\\_guidelines\\_2009.pdf](http://www.evca.eu/uploadedFiles/Home/Toolbox/Industry_Standards/evca_reporting_guidelines_2009.pdf)

The template that follows is of purely indicative nature

*Investors' Quarterly Report*

*31 March 2009*

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# 1. Fund Reporting

## 1.1 FUND OVERVIEW

First Closing Date	
Final Closing Date	
Vintage Year	
Fund Currency	
Total Commitment	
Planned End Date	
End of Investment Period	
Fund's Domicile	
Legal Form	
Structure	
Investment Focus by Sector	
Investment Focus by Geography	

## 1.2 EXECUTIVE SUMMARY

### 1.2.1 FUND UPDATE AND OVERVIEW

#### 1.2.1.1 Commitments and New Investments

#### 1.2.2 CURRENT AND NEW INVESTMENTS

## 1.3 MARKET OVERVIEW AND STRATEGY

### 1.3.1 MARKET OVERVIEW

### 1.3.2 INVESTMENT STRATEGY

## 1.4 FUND SUMMARY AS OF MARCH 31, 2009

	31-March-09		31-Dec-08	
	EUR	% Committed Capital	EUR	% Committed Capital
Total Committed	0.00	%	0.00	%
Total Drawdowns	0.00	%	0.00	%
Undrawn Commitment	0.00	%	0.00	%
Distributions	0.00	%	0.00	%
Fair Value of Portfolio	0.00		0.00	
Other Assets and Liabilities	0.00		0.00	
Total Net Assets Value	0.00		0.00	
Net IRR	%		%	
Multiple to Investors				
Distributions to Paid-In Capital (DPI)	0.0x		0.0x	
Residual Value to Paid-In (RVPI)	0.0x		0.0x	
Total Value to Paid-In Capital (TVPI)	0.0x		0.0x	

## 1.5 CASH FLOW SCHEDULE

<b>INVESTORS COMMITMENT:</b>				
<b>Date of Cash Flow</b>	<b>Contributions from Investors</b>	<b>Distributions to Investors</b>	<b>Fund's Net Asset Value (NAV)*</b>	<b>Cash Flows and NAV</b>
14/11/2007 11/11/2008				
31/03/2009			0.00	0.00
Net IRR				%

(\*) Net of Management Fees and Carried Interest.

## 2. Portfolio Reporting

### 2.1 PORTFOLIO SUMMARY

#### 2.1.1 AGGREGATE PORTFOLIO AS AT MARCH 31, 2009

Portfolio Composition in EUR	
Key Figures	
Number of investees	
Drawdowns	
Distributions	
Net Cashflow	
NAV	

2.1.2 AGGREGATE PORTFOLIO COMPOSITION AS AT MARCH 31, 2009

*Co-investment portfolio composition as at last available reporting date*

---

<b>Fund</b>	<b>Fund Size:</b>	<b>Fund Currency:</b>
-------------	-------------------	-----------------------

---

Nb of companies in portfolios	0	
Nb of active companies	0	Proceeds + Current Valuation
Nb of exited companies	0	Total Invested in companies
		Unrealised Gain/Loss Multiple

<i>Investee Name</i>	<i>Initial Investment date</i>	<i>Legal Country</i>	<i>At initial investment date</i>			<i>Total Invested</i>	<i>Current Cost</i>	<i>Current Valuation</i>	<i>Exit Date</i>	<i>Exit Cost</i>
			<i>Industry</i>	<i>Stage</i>	<i>% Equity Holding</i>					

2.1.3 YEARLY CASHFLOWS AS AT MARCH 31, 2009

YEARLY CASHFLOWS in EUR			
	31/12/2007	31/12/2008	31/03/2009
Drawdowns by Funds			
Distribution by Funds			
Net Cashflows			

2.1.4 DISTRIBUTIONS TO INVESTORS AS AT MARCH 31, 2009

2.1.5 DIVERSIFICATION BY FUND TYPE AND INVESTMENT STAGE

2.2 PORTFOLIO REVIEW

INVESTEE A

		Fund's participation	
Investee name		Drawdowns (EUR)	
Currency		Undrawn commitments (EUR)	
Investment category		Distribution (EUR)	
Geography		Commitment (EUR)	
Structure		% Ownership	
Total fund size (EUR)		Performance	

DESCRIPTION

PERFORMANCE (AS AT DECEMBER 31, 2009)

LATEST DEVELOPMENTS

## 3. Capital Account

### 3.1 CAPITAL ACCOUNT SUMMARY AS AT MARCH 31, 2009

Investors	Commitment	Interest Held	Cumulative Contributions	Cumulative Distributions	Net Asset Value as at 30.06.2009	Outstanding contributions
	0.00	%	0.00	-	0.00	-
	0.00	%	0.00	-	0.00	-
	0.00	%	0.00	-	0.00	-
	0.00	%	0.00	-	0.00	-
	0.00	%	0.00	-	0.00	-
	0.00	%	0.00	-	0.00	-
<b>Total</b>	<b>0.00</b>	<b>%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### 3.2 YEARLY CAPITAL CONTRIBUTIONS BY INVESTORS

Investors	Commitment	2007 Contributions	2008 Contributions	2009 Contributions	2010 Contributions
	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### 3.3 YEARLY CAPITAL DISTRIBUTIONS TO INVESTORS

## 4. Fees and Carried Interest

### 4.1 ADVISORY FEES PAID AS AT MARCH 31, 2009

MANAGEMENT FEES CASHFLOWS in EUR	
Period	Amount
Year 2009	0.00
Year 20010	0.00
<b>Total</b>	<b>0.00</b>

### 4.2 CARRIED INTEREST PAID AS AT MARCH 31, 2009

## 7.2.14. Monitoring tools and procedures at the level of the SMEs

### Example of statistical methodology

#### Sampling preparations

At the beginning of the year the sample drawing of the year is prepared. This preparation is done through the following steps:

- The amount of payment demands to be paid during the year is estimated (EV).
- The number of samples that are to be drawn during the year is defined (n).
- The sampling interval is calculated as follows:
$$SI = \frac{EV}{n}$$
- For each portfolio a random starting point (RS) is drawn with the constraint that  $0 < RS < SI$ .

It is important to note that the foreseen amount of payment should not be based on the amount of the cash flow forecast as this amount has historically overstated the payments made during the year. In order to ensure that a sufficient number of samples are drawn a more conservative estimate has to be used.

This conservatism is also applicable when the number of samples (n) is decided. The minimum number of samples to draw on a large population is 180 in order to get a statistically significant result. In order to allow for some errors to be found and still be able to give a positive opinion more samples have to be drawn. Normally the aim should be to draw between 250 and 300 samples in a given year.

This preparation is done separately for each mandate.

#### Sample drawing

At the beginning of each month all payment demand lines paid during the previous month are extracted from the system. This list of payments is then parsed and the sample is drawn as follows:

- The value (expressed in EUR) of the payments is summed through a running total.
- The first item to be picked is the one where the running total is greater than or equal to RS. The subsequent item to be picked is the one where the running total is greater than or equal to RS+SI.
- This process is repeated, by drawing the payment with a running total of RS+2SI, RS+3SI etc., until the end of the list of payments.

- The difference between the last sampling point and the total value of the payments is subtracted from the SI to get the “overshoot” of the next sample point. This difference is stored to be used to pick the first sample in the drawing of the subsequent months.

As can be seen from this method all payments with a value greater than or equal to the Sampling Interval will be exhaustively sampled.

### **Document request and checking**

When the sample is drawn the documents are requested from the intermediaries by email. The document request and the subsequent checking for each portfolio sampled is followed up centrally.

The check of each loan is based on the “checklist regarding payment demands”. The checklist is filled in for each loan that is controlled and filed together with the sample documents. When the check is completed the officer updates the system with the sampling information, including findings of overstatements (if any).

These areas are included in the checklist:

- Control loan data
- Evidence of SME compliance
- Evidence that company is defaulted
- Evidence / calculation of requested amount
- Evidence of payment (not applicable in case of direct guarantee)
- Notification clause is included
- Audit right clause is included
- Additional checks specific to portfolio

### **Sample evaluation**

During the first quarter of the year the sample findings of the previous year have to be evaluated to ensure that there is no material impact on the financial standing of the European Communities.

The evaluation is used to calculate the probability of material overstatements for the annual statement of assurance according to clause A.11 of annex 3 to the FMA.

The materiality threshold is set by the European Commission to 2%.

When the sample is evaluated the following variables are used:

- n: Number of sampled records
- $n_{iv}$ : Number of sampled low-value records
- $V_N$ : Value of sampled population
- $V_i$ : Value of item i

$V_{lv}$ : Value of low-value items  
 $O$ : Overstatement of sampled population  
 $o$ : Overstatement of sampled items  
 $o_{hv}$ : Total overstatement of high value items  
 $o_i$ : Overstatement of item  $i$   
 $M$ : Materiality limit in % of  $V_N$   
 $M_{\text{€}}$ : Materiality limit in € (calculated as  $M * V_N$ )

When all samples have been drawn and the documentation has been controlled the sampled items are sorted into two categories, low-value items (defined as items with  $V_i < SI$ ) and high-value items (defined as items with  $V_i \geq SI$ ).

The recorded overstatement of the high-value subpopulation is the actual overstatements as this part of the population has been exhaustively sampled.

The materiality limit on the residual population ( $M_{res}$ ) is calculated as:

$$M_{res} = \frac{M_{\text{€}} - o_{hv}}{V_{lv}}$$

$M_{res}$  is the percentage of overstatements that has to occur in the low value subpopulation in order to reach the materiality threshold. It is expressed as a percentage of the value of the low value sub-population.

For each low value record where an overstatement has been found, the taint of that item ( $t_i$ ) is calculated:

$$t_i = \frac{o_i}{V_i}$$

The taint is the percentage of overstatement of the record. This way the graveness of the error can be estimated.

In order to use the individual taints on each item in the context of the sample, the average taint of the sample ( $t$ ) is calculated:

$$t = \frac{\sum(t_i)}{n_{lv}}$$

By calculating the average of the taints instead of just dividing the sum of overstatements by  $V_{lv}$  we ensure that the severity of each individual overstatement is considered. In practice this means that the sampled item is used to represent the entire sampling interval irrespective of the size of the record.

The average taint of the sample is used as a point estimate of the taint of the population ( $T$ ).

To calculate the probability of the true overstatements of the population ( $O$ ) being larger than the materiality threshold ( $M_{\text{€}}$ ) a Poisson distribution is used. The Poisson distribution allows us to use relatively simple algorithms to calculate the probabilities; the drawback is that it is a discrete distribution. By using small discrete steps in the evaluation, 0.01 percentage points (or 1 BP), this drawback is mitigated and

satisfactory precision can be ensured. The average used for the Poisson distribution ( $\lambda$  or  $\mu$ ) is the point estimate of  $T$ .

Using the Poisson distribution, the probability of  $T > M_{res}$  is calculated. This probability can then be used to judge if there is an acceptable risk of materiality to still give a positive opinion.