**22.7.2019**

**Note on:[[1]](#footnote-2)**

**1. Financial products and their design and approval process**

**2. Financing and/or investment operations: Individual operations and framework operations and the process of approving the support of the EU guarantee**

This document aims at clarifying the process for the design and approval of financial products under InvestEU.

It also explains the process for the approval by the Investment Committee of the use of the EU guarantee to financing and/or investment operations, which may consist of individual operations or of framework (or programme) operations with several underlying sub-operations. Both individual operations and framework operations can be direct or intermediated.

1. **Design and approval process of InvestEU financial products**

InvestEU will allow implementing partners to deliver a variety of financial products to final recipients. Financial products will be designed through a collaborative and iterative process between the Commission and implementing partners[[2]](#footnote-3).

The process foreseen includes the following steps:

1. The Commission will reflect on key financial products to be developed under each policy window, based on the policy needs identified for the next multiannual financial framework period and market demand, building, *inter alia,* on the experience of existing financial instruments. Each financial product will have to comply with the principles set out in the investment guidelines. The elements defined in the financial product fiches will focus on policy objectives and delivery mechanism(s) to the market as well as on the risk-revenue sharing mechanism between the Commission and the implementing partner. In certain cases the delivery mechanism will be narrowly defined, whereas in others flexibility will be left to the implementing partners to the extent it is compatible with the agreed risk-revenue sharing mechanism.
2. Depending on the policy needs, market demand and the geographical scope of activities of an implementing partner, a financial product can be deployed at EU level, across a defined group of Member States, or at national or regional level within one Member State. A similar financial product can be made available under the EU compartment or the Member State compartment, depending on the market failures or sub-optimal investment situations identified on the respective markets. The Commission, in cooperation with the EIB Group and potential implementing partners, will identify standardised typologies/models of financial structure underpinning risk-revenue sharing mechanisms that could be deployed under InvestEU. The Commission will not present to others any draft financial or advisory product fiches discussed with/proposed by a potential implementing partner. Discussions with implementing partners on such fiches will be strictly bilateral and confidential.
3. The Commission will prepare standard model product fiches for the attention of implementing partners to guide them in their internal preparation on potential financial products. Feedback from implementing partners will feed into the preparation of the call(s) for expression of interest. In addition, the Commission will also prepare draft financial product fiches to be discussed with the EIB Group with a view to engaging on financial products to be deployed under its 75% share. Similar to other implementing partners in the framework of the call for expression of interest (see point 4 below) the EIB Group will have the opportunity to propose financial products to the Commission.
4. At a later stage, for the purpose of the call(s) for expression of interest to be launched by the Commission in early 2020, further models of financial product fiches will be prepared. These fiches will present the Commission’s expectation on the policy priorities and potential financial products to be deployed under InvestEU with regard to specific sectors.
5. For the products under the EU compartment: when implementing partners[[3]](#footnote-4) other than the EIB Group submit their proposals under the call(s) for expression of interest to be granted access to the InvestEU Fund for the first allocation period, they will have the opportunity to propose financial products, either based on the models attached to the call(s) or other financial products in line with the terms of the call(s) of expression of interest. In their proposals, implementing partners will be required to outline the proposed terms and conditions for each financial product, if they depart from the Commission models.
6. For the products under the Member State compartment: the implementing partner proposed by the Member State can submit proposed financial products as soon as the discussion on the contribution agreement is in a mature stage.
7. For each implementing partner, the financial products to be deployed will be defined in the guarantee agreement to be signed between it and the Commission. The guarantee agreement will indicate a total maximum amount of EU guarantee available to the implementing partner under InvestEU and, as appropriate, a split between financial products. The final financial product descriptions will be attached to the guarantee agreements and will detail substantially the terms and conditions of the financial product to be implemented. In its final decision to conclude a guarantee agreement with an implementing partner, the Commission will benefit from the opinion of the EIB related to banking related aspects.
8. Further financial products may be designed during the life of the InvestEU Fund. The advisory board may provide advice and the steering board may give guidance on the design of financial products.
9. **Financing and/or investment operations: Approval of the support of the EU guarantee for individual operations and framework operations by the Investment Committee**
   1. **Approval of individual operations to benefit from the support of the EU guarantee**

Once the financial products are agreed between the Commission and the implementing partners in the guarantee agreements, the support of the EU guarantee for financing and/or investment operations falling under these financial products will be approved by the Investment Committee. This applies both to the EU compartment and to the Member State compartment.

Ahead of each approval by the Investment Committee, the Commission will perform a policy check, or, in the case of EIB, issue an opinion in accordance with Article 19 of Protocol No 5, on each proposal for a financing or investment operation. The aim is to ensure compliance of the operation with EU law and consistency with EU policy objectives in line with Article 18 of the InvestEU Regulation. The type of information to be provided for the purpose of the policy check will be set out in the guarantee agreement. Such information shall, *inter-alia*, refer to the contribution of the proposal to the EU policy objectives as well as its impacts and benefits on climate, environmental and social dimensions, as appropriate.

Individual financing and/or investment operations can be provided directly to support standalone investment projects or promoters, or in intermediated form. For the former, individual financing and/or investment operations can, for example, take the form of standalone loans to investments projects, equity investments in project entities or guarantees to third parties investing in investment projects. For the latter, the financing and/or investment operations may consist of an agreement between the implementing partner and a financial intermediary to support final recipients.

* 1. **Approval of framework operations to benefit from the support of the EU guarantee**

Article 19(6) of the InvestEU Regulation specifies that: “Where the Investment Committee is requested to approve the use of the EU guarantee for a financing or investment operation that is a facility, programme or structure which has underlying sub-projects, that approval shall comprise the underlying sub-projects, unless the Investment Committee decides to retain the right to approve them separately. If the approval concerns sub-projects of a size below EUR 3 000 000, the Investment Committee shall not retain this right.”

Implementing partners may therefore submit a guarantee request for a framework operation encompassing several sub-projects, provided the underlying sub-projects have **strong features of commonality/uniformity** so that the policy check by the Commission and the assessment by the Investment Committee are possible and meaningful. Under a framework operation, the implementing partner may provide financing for (i) a series of individual investments (sub-projects) by one defined final recipient[[4]](#footnote-5); (ii) intermediated or direct financing to multiple borrowers (public or private) which are being grouped together under the given commonality (such as a specific sector, target group of final recipients under a specific geography, etc.) or iii) investment platforms.

The terms and conditions of such framework operations must be detailed for the policy check/Article 19 procedure by the Commission and for the approval of the use of the EU guarantee by the Investment Committee and include, *inter alia*, the following, as applicable:

* Policy objectives of the framework;
* Type(s) of financing to be deployed by the implementing partner under the framework, in line with the financial product fiches attached to the guarantee agreement;
* An overview of the sub-projects and/or final recipients targeted by the framework. In the case of SME financing, a detailed description of the SME segments targeted by the framework must be provided;
* Information on the contribution of the framework operation to the EU policy objectives as well as its impacts on climate, environmental and social dimensions.

The possibility for and detailed provisions applying to framework operations as regards the approval of the support of the EU guarantee will be laid down in the guarantee agreements, without prejudice to the discretion by the Investment Committee. In this context the size of the framework and the sub-projects, in addition to the commonality/uniformity features will be taken into account.

The procedures governing the approval of financing and/or investment operations will be explained in a separate document.

1. This paper is based on the version of the InvestEU Regulation partially agreed in April by the European Parliament and the Council and may be subject to change. [↑](#footnote-ref-2)
2. Financial products can be discussed with entities that have notified the Commission of their intention to become implementing partners under InvestEU. This collaborative process can take place before the potential implementing partners have completed the pillar assessment process. The term implementing partner in this paper is to be understood to encompass potential implementing partners, as appropriate. [↑](#footnote-ref-3)
3. The process can consist of bilateral and/or multilateral discussions between the Commission and implementing partners. [↑](#footnote-ref-4)
4. For example a municipality for renovating or building schools or hospitals. However, sub-projects included in a large-scale framework programme for a municipality covering investments in various sectors would not have the features of commonality/uniformity. [↑](#footnote-ref-5)