

---

# WORKING GROUP ON PUBLIC AND PRIVATE GUARANTEE INSTITUTIONS

CHAIRMAN VIRGINIE PONCET AND PEDRO PISONERO



**aecm**

EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

# INTRODUCTION

- The Working Group on Public and Private Guarantee Institutions was constituted in the Board of Directors in Berlin, on 18 June 2015 and it's chaired by Virginie Poncet (Bpifrance / France) for the public side and by Pedro Pisonero Pérez (CESGAR / Spain) for the private side.
- In the framework of this working group, a new product specifically and exclusively for private and public guarantee institutions is developing, which can be applied by all members of AECM and which involves EU funding.
- The reasons for this approach are twofold:
  1. to give guarantee institutions more visibility by pointing out that they work in a different way than banks;
  2. to differentiate the products used by guarantee institutions from those used directly by banks.
- The WG on Public and Private Institutions is managing two issues simultaneously:
  1. Thinking as usual. Innovation
  2. Thinking out-of-the-box. Debt Fund
- Then there will be an exposition of the progress of each of these two lines of work

# INNOVATION : POTENTIALITY FOR A NEW GUARANTEE PRODUCT

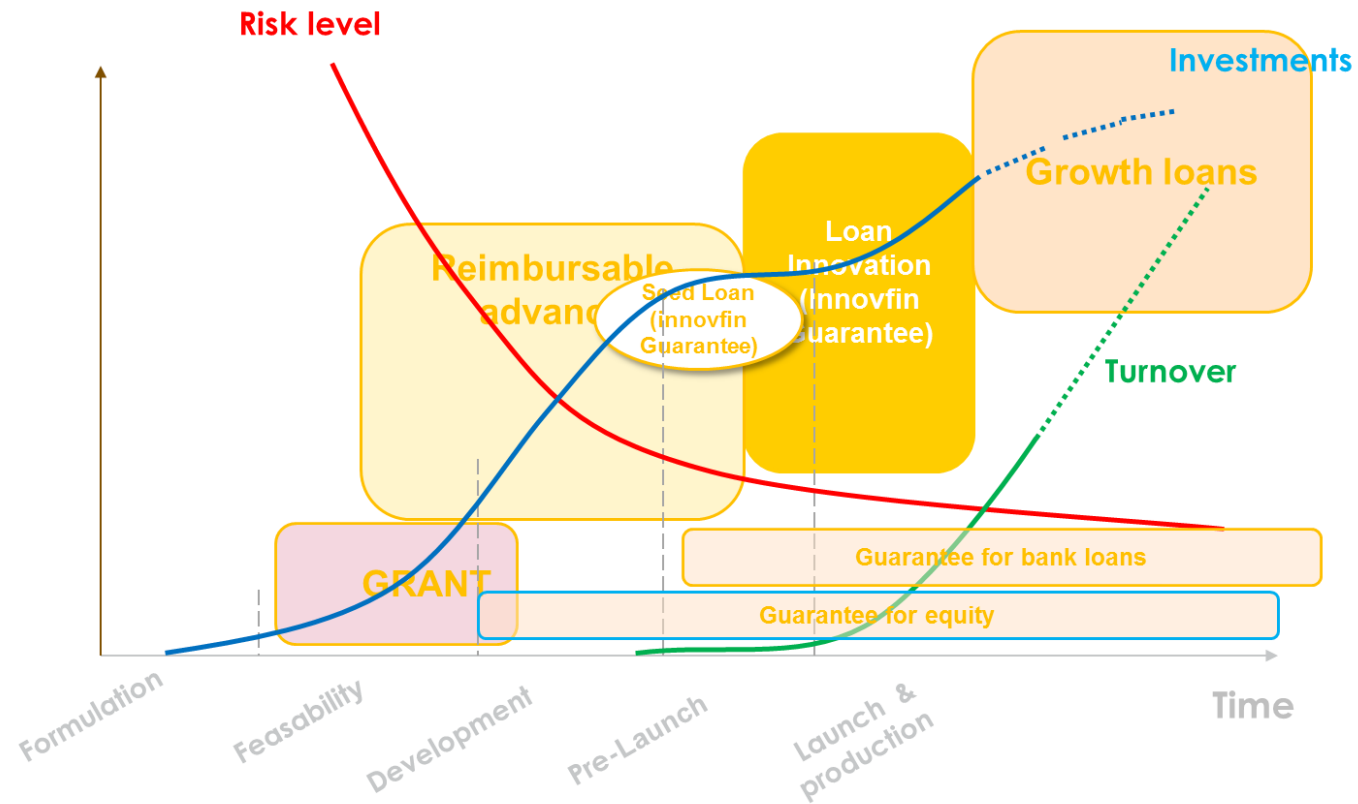
- Looking at the risk evolution throughout the innovation cycle, to deliver additionality, a new type of guarantee would have to be positioned in early stages (seed or pre seed). At this stage, the risk is so high that grants or equity are often preferred. Besides, to master the risk and added value at this stage, the evaluation of the innovation is required.
- The innovation evaluation is scarcely made by banks, it is, by early stage investors and by innovation agencies.
  - We explored the way the guarantee scheme could provide this analysis and would be very costly regarding the guarantee scheme economic balance.
  - Leave the innovation evaluation to the lender/investor, and/or share the evaluation of innovation agencies
  - Build a simplified evaluation tool based on members knowledge
- Use EU existing schemes

# INNOVATION SPECIFIC PRODUCT

## Paths to explore

- Deployment of EU funds among members
  - Countries already deployed for Innovfin
  - Structural funds
- Knowledge sharing on innovation evaluation
  - Knowledge sharing between AECM members
  - Technical assistance (Innovfin has a budget for capacity building)
- Partnership with TAFTIE members? (European Association of Leading National Innovation Agencies)
  - Identify the potential partnership regarding the guarantee or the innovation evaluation

# INNOVATION – BPIFRANCE OFFER POSITIONNING



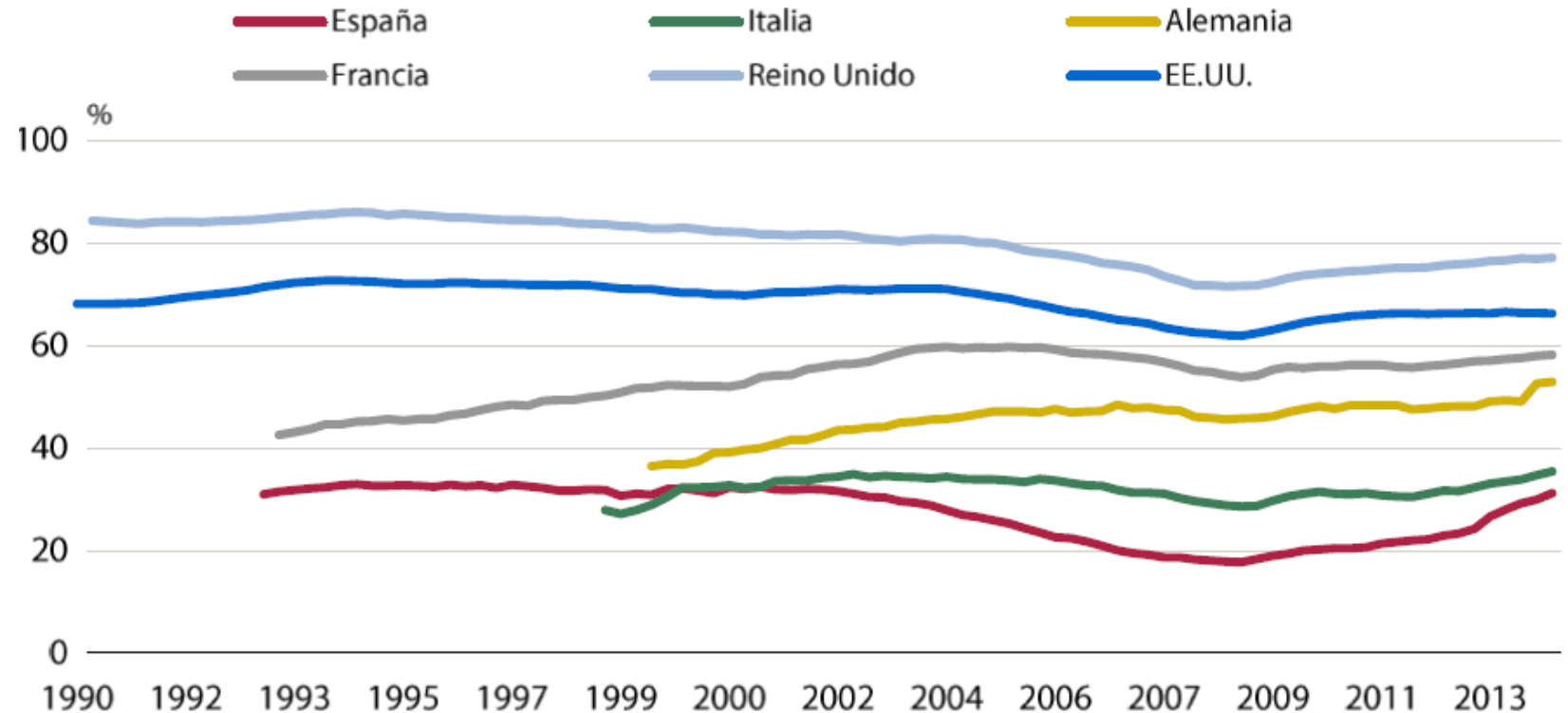
# DEBT FUND : AN OUT-OF-THE-BOX APPROACH

- Outcome of BoD 10 sept 2015: Proposal for a new European Guarantee Product
  1. Two approaches
    - 1.1. “Classic” approach: European Counter-guarantee Product
      - Counter-guarantee scheme only, with zero or near to zero cost
      - Main target: more volume through “business as usual” of guarantees companies with banks, thanks to the counter-guarantee relief of capital requirements.
    - 1.2. “Out-of-the-box” approach: Debt Guarantee Product
      - Debt fund for direct funding to SMEs, without involvement of banks. Guarantee institutions analyze the risk and do the administrative work for the fund management (two sources of fee: guarantee and service)
      - Main target: more volume through “out of the box thinking”, finding an alternative to distribution via banking industry; more visibility with new scope and new horizons for the guarantee industry, leveraging on the new shadow-banking industry

# DEBT FUND WITH GUARANTEE PRODUCT

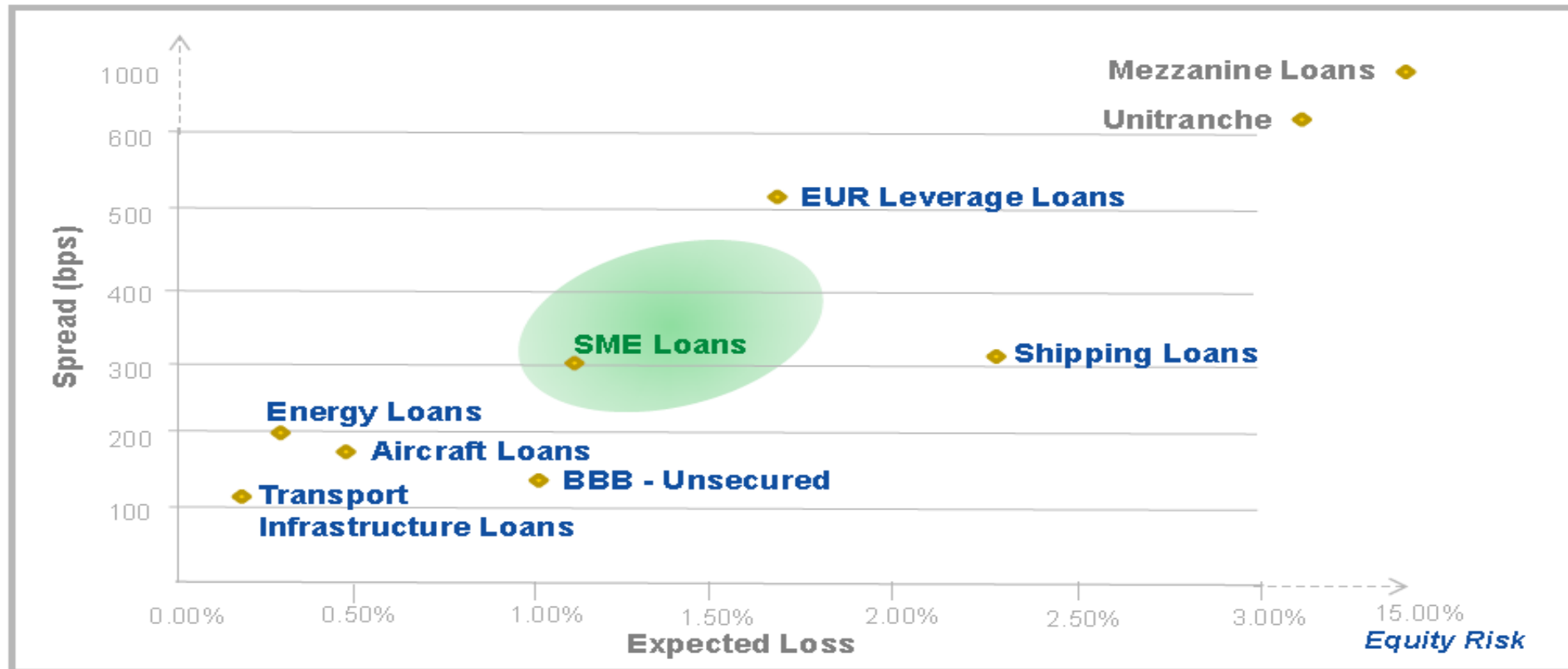
We have been working on the “out of the box” product, with the EIF

■ EIF sees a clear market gap, as European companies depend on bank financing (up to 80%), while in USA goes via financial markets.



# DEBT FUND WITH GUARANTEE PRODUCT

**Current market environment:** hunt for yield is fueling the growth of private debt, as a way to access SME credit.





# DEBT FUND WITH GUARANTEE PRODUCT

- Target size: € 100 Million (for start), up to € 1.000 Million
- Investors: Professional and institutional investors
- Term: 7 years
- Structure: Closed-end fund, with reinvestment of principals.
- Target return for professional investors: IRR 3% net of fees and commissions and expected credit losses
- Target investees: Small and medium-sized enterprises (SME)
- Risk profile: Loans to SME with guarantees
- Minimum loan amount: 100.000 €
- Maturity of the loans: Up to 7 years
- Geographic scope: EU countries
- Fee structure: Management fee 0.50-0,75% p.a. on committed capital
- Legal structure: SICAR in Luxembourg

