



EUROPEAN COMMISSION

European Structural and Investment Funds

Guidance for Member States on
Financial Instruments - Glossary

DISCLAIMER

“This is a working document prepared by the Commission services. On the basis of applicable EU law, it provides technical guidance for colleagues and bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission services' explanations and interpretations of the said rules in order to facilitate the programme implementation and to encourage good practice(s). This guidance is without prejudice to the interpretation of the Court of Justice and the General Court or decisions of the Commission.”

Regulatory references

Regulation	Articles
Reg. (EU) N° 1303/2013 Common Provisions Regulation <i>(hereafter CPR)</i>	Title IV - Financial instruments
Reg. (EU, EURATOM) N° 966/2012 Financial Regulation <i>(hereafter FR)</i>	Article 2 - Definitions Article 140 - Principles and conditions applicable to financial instruments
Delegated Reg. (EU) N° 1268/2012 Rules of Application <i>(hereafter RAP)</i>	Article 223 – Leverage effect
Reg. (EU) N° 575/2013 of 26 June 2013	Regulation on prudential requirements for credit institutions and investment firms
Commission Recommendation (2003/361/EC) of 6 May 2013 <i>(hereafter CR)</i>	Recommendation concerning the definition of micro, small and medium-sized enterprises

Term	Definition	Reference
Beneficiary	A public or private body and, for the purposes of the EAFRD Regulation and of the EMFF Regulation only, a natural person, responsible for initiating or both initiating and implementing operations; and in the context of State aid schemes, the body which receives the aid; and in the context of financial instruments under Title IV of Part Two CPR, it means the body that implements the financial instrument or the fund of funds as appropriate.	Article 2(10) CPR
Early-stage capital	Seed and start-up capital.	Article 37(4) CPR
Equity investment	Provision of capital to a firm, invested directly or indirectly in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits.	Article 2(m) FR
Ex-ante assessment	An assessment which precedes the European Structural and Investment Funds (ESIF) programme contribution to a financial instrument and which establishes evidence of market failures or sub-optimal investment situations and the estimated level and the scope of public investment needs, including types of financial instruments.	Article 37(2)(3) CPR
Final recipient	A legal or natural person receiving financial support from a financial instrument.	Article 2(12) CPR
Financial instrument	Union measures of financial support provided on a complementary basis from the budget to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants.	Article 2(p) FR Article 37(7)(8)(9) CPR
Fund of funds	A fund set up with the objective of contributing support from a programme or programmes to several financial instruments. Where financial instruments are implemented through a fund of funds, the body implementing the fund of funds shall be considered to be the only beneficiary.	Article 2(27) CPR

Funding agreement	Contract governing the terms and conditions for contribution from ESIF programme to financial instrument. This will be established between a Managing Authority and the body that implements the fund of funds or between a Managing Authority or the body that implements the fund of funds and the body that implements the financial instrument.	Article 38(7) CPR
Guarantee	A written commitment to assume responsibility for all or part of a third party's debt or obligation or for the successful performance by that third party of its obligations if an event occurs which triggers such guarantee, such as a loan default.	Article 2(l) FR
Loan	An agreement which obliges the lender to make available to the borrower an agreed sum of money for an agreed period of time and under which the borrower is obliged to repay that amount within the agreed time.	Article 2(k) FR
Leverage effect	<p>“The Union contribution to a financial instrument shall aim at mobilising a global investment exceeding the size of the Union contribution according to the indicators defined in advance”.</p> <p>Article 223 – The leverage effect of Union funds shall be equal to the amount of finance to eligible final recipients divided by the amount of the Union contribution.</p> <p>In the ESIF context, the leverage is the sum of the amount of ESIF funding and of the additional public and private resources raised divided by the nominal amount of the ESI Funds contribution.</p>	<p>Article 140 FR</p> <p>Article 223 RAP</p>
Management costs and fees	<p>Management costs refer to direct or indirect cost items reimbursed against evidence of expenditure.</p> <p>Management fees refer to an agreed price for services rendered established via a competitive market process, where applicable. Management costs and fees are based on a performance based calculation methodology.</p>	Article 42 CPR

<p>Operation</p>	<p>A project, contract, action or group of projects selected by the managing authorities of the programmes concerned, or under their responsibility, that contributes to the objectives of a priority or priorities; <i>in the context of financial instruments, an operation is constituted by the financial contributions from a programme to financial instruments and the subsequent financial support provided by those financial instruments.</i></p> <p>In the case of financial instruments organised through a fund of funds, an operation is constituted by the contribution to the fund of funds, subsequent contributions to financial intermediaries and subsequent investments in final recipients.</p>	<p>Article 2(9) CPR</p>
<p>Quasi-equity investments</p>	<p>A type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity. Quasi-equity investments can be structured as debt, typically unsecured and subordinated and in some cases convertible into equity, or as preferred equity.</p>	<p>Article 2(n) FR</p>
<p>Risk-sharing instrument</p>	<p>A financial instrument which allows for the sharing of a defined risk between two or more entities, where appropriate in exchange for an agreed remuneration.</p>	<p>Article 2(o) FR</p>
<p>Securitisation</p>	<p>A transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having both of the following characteristics:</p> <p>(a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;</p> <p>(b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.</p> <p>For ESIF, securitisation is possible under the SME initiative (Article 39 CPR) only i.e. for ERDF and EAFRD contributions to the SMEI.</p>	<p>Regulation 575/2013</p> <p>Article 39 CPR</p>

SMEs	<p>Small- and medium-sized enterprises – as defined in EU law: EU recommendation 2003/361. The main factors determining whether a company is an SME are: 1.number of employees and 2.either turnover or balance sheet total</p> <table border="1" data-bbox="562 424 1435 660"> <thead> <tr> <th>Company category</th> <th>Employees</th> <th>Turnover</th> <th>or</th> <th>Balance sheet total</th> </tr> </thead> <tbody> <tr> <td>Medium-sized</td> <td>< 250</td> <td>≤ € 50 m</td> <td></td> <td>≤ € 43 m</td> </tr> <tr> <td>Small</td> <td>< 50</td> <td>≤ € 10 m</td> <td></td> <td>≤ € 10 m</td> </tr> <tr> <td>Micro</td> <td>< 10</td> <td>≤ € 2 m</td> <td></td> <td>≤ € 2 m</td> </tr> </tbody> </table>	Company category	Employees	Turnover	or	Balance sheet total	Medium-sized	< 250	≤ € 50 m		≤ € 43 m	Small	< 50	≤ € 10 m		≤ € 10 m	Micro	< 10	≤ € 2 m		≤ € 2 m	<p>Article 2(28) CPR (Recommendation 2003/361 COMMISSION STAFF WORKING DOCUMENT on the implementation of Recommendation 2003/361)</p>
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Micro	< 10	≤ € 2 m		≤ € 2 m																		
Support from the ESI Funds	<p>Support from the ESI Funds means support from one or more of the following funds: European Regional Development Fund, European Social Fund, Cohesion Fund, European Agriculture Fund for Rural Development, European Maritime and Fisheries Fund. Support from the ESI Funds does not include the national co-financing.</p>	<p>Articles 43, 44, 45 CPR</p>																				
Working capital	<p>Difference between current assets and current liabilities of an enterprise.</p>	<p>Article 37(4) CPR</p>																				