



REFERENCE NUMBER: MDB/001/2021

**CALL FOR SERVICE FOR THE IMPLEMENTATION OF THE
FINANCIAL INSTRUMENT:
FURTHER STUDIES MADE AFFORDABLE PLUS (FSMA+)**

Date Published: 12 October 2021 at 16.00 p.m. CET

Deadline for Submission: 15 November 2021 at 16.00 p.m. CET

Clarifications shall be uploaded and will be available to view / download from
www.mdb.org.mt



Call part-financed by the European Social Fund (ESF) 2014-2020 and
the European Social Fund Plus (ESF+) 2021-2027



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Call for Service number MDB/001/2021 (FSMA+) for the implementation of the Financial Instrument:

Further Studies Made Affordable plus (FSMA+)

Objective

The objective of this Call for Service (the “Call”) is to select one or more eligible Financial Intermediary/ies licensed to operate under the Banking Act, Chapter 371 of the Laws of Malta for the implementation of the new Further Studies Made Affordable plus (“FSMA+”) Financial Instrument (“FI”). This FI is designed as a continuation to the Further Studies Made Affordable (“FSMA”) launched on the 3rd October 2019. Its main aim is to improve access to finance for Eligible Students. The Financial Intermediary/ies shall benefit from capital relief and loss protection via the provision of a capped guarantee on a portfolio of loans. The Portfolio shall be managed by the Financial Intermediary/ies selected through this Call.

The FI is financed under the current partnership agreement 2014-2020 and within the context of the draft partnership agreement to be adopted under the 2021 – 2027 Multi-Annual Financial Framework for Malta. The partnership agreement includes co-funding of financial instruments under the European Social Fund (“ESF”) Programme 2014-2020 and European Social Fund Plus (“ESF+”) Programme 2021 - 2027.

The implementation of the FI has been entrusted to the Malta Development Bank (“MDB”) through the direct award of a contract and the Funding Agreement between the Managing Authority (“MA”) being the Planning and Priorities Co-ordination Division within the Ministry responsible for EU Funds.

Introduction

Creating more and better jobs was one of the main goals of the Europe 2020 strategy. As Europe enters a new decade, the Commission has proposed new and more ambitious targets in the areas of employment, skills and social protection in order to build a strong social Europe by 2030.

The employment guidelines (Article 148 of the Treaty on the Functioning of the European Union (TFEU)) present strategic objectives for national employment policies and contain policy priorities in the fields of employment, education and social inclusion. They combine policy priorities with a number of ongoing key elements. Four employment guidelines form part of the 10 integrated guidelines, which also feature six broad economic policy guidelines (Article 121 of the TFEU).

In 2018, the employment guidelines were aligned to the principles of the European Pillar of Social Rights (2.3.1 Social and employment policy: general principles). In agreement with the European Parliament, these have been maintained for 2019. The most recent guidelines (2020) integrate the four dimensions of the Annual Sustainable Growth Strategy (ASGS), and in particular its sustainability dimension, reflecting the narrative of the Commission’s January 2020 Communication entitled ‘A Stronger Social Europe for Just Transitions’, and integrating the UN Sustainable Development Goals (SDGs). They target four domains:

- Boosting demand for labour (job creation, labour taxation and wage setting).
- Enhancing labour and improving access to employment, skills and competences.
- Better functioning of labour markets and effectiveness of social dialogue.
- Promoting equal opportunities for all, fostering social inclusion and fighting poverty.

Post-2020 targets

The Action Plan on the implementation of the European Pillar of Social Rights (EPSR) of 4 March 2021 sets out three new EU headline targets to be achieved by the end of the decade in the areas of employment, skills and social protection.

- Employment: at least 78% of the population aged 20 to 64 should be in employment by 2030. In order to achieve this overall goal, Europe must halve the gender employment gap, increase the provision of formal early childhood education and care and decrease the rate of NEETs aged 15-29 from 12.6% (2019) to 9%;
- Skills: at least 60% of all adults should participate in training every year;
- Social protection: the number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030.

In May 2018, the Commission adopted a proposal regulating support for the European Social Fund Plus (ESF+) for the period 2021-2027. The ESF+ merges a number of funds and programmes, notably the ESF, the YEI and the EaSI programme. The ESF+ and EGF will complement each other, as the ESF+ supports preventive and anticipatory measures, while the EGF remains a reactive emergency fund, outside the multiannual financial framework.

The ESF+ is playing an important role in meeting Europe's goals in this regard by providing the financial support required to reduce the gap and to enable more people to continue their studies.

Malta is committed to continue investing to improve and achieve a better match between education and training systems and workforce skills so as to meet the changing demands of the labour market. ESF+'s role in this regard is to provide support to help people (the "**Eligible Student**") to upgrade their academic endowments in order to get better jobs and ensure fairer living standards and job opportunities for all EU citizens.

Investing in human capital is a top priority for Malta, with focus on helping people to enter and remain successfully in the labour market and to improve their skills.

Malta is taking measures to improve its education and training systems in order to better equip jobseekers to meet changing market needs. There is a specific focus on providing a better standard of higher education.

The FI shall continue to support the development of human capital and is aimed to meet the needs of Eligible Students interested in pursuing a study programme for accredited courses in MQF levels 5, 6, 7 and 8, as well as internationally recognised certificates. Such Eligible Students will be entitled to receive support through this FI for the activities related to academic fees and related expenses as well as subsistence expenses to further their studies in Malta and abroad.

The selected Financial Intermediary/ies will be expected to promote and provide the activities related to the provision and management of eligible loans (the "**Eligible Loans**") to Eligible Students benefitting under the FSMA+ scheme. Such activities shall be carried out in accordance with the contractual agreement (the "**Operational Agreement**") to be entered into by the MDB and the selected Financial Intermediary.

The MDB

MDB was set up in terms of the Malta Development Bank Act, 2017 (Act XXI of 2017, CAP 574) which was passed by Parliament on 5 May 2017 and came into force on 24 November 2017. The MDB commenced operations on 11 December 2017 when the MDB Board of Directors was appointed and held its first meeting.

In terms of article 6(7)(a)(iv) of the MDB Act, one of MDB's objectives is to act as a vehicle to channel and manage aided financing authorised under EU financial instruments funded from the European Structural and Investment Funds (ESIF) including the ESF and ESF+.

Part I: Description of the FI (Portfolio Guarantee and Interest Rate Subsidy)

1 Rationale

Following the success of the first Further Studies Made Affordable (FSMA) scheme, through which to-date 219 students were able to undertake specialised studies in various disciplines, the MA has secured EU financing which will be directed to the MDB to implement a new scheme, the FSMA+.

The new scheme will build on the success of its predecessor which the MDB, in collaboration with the Ministry responsible for EU funds, had launched in October 2019, and which was co-funded by the ESF 2014-2020.

The purpose of the new FI is to continue to support Eligible Students by enhancing their access to bank loans. This will be done by providing credit risk protection (in the form of a portfolio capped financial guarantee) to the selected Financial Intermediary/ies. The FI will thus mitigate the difficulties that students face in accessing finance because of the lack of sufficient security in combination with the risk they represent.

2 The Portfolio Guarantee under the FI

The Portfolio Guarantee (the "**Guarantee**") shall be issued by the MDB which will be of benefit to both the selected Financial Intermediary/ies and the final recipient.

The Guarantee shall partly cover the credit risk associated to new Eligible Loans to Eligible Students included in the Guarantee. Eligible Loans shall be covered by the MDB at a guarantee rate of 80% of each eligible loan subject to a maximum liability in respect of loan losses expressed as a guarantee cap amount of a maximum of EUR 3 million (the "**Cap Amount**") calculated on a portfolio basis as 25% of the Portfolio (the "**Guarantee Cap Rate**"). The MA will reserve the right to increase the funding allocated to this FI.

The Eligible Student shall benefit from enhanced access to bank financing. Moreover, the selected Financial Intermediary/ies shall demonstrate that the benefit of the Guarantee is fully passed on to the Eligible Student by offering a lower credit risk premium rate than normally charged. In addition, the Eligible Student shall benefit from zero interest payments during the moratorium period.

The duration of the Guarantee is for a maximum term of fifteen (15) years covering the full moratorium period of up to a maximum of five (5) years and the loan repayment period of up to a maximum of ten (10) years following the moratorium period.

The Guarantee shall constitute a direct irrevocable and unconditional financial guarantee and shall cover losses relating to unpaid principal and interest incurred by the selected Financial Intermediary/ies, until the “**date of default**” in respect of each defaulted Eligible Student Transaction up to the Cap Amount. The Guarantee shall not cover Student Transactions which become Non-Eligible Transactions because of an Exclusion Situation.

The origination, due diligence, documentation, and servicing of the Eligible Loans shall be performed by the Financial Intermediary in accordance with its standard rules and procedures.

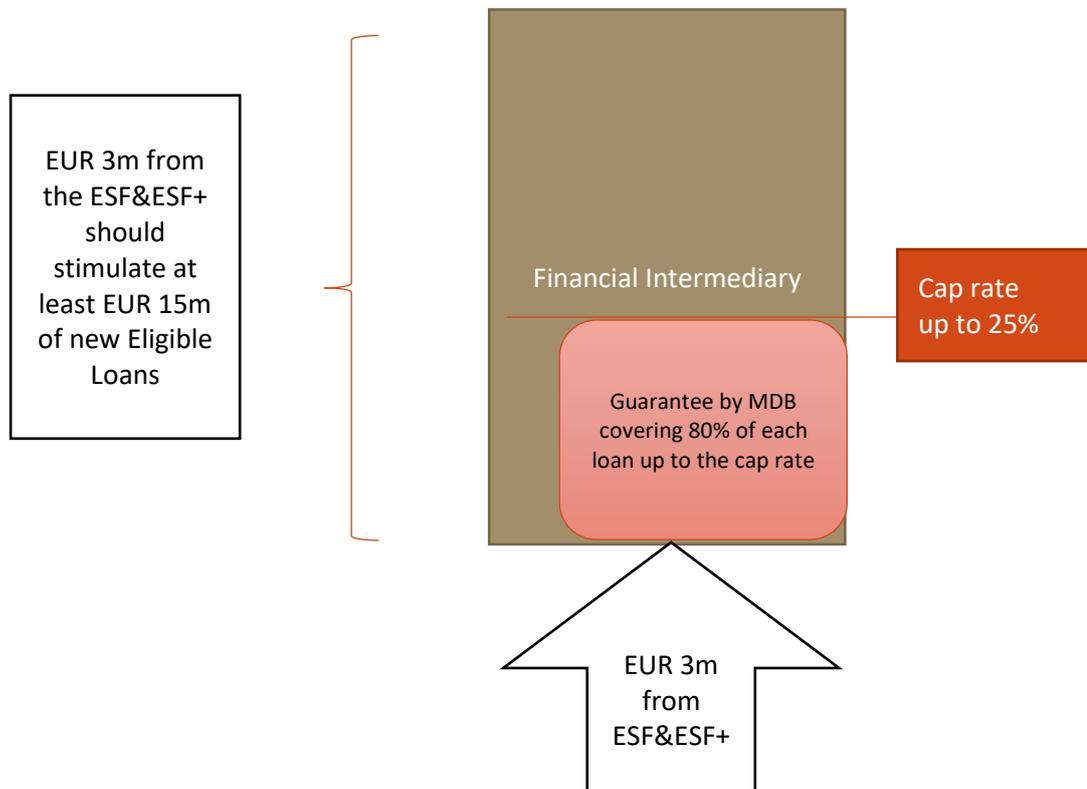
In this context, the Financial Intermediary shall have the sole direct client relationship with the Eligible Student.

Eligible Loans will be automatically covered by the Guarantee (up to the limits prescribed according to pre-defined eligibility criteria on a loan-by-loan basis and at portfolio level) following the submission by the selected Financial Intermediary of inclusion notices to the MDB on a monthly and quarterly basis as specified in the Operational Agreement.

No Guarantee Fee will be payable by the Financial Intermediary/ies in respect of the Guarantee provided by the MDB covering Eligible Loans.

The structure of the Guarantee is illustrated below.

3 The Portfolio Guarantee under the FI



Part II: Interest Rate Subsidy

1. In addition to gaining enhanced access to bank credit, the Eligible Student shall benefit from an Interest Rate Subsidy throughout the moratorium period. The interest rate subsidy under the FI will be applied as follows:

Interest during the moratorium period

The interest element during the moratorium period of each Eligible Loan will be fully financed by the Interest Rate Subsidy provided by the FI. The interest is to be charged by the Financial Intermediary to the loan account on a monthly basis. The Interest Rate Subsidy shall be paid by the MDB to the selected Financial Intermediary/ies in accordance with the terms specified in the Operational Agreement.

The maximum term of capital moratorium should cover the term of the course plus an additional twelve (12) months, subject to a maximum moratorium period of five (5) years.

Part III: General features of the FI

The general characteristics of the FI are summarised below:

- Portfolio Guarantee of EUR 3million covering 80% of each individual loan with a cap rate of 25%. Expected volume of total eligible loans generated under the FI: EUR 15million
- Full Interest Rate Subsidy during moratorium on Eligible Loans
- Maximum moratorium term is five (5) years covering the course term plus one (1) year.
- Loan term is:

Facility value below €10,000	applicable moratorium period plus two times the course period.
Facility value up to €20,000	applicable moratorium period plus four times the course period.
Facility value above €20,000-	applicable moratorium period plus five times the course period.

Repayment terms outside the above table are to be the exception and are considered on a case-by-case basis, with prior approval from the MDB.

- Maximum loan term will consist of a moratorium period of a maximum of five (5) years followed by the repayment period of a maximum of ten (10) years. Total maximum term of the loan shall in total not exceed fifteen (15) years from the date of the first disbursements of the loan funds by the Financial Intermediary.
- maximum term of the loan is of fifteen (15) years from the first disbursement by the Financial Intermediary of the loan funds to the Eligible Student covering the full moratorium period up to a maximum of five (5) years and the loan repayment period of up to a maximum of ten (10) years following the moratorium period.

The full details on the general conditions of the FI are listed in **Part VIII: Operational provisions**.

Part IV: Size of the initial fund allotted to the FI

The initial fund allocated by the MA to this FI is set at an amount of up to EUR 5 million which is sourced from the ESF and ESF+. Of this amount, EUR 3million will be allotted to the Portfolio Guarantee and EUR 2million to the Interest Rate Subsidy element.

The source of funding of the initial fund of EUR 5 million shall be:

1. EUR 1 million fund will initially be made available from the current ESF programme, and
2. EUR 4 million shall be made available from the new ESF+ programme.

Any calibrations in the source of funding are at the discretion of the MA.

The FI fund may be subsequently increased as necessary, and as may be approved by the MA. The allotment of the additional funding will be at the discretion of the MDB.

Part V: Potential Applicants and the Role of Selected Financial Intermediary/ies

1. Potential Applicants are credit institutions that cater mostly for the domestic credit market and have branches in both Malta and Gozo.
2. Role of the selected Financial Intermediary/ies – the origination, due diligence, documentation and servicing of the Eligible Loans shall be performed by the Financial Intermediary/ies in accordance with its standard rules and procedures.

The selected Financial Intermediary/ies shall have the sole direct client relationship with the Eligible Student.

Part VI: Call for Service

1. Call for Service Template

A copy of the Call for Service form to be submitted by the applicant is attached hereto as Appendix 1 and can also be found on the MDB website: <https://mdb.org.mt>

The Call for Service should include the Applicant's identification, the project description, the supporting documents, the declaration of absence of conflict of interest and the statements regarding situations of exclusion.

The Call for Service is to be accompanied by the Appendices 1A, 1B, 1C and 1D, also attached to this Call.

2. Requests for clarifications

The Applicant may request clarifications regarding the Call for Service or the nature of the FI by not later than the 20th October 2021. Such requests must indicate the Call for Service reference number MDB/001/2021 (FSMA+) and the name of the Applicant and shall be submitted in English via e-mail to: info@mdb.org.mt

Applicants requesting clarifications shall not receive individual replies. Instead, answers to all requests for clarification received within the relevant deadline will be published by the MDB on its website <https://mdb.org.mt>

MDB will, in principle, not contact any Applicant prior to the Deadline, unless it considers it necessary to clarify issues of a technical nature. In the event that the MDB discovers any errors, inaccuracies, omissions or any other type of clerical defect in the text for this Call for Service before the Deadline, the MDB will correct the text of the Call and will inform all potential applicants accordingly.

3. *Submission of the Call for Service*

The Call for Service shall be submitted in English, on or before the Deadline **both** by (i) e-mail **and** (ii) hand or professional courier service.

Hard copies, which must include the reference number MDB/001/2021 (FSMA+) and title of the call - Further Studies Made Affordable plus (FSMA+) are to be addressed to:

Call for Service Reference Number MDB/001/2021 (FSMA+)

The Chief Executive Officer
Malta Development Bank
Pope Pius V Street
Valletta VLT 1041

Electronic copies are to be sent to: info@mdb.org.mt

The Call for Service sent by hand or professional courier service shall consist of a closed single package, and shall contain the Call for Service, together with its attachments, in paper form and in removable electronic storage medium (USB drive).

4. *The timelines of the Call for Service*

Pre-Announcement	Monday 24 th August 2021 (issued)
Deadline for issuing the call	12 th October 2021
Deadline for the submission of queries related to the Call	20 th October 2021 end of business day
Deadline for the submission of call documents and information by the banks	15 th November 2021 end of business day
Publication by MDB of the Applicant/s awarded the call/ MDB to send notification to the non-awarded Applicants	25 th November 2021 end of business day
Deadline for the submission of Appeals by the non-awarded Applicants.	4 th December end of business day
Possibility for launch but this depends on a number of variables	Targeting 2 nd week of December 2021, if no appeals are submitted.

The Deadlines referred to in the above table apply to the date of receipt by the MDB of **both** the soft copy and the hard copy of all the documentation requested in the Call.

The dates mentioned above may be changed at MDB's discretion, and any changes in the dates will be officially announced on MDB's website.

5. *Amendments to Call for Service*

Prior to the Deadline and in the same manner as specified above, the Applicant may amend the Call for Service by clearly indicating the part to be changed or amended.

Prior to or after the Deadline and in the same manner as specified above, the Applicants may withdraw their Call for Service.

After the Deadline, an acknowledgement of receipt will be sent by the MDB to all Applicants via e-mail, which shall state the following:

- Unique proposal identifier (Call for Service by the Financial Intermediary number);
- Reference number of the Call for Service ((MDB/001/2021 (FSMA+));
- Confirmation that the Call for Service was received before the Deadline.

The acknowledgement of receipt shall not be construed as a declaration of completeness of the Call for Service and the Documents to be submitted therewith (namely Appendices 1A to 1D), nor any kind of assessment of the same.

6. *Appeal*

The non-selected Applicant will have the right to submit an Appeal by latest 4th December 2021. The Appeal must include a duly motivated justification, giving reasons why the Applicant does not agree with the decision taken by MDB and why the application should therefore be re-considered. The Applicant is requested to submit any relevant documentation, if applicable, in support of the appeal.

Part VII: Selection process

The Financial Intermediary/ies shall be selected based on an open, transparent, proportionate, non-discriminatory and objective selection procedure avoiding conflicts of interest, in line with the MDB policies and procedures.

The Call for Service shall be examined and ranked by the MDB using professional analysis and judgment and avoiding conflicts of interest, based on the Selection Criteria and the Award Criteria specified in Annexes 1 and 2 in accordance with the Selection process which will be based on the procedures as outlined in Annex 2.

The MDB shall reject those Calls for Service which do not comply with the Selection Criteria. Financial Intermediaries whose application is rejected because of non-compliance with any of the elements reflected in the statements regarding situations of exclusion (Appendices 1C and 1D) may not present themselves for consideration in subsequent Calls for Service issued by the MDB unless it is specifically evidenced that the reason for the exclusion no longer exists.

The expiration of the Deadline shall not prevent the MDB, in limited cases if deemed necessary, from requesting and receiving from Applicant/s clarifications on issues of mere technical or formal nature, provided that such clarifications shall neither provide an opportunity to the respective Applicants to unduly improve their applications nor otherwise distort the competition between the Applicants.

Applicants which are not excluded according to the Selection Criteria will go through the MDB selection process based on the Award Criteria. The further selection based on the Award Criteria assessment, and the due diligence process if any, will follow the standard procedures and guidelines applied by the MDB to its business. The Evaluation of proposals at this phase will be conducted under

competitive terms and it is envisaged to select one or more Applicants. It is to be noted that in the context of the selection and due diligence process, the MDB may engage in negotiations with a view to specifically improve the access to finance for the benefit of the Eligible Students, subject that such negotiations will not change the ranking of the applicants as determined by the objectives Award Criteria as specified in Annex 2.

In any phase of the selection process, the MDB reserves full discretion to consider the Financial Intermediary/ies who will be managing the scheme and no Applicant has any claim or other right or may expect to be ultimately selected. The non-selected Applicants are not entitled to any form of compensation for not being selected. The MDB will reserve the right to cancel the Call for Service at any time without notice. Any negotiation of terms and conditions of Operational Agreements shall by no means entail any obligation for the MDB to enter into such Operational Agreement with the relevant Financial Intermediary.

Those Applicants whose Call for Service is rejected, shall be informed accordingly and the reason for their Call for Service being rejected will be clearly communicated to them upon request.

Those Applicants whose Call for Service is rejected, shall have the right to submit a written appeal by e-mail and registered mail or professional courier service, to the Project Selection Review Board, with the same address used for the submission of the Call for Service above, within ten (10) calendar days of receipt of the letter of rejection. Any appeals will be dealt within the framework and in accordance with MDB appeals policy.

MDB will reserve the right to keep a reserve list of Financial Intermediaries as defined in note 1 of Annex 2.

Part VIII: Operational provisions

The selected Financial Intermediary/ies shall be required to sign an Operational Agreement with the MDB and will be required to comply with the legal framework regulating the European Anti-Fraud Office (OLAF) and with the relevant monitoring, reporting, publicity, and auditing obligations required by the EU regulations and ESIF management and control system. The FI description document identifies the legal parameters within which the relevant Operational Agreement would be signed.

General Definitions and Conditions of the Financial Instrument:

FSMA	means “Further Studies Made Affordable” launched by the Ministry responsible for EU Funds under the OPII and ESF programmes in collaboration with the Ministry responsible for Education in order to promote increased access to finance for Eligible Students to further their studies in Malta or abroad. The scheme was launched on the 3 rd of October 2019.
FSMA+	means “Further Studies Made Affordable plus” launched by the Ministry responsible for EU funds under the ESF & ESF+ programmes in collaboration with the Ministry responsible for Education in order to promote increased access to finance for Eligible Students to further their studies in Malta or abroad. This refers to the new scheme
ESF	means the European Social Fund 2014-2020
ESF+	means the European Social Fund plus 2021-2027
MDB	means the Malta Development Bank

Call for Service	means a proposal sent by an Applicant in response to this Call for Service, within the Deadline, to be drafted in accordance with the Template attached hereto as Appendix 1
Selection Criteria	means the criteria with which the Applicant must comply, and which are listed in Annex 1
Award Criteria	mean the award criteria assessment applied by the MDB with regard to the suitability of the Applicant for the purpose of implementing the proposed FI. These criteria are listed in Annex 2
Applicant	Means an entity applying to this Call as a potential Financial Intermediary
Operational Agreement	Means an agreement entered into between a Financial Intermediary and the MDB in connection with the Facility.
Deadline for the submission of the Call of Service	Means 15 th November 2021 or such different date as announced officially in MDB's website.
Deadline for submission of Appeal	Means ten (10) calendar days from the date of the rejection letter to be sent by MDB or such different date as announced officially in MDB's website.
Preferred tentative date for the launching of the FI	Means during the second week of December 2021 (subject to no appeals) or such different date as may be decided in the Operational Agreement.
Structure	<p>The fund will be divided into two elements:</p> <p><u>1) Guarantee element:</u> portfolio capped financial guarantee providing credit risk coverage on a loan by loan basis for a portfolio (<i>the 'Portfolio'</i>) of newly originated Eligible Loans. The guarantee shall cover losses incurred by the Financial Intermediary/ies in respect of each defaulted Eligible Loan in accordance with the Guarantee Rate. Losses covered by the FI in respect of the Portfolio of Eligible Loans shall in aggregate not exceed the Cap amount agreed in the Operational Agreement between the MDB and the relevant Financial Intermediary/ies.</p> <p><u>2) Interest rate subsidy element:</u> the interest rate subsidy will be utilised as a set off for:</p> <ul style="list-style-type: none"> • All the interest incurred during the moratorium period of each Eligible Loan.
Currency	The Cap amount on the guarantee shall be expressed in EUR. All amounts including interest payments to be paid to and by the MDB under the guarantee shall be expressed in EUR.
Governing Law	The term of the guarantee Agreement is envisaged to be governed by the laws of Malta.
Actual Volume	<p><u>Under the Guarantee:</u> The aggregate amount of the principal committed to be available under newly originated and disbursed Eligible Loans included in the Portfolio, provided that, for the avoidance of doubt:</p> <ol style="list-style-type: none"> i. If any Eligible Loan is prepaid and/or repaid, then this shall not reduce the actual volume; and ii. If an Eligible Loan is excluded from the Portfolio as a result of the exclusion process described below, then

- such Eligible Loan value will not be taken into account for the calculation of the Actual Portfolio Volume; and
- iii. The Actual Portfolio Volume may in no circumstances exceed the Agreed Portfolio Volume.

Full disbursement of the Eligible loans to final beneficiaries is to be made by latest:

- (i) 31st December 2023 in relation to the portion funded through the ESF 2014-2020 programme, approximately 15% of the Agreed Portfolio; and
- (ii) 31 December 2027 in relation to the portion funded through the ESF+ 2021-2027, approximately 85% of the remaining Agreed Portfolio.

The MA reserves the right to change the source of funding from one programme to the other.

If the Financial Intermediary/ies benefiting from MDB's guarantee has not disbursed the planned Agreed Portfolio volume to the Eligible Student (Final Recipient), the Guaranteed amount shall be reduced proportionally.

Interest rate subsidy: The aggregate amount paid to cover the incurred interest on the Eligible Loans included in the Portfolio from time to time, will be made towards the:

- I. Full interest cover during the moratorium period subject to the terms and conditions of the moratorium.

Provided that, for avoidance of doubt:

- i. *The final recipient will remain a Student throughout the moratorium period of the loan.*
- ii. *the Eligible Loan or part thereof is made available to a person who is a Student.*
- iii. *disbursements from the Eligible Loan are made for the purpose listed under the Eligible Use of the loans.*

Any interest rate subsidy claimed for Non-Eligible Loans shall be refunded back to the MDB, and the relative amount deducted from the next interest payment made to the Financial Intermediary/ies.

The Student will not be eligible to receive further support in the form of Interest Rate Subsidy from the month after s/he discontinues his/her studies.

If the Financial Intermediary/ies benefiting from MDB's guarantee has/have not disbursed by 31st December 2027 the planned Agreed Portfolio volume to the Eligible Student (Final Recipient), the eligible

	expenditure relating to the Interest Subsidy shall be reduced proportionally.
Agreed Portfolio Volume	The maximum aggregate amount of newly originated and disbursed Eligible Loans to be covered by the Financial Instrument, as agreed in the Operational Agreement.
Guarantee	<p>The guarantee is irrevocably and unconditionally issued on a first demand basis in favour of the Financial Intermediary/ies.</p> <p>At any one time, the aggregate amount which the MDB may be liable to pay pursuant to the Guarantee shall be an amount equivalent to the product of (a) the Portfolio amount; (b) the Guarantee Rate; (c) the Guarantee Cap Rate.</p>
Guarantee Rate	The FI shall cover losses incurred by the Financial Intermediary/ies in respect of each defaulted Eligible Loan in accordance with the Guarantee Rate. The Guarantee Rate shall be 80% of each Eligible Loan in the Portfolio, expressed on the Portfolio up to a maximum of 25% of the portfolio.
Guarantee Cap Rate	<p>The Guarantee Cap Rate is expressed as a percentage of the Actual Volume.</p> <p>Losses covered by the guarantee in respect of the Portfolio of Eligible Loans shall not in aggregate exceed the Cap Amount.</p> <p>The Guarantee Cap Rate is 25%.</p>
Cap Amount	The maximum amount, expressed in EUR, as agreed in the Operational Agreement, which the MDB is obliged to pay under the Financial Instrument.
Guarantee Termination Date	<p>Final</p> <p>The Guarantee will terminate on the earlier of: (i) six (6) months following the latest loan Maturity Date; (ii) the date on which an Early Termination (if any) has occurred and (iii) the date (if any) on which the MDB is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee.</p> <p>Upon termination of the Operational Agreement, the MDB will initiate negotiations with the Financial Intermediary to agree on the settlement of any outstanding rights and liabilities based, inter alia, on an estimate of future loss recoveries (including, for the avoidance of doubt, any recoveries arising under the right of clawback) and outstanding liabilities in relation to losses in light of the respective cap amount.</p>
Guarantee Cover	<p>Losses deriving from principal and interest unpaid at the time of default, excluding late payment fees, default interest, capitalised interest and fees. Losses should exclude any interest payments claimed/to be claimed from the interest rate subsidy, during the default period.</p> <p>The MDB will rank <i>pari passu</i> with the Financial Intermediary respect to recoveries as further described in 'Servicing and Recoveries' below; recovered paid to MDB shall be net of recovering/foreclosure costs.</p>
Availability Period	Typically, a maximum of 60 months depending on the date of signature of the Operational Agreement but not later than 31 st December 2026.

	<p>During this period Eligible Loans may be included by the Financial Intermediary in the Portfolio for cover. Such inclusion of Eligible Loans shall occur automatically upon receipt by the MDB of an inclusion notice submitted by the Financial Intermediary on a monthly and quarterly basis. For the avoidance of doubt the Eligible Loans so included shall be deemed to be covered by the Guarantee from the date of the signature of such Eligible Loans.</p> <p>The underlying Eligible Loans to be covered by the Guarantee and interest rate subsidy shall be:</p> <p>(i) Eligible Loans entered within the Availability Period; and (ii) loan funds fully disbursed to the final beneficiary by the Availability Period that is 31 December 2027.</p> <p>In addition, due to the fact that part of the fund covering the eligible cost is expected to be funded from the current ESF programme, 15% of the Agreed Portfolio has to become Eligible loans and that such loans are fully disbursed to the final beneficiary by latest 31 December 2023.</p>
Eligible Student Transaction	Means the loan request which has passed all eligibility criteria of the scheme and is considered as an included transaction under the scheme.
The Eligible Student (final recipient)	<p><i>To be eligible for a loan, a Student shall satisfy one of the following conditions on the date of application:</i></p> <ul style="list-style-type: none"> a) Is a Maltese citizen; OR b) Is a national of an EU/EEA Member State or a family member of such EU/EEA national (as defined in SL460.17 and SL217.04 respectively for EU and EEA nationals), provided that such person has obtained permanent residence in Malta in accordance with SL460.17 and in SL217.04 respectively for EU and EEA nationals; OR c) Is a national of an EU/EEA Member State who is in Malta exercising his/her Treaty rights as an employee, self-employed person or person retaining such status in accordance with SL460.17; OR d) Is a third country national that has been granted long-term residence status under SL217.05 <p>(note in case of married couples where the Eligible Loan needs to be issued in the joint names under the Family Law, at least one of the applying parties needs to comply with at least one of the categories above).</p>
Eligible Loans	The loan should be tied to pursuing a study programme which is an accredited course in MQF levels 5, 6,7 and 8, as well as internationally recognised certificates.
Tenor of Eligible Loans	All loans will carry a moratorium period on capital repayments. The Moratorium on capital repayments should cover:

	<p>The course period plus an additional one (1) year, subject to a maximum moratorium period of five (5) years.</p> <p>The moratorium period may be extended by a further period of not more than one (1) year, subject to the provision of evidence showing that:</p> <ul style="list-style-type: none"> a) The course term has been extended; or b) The Student provides evidence of the need for a further period to complete the course. <p>Notwithstanding under no circumstance should the moratorium period exceed the five (5) year term.</p> <p>The maximum loan term of each Eligible loan should consist of:</p> <ul style="list-style-type: none"> a) The moratorium period covering the term of the course, plus the additional one (1) year, maximum period of five (5) years; and b) Loan repayments not exceeding: <table border="1" data-bbox="646 831 1385 1317"> <tr> <td data-bbox="646 831 1007 1003">Facility value below €10,000</td> <td data-bbox="1007 831 1385 1003">applicable moratorium period plus two times the course period.</td> </tr> <tr> <td data-bbox="646 1003 1007 1176">Facility value up to €20,000</td> <td data-bbox="1007 1003 1385 1176">applicable moratorium period plus four times the course period.</td> </tr> <tr> <td data-bbox="646 1176 1007 1317">Facility value above €20,000-</td> <td data-bbox="1007 1176 1385 1317">applicable moratorium period plus five times the course period.</td> </tr> </table> <p>The bank is to obtain prior approval from the MDB if the term of repayment is outside the parameters of the table above. Such an approval is only to be considered on an exceptional basis.</p> <p>Maximum total loan period, moratorium plus loan repayments not to exceed fifteen (15) years from first loan disbursement by the Financial Intermediary to the Eligible Student.</p> <p>Loan repayments shall commence immediately after the moratorium period and shall be effected on a monthly basis.</p>	Facility value below €10,000	applicable moratorium period plus two times the course period.	Facility value up to €20,000	applicable moratorium period plus four times the course period.	Facility value above €20,000-	applicable moratorium period plus five times the course period.
Facility value below €10,000	applicable moratorium period plus two times the course period.						
Facility value up to €20,000	applicable moratorium period plus four times the course period.						
Facility value above €20,000-	applicable moratorium period plus five times the course period.						
Use of Eligible Loans	The Eligible Loan will specifically finance tuition fees, living expenses, accommodation fees, transport expenses, textbooks and related expenses.						
Size and drawings of Eligible Loans	<p>The loan should cover the full costs of the course as per student budget. The annual cost requirements will be calculated as per annual budget estimates presented by the Eligible Student. (see sample of Student Budget as per Attachment A to the Call).</p> <p>No upfront contribution is to be requested by the Financial Intermediary.</p>						

	<p>No double funding should be allowed through the loan. If an Eligible Student benefits from the Students' Maintenance Grant Scheme operated by the Government of Malta, payments of tuition fees made through such grants should not be covered by the Eligible Loan amount.</p> <p>Maximum loan amounts under the FI is €100,000 subject to:</p> <ul style="list-style-type: none"> a) Course budget to be presented by the student covering the costs for the course in line with the Transaction Eligibility Criteria b) Prospective affordability of the repayments as assessed by the Financial Intermediary. <p>Effective drawings are to be made in line with the Eligible Student's budgets subject to reasonable budget computation and terms above. All tuition fees and lodging should be paid against invoices, directly to the institution or landlord. Other drawings will not require evidence but will be allowed to the credit of the student's account, against budgets.</p> <p>For ease of guidelines all drawings against the loan are to be made in line with the cost payments exigencies (e.g. if the full course fees need to be covered in the first semester or before the start date of the course, the bank will allow such payments).</p>
Latest Loan Maturity date	Means the latest day on which Eligible Loan(s) included in the Portfolio are scheduled to be repaid by the Eligible Student in accordance with the original scheduled repayment provisions of the documentation governing such Eligible Loan agreements.
Portfolio Trigger Event	<p>If the Financial Intermediary has not reached a minimum of:</p> <ul style="list-style-type: none"> → 25% of the <u>volume of Eligible Student Transactions</u> (based on commitments) by the 15th month from signing of the Operational Agreement, <i>and</i> → 50% of the <u>volume of Eligible Student Transactions</u> (based on commitments) by the 36th month from signing of the <u>Operational Agreement</u> <p>MDB will consider the situation and may send a notice to the Financial Intermediary to early terminate the Availability Period on the date set out in such a notice or reduce the allocated portfolio volume.</p>
Other terms and conditions (if applicable)	Other terms and conditions for the Eligible Loans originated under the FI should be applied by the Financial Intermediary in accordance with the policies submitted under the Call for Service.
Security condition	No additional security is to be requested from the Eligible Student in support of the Eligible loan.
Default definition (applicable to Eligible Loans)	<p>The applicable default definition is in line with the Capital Requirement Regulations. This means that a default occurs when:</p> <ul style="list-style-type: none"> (i) The Financial Intermediary considers at any time (acting reasonably in accordance with its internal procedures)

	<p>that the Eligible Student will be unlikely to meet its payment obligations under such loan transaction, or</p> <p>(ii) The Eligible Student has failed to meet any payment obligation under the relevant loan which has continued for at least 90 consecutive calendar days.</p> <p>To regularise a Default Transaction, the terms of the loan may be amended.</p> <p>(iii) The total permanent disability of the Eligible Student (unless there is a life cover, and the repayments can be met from this source).</p> <p>(iv) The death of the Eligible Student (unless there is a life cover and in such cases the loan liabilities should be paid through the life cover held).</p>
Loan Restructuring	The Financial Intermediary may agree as it deems fit under its rules and regulations, and if it is a means to eliminate or reduce default, to the restructuring of an Eligible Loan, such that the amount of principal scheduled to be paid, and /or any interest amount due, by the Eligible Student is reduced, in order to improve the collectability of the claims arising from the relevant loan transaction.
Servicing and Recoveries	<p>The Financial Intermediary shall perform the servicing of the Portfolio including monitoring and recovering actions.</p> <p>Recoveries net of recovery costs (if any) are shared pro-rata between the MDB and the Financial Intermediary according to the Guarantee Rate.</p> <p>In case of Default, the Financial Intermediary is obliged to safeguard its position and that of the MDB and shall take the necessary precautions and procedures in line with its internal default recovery guidelines.</p>
Guarantee Payment	Following a Default under an Eligible Loan complying with the provisions of the Operational Agreement and subject to receiving a valid guarantee call from the Financial Intermediary with respect to such Eligible Loan, the MDB shall make guarantee payments under the Financial Instrument within 90 calendar days following receipt of such guarantee call.
Guarantee Fee	No Guarantee fee will be paid to the MDB on the guarantee amount.
Reutilisation	Amount made available upon repayment/or part repayment of the Eligible Loans, can be made available to Eligible Student's subject to terms under 'Availability Period'.
Cumulation	<p>For ease of clarification, an individual can take up the Eligible Loan under FSMA and FSMA+ only once and even if the Eligible Loan is repaid the same Eligible Student cannot reapply for another Loan under any of the schemes, unless the Eligible Student applies for a loan for a different study course or for multiple levels of qualifications, subject to the maximum amount of Eligible Loan for the highest level of degree the Eligible Student has applied for and, as per section 'Size and drawings of Eligible Loans'.</p> <p>If an individual applies for more than one Eligible Loan the maximum term of repayment of the loans shall be 15 years from the first</p>

	disbursement for the first Eligible loan made available to the Eligible Student under the FSMA+.
Reporting	<p>The Financial Intermediary shall provide the MDB with quarterly information in a standardised form and scope as defined by the MDB.</p> <p>An indicative reporting template is provided together with this Call, for information – attachment (i) and (ii). The MDB is not bound to monitor or verify, and shall not be responsible for monitoring or verifying, the use of any amounts granted by the Financial Intermediary to the Eligible Student, in each case, under the Eligible Loans. Notwithstanding this, the MDB may, at any time, request information from the Financial Intermediary to enable the MDB to verify whether an Eligible Student Loan is an Eligible Loan and whether its inclusion in the Portfolio is in compliance with the terms of the Agreement.</p> <p>In case of a claim against the guarantee, the MDB has the right to request the Financial Intermediary to provide evidence showing procedures/attempts made to recover the default debt.</p>
Monitoring and Audit	<p>The Financial Intermediary and the Eligible Student shall agree to allow and to provide access to documents related to the relevant Financial Instrument to the representatives of the Malta Government, the European Commission (including the European Anti-fraud Office (OLAF)), the European Court of Auditors, the MDB and any other authorised body duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Financial Intermediary shall also include appropriate provisions in each agreement with the Eligible Students.</p> <p>The MDB may itself, or engage representatives to, inspect and audit the internal policies and procedures of the Financial Intermediary with respect to the Portfolio to ensure that the Portfolio is being operated in compliance thereof.</p>
Events of Default under the Guarantee (applicable to the selected Financial Intermediary)	Standard events of default (typically: failure to pay, breach of agreement, illegality and bankruptcy). The occurrence of an event of default with respect to the Financial Intermediary would result in the termination of the Operational Agreement (such event, an ‘Early Termination’). No payments will be made by the MDB if an Event of Default or potential Event of Default relating to the Financial Intermediary has occurred or is continuing. Such Events of Default also apply to the termination of the interest rate subsidy payments.
State aid Requirements	The FI is compliant with State aid rules.
Publicity	<ul style="list-style-type: none"> • The Financial Intermediary shall carry out adequate marketing and publicity campaigns – as specified in the Operational Agreement – aimed at marketing the FI initiative known to the students in Malta. • The selected Financial Intermediary will be contractually required to: <ul style="list-style-type: none"> • Label the Product: The name of the product (FSMA+) should be clearly indicated. • Promote the product as the FI through its Website.

	<ul style="list-style-type: none"> • Display a promotional poster inside all branches promoting this Financial Instrument. • Make at least two promotional publications in the three leading newspaper and social media promotion. • Make available promotional leaflets in all branches promoting this Financial Instrument. • Make available promotional leaflets at the relevant campus. • All documents concerning this Financial Instrument, including amongst others, loan applications, loan agreements, promotional material to the students, etc. shall contain a statement mentioning that the Eligible Student Loan was made possible with the support of the European Social Fund (“ESF”), European Social Fund Plus (“ESF+”) and the MDB. Appropriate text and logos will be provided to the selected Financial Intermediary during the contractual negotiations phase. • Financial benefit: The financial benefit made possible through the FSMA+ Scheme should be identified at the time of signature of the loan contract and formally communicated to the Eligible Student. The financial benefit offered should also be used as a marketing tool by the Financial Intermediary.
Additional Structural Funds requirements	<p>This FI is funded by Operational Programme II co-funded by ESF and ESF+ and is therefore subject to ESIF regulations and requirements, which can be found on the www.eufunds.gov.mt website (The ESF & ESF+ Rules and Regulations 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 FI with all ESIF 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> <p>The FI is further subject to additional national ESI Funds requirements. National ESI Funds requirements may apply, <i>inter alia</i>, to any amendment of Operational Agreements which may, in particular, be necessary if the purpose, objective, eligibility conditions, timeframe, or the budget of the FI changes. Save as otherwise provided under relevant law, such changes in the FI would only apply as of the date of implementation of the additional requirements.</p>
Transfer	<p>Neither the MDB nor the Financial Intermediary shall be entitled to transfer any or all of its rights and obligations under the FI without the consent of the other party, provided that the Managing Authority shall in the event that the Funding Agreement by which the MDB was appointed as the entity to establish and operate the Facility is terminated (for any reason whatsoever), would be at any time be entitled to transfer all or part of its rights and obligations under the FI to any person/entity. Appropriate arrangements will be put in place for these purposes.</p>
Continuing Criteria	<p>The FI shall apply only to Eligible Loans satisfying at all times certain criteria, including ensuring that no irregularity has occurred, where ‘Irregularity’ means the infringement of a provision of European Union</p>

	<p>law resulting from an act or omission by the Financial Intermediary and/or the Eligible Student which is the borrower of a loan which has, or would have, the effect of prejudicing the general budget of the European Union by charging on unjustified item of expenditure/ fee to the general budget.</p>
<p>Exclusion Process</p>	<p>a) At any time MDB shall have the right to verify whether a Financial Intermediary complies with “the Eligible Loan”, “the Eligible Student” and “the Continuing Criteria” above.</p> <p>If the MDB considers that a Loan which has been included in the Eligible Portfolio does not comply with the Eligibility Criteria or any undertakings, requirements or requests, or if it becomes unlawful, the MDB may exclude such loan from the Portfolio. As a result, such excluded loans shall not be taken into account for the purpose of calculating the Actual Volume of the Portfolio under the guarantee and no interest rate subsidy payment will be made available.</p> <p>b) If the Financial Intermediary becomes aware of the same matters above, the Financial Intermediary shall include such information in the next Report that immediately follows delivered to the MDB.</p> <p>In each of the cases (a) and (b) above, the Eligible Loan shall be excluded from the Portfolio, and shall not:</p> <ul style="list-style-type: none"> i) be covered by the Guarantee as from the date on which it became a Non-eligible Loan; ii) the interest rate subsidy paid towards the interest from the start of the loan will be refunded back to the MDB. <p>However, if a Loan included in the Portfolio becomes a Non-eligible Loan, as a result of any event or circumstance beyond the control of the Financial Intermediary and the Financial Intermediary can provide evidence to this effect, showing it has acted in good faith, the Eligible Loan remains covered by the Guarantee but:</p> <ul style="list-style-type: none"> 1. No further drawings should be allowed from the Eligible Loan; and 2. If possible, the Financial Intermediary should take measures to accelerate the repayment of the Eligible Loan; and 3. If possible, the Financial Intermediary should take measures to safeguard its position and that of MDB by requesting the Eligible Student to provide additional security; 4. No further interest rate subsidy will be made towards the payment of the interest.
<p>Right of Clawback</p>	<p>In specified circumstances, the MDB will be entitled to be repaid by the Financial Intermediary, or to require the Financial Intermediary to request repayment from the relevant eligible Student (final recipient), as the case may be, of certain amounts, including any amounts paid by the MDB in excess of the Cap Amount and any excess amount paid by the MDB as a result of an exclusion of a loan from the Portfolio.</p>

ANNEX 1 – SELECTION CRITERIA to Call for Service No. MDB/001/2021 (FSMA+)

1 SELECTION CRITERIA		System of appraisal
		Yes/No
1.1	Financial Intermediary is authorised to carry out business in Malta under the applicable regulatory framework.	
1.2	The Financial Intermediary has branches in Malta and Gozo	
1.3	The Call for Service is prepared in accordance with Appendixes to the Call for Service. All necessary supporting documents are provided (in the form requested if specified)	
1.4	The Call for Service is duly signed	
1.5	The Call for Service is submitted in English	
1.6	The Call for Service is submitted by both registered mail and e-mail	
1.7	The Call for Service is submitted within the Deadline	
1.8	The Call for Services satisfies at least the criteria listed in Article 7 of Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014	
1.9	The Call for Service addresses all the item of the Financial Instruments, including any special condition set out in the relevant parts of the FI description	
1.10	The Applicant is in agreement to be audited by MDB, Malta audit bodies, the Commission and the European Court of Auditors.	

ANNEX 2 – AWARD CRITERIA to Call for Service No. MDB/001/2021 (FSMA+)

2 AWARD CRITERIA (refer to Appendix 1A attached with the Call for Service for List of Documents and information to be provided related to the hereunder criteria).	Max. Score	
2.1	<p>The Financial Intermediary must prove to have the adequate capacity to implement the proposed FI by providing information on:</p> <ul style="list-style-type: none"> ○ Its organisational structure and governance framework; legal status and Regulatory Framework. ○ General quality of the project proposal and implementation strategy submitted under the Call for Service (provide details of how the bank intends to implement the scheme, marketing strategy). ○ Capability to build up the Portfolio of Eligible Loans; (please indicate portfolio volume, performance timelines, and other information that may be relevant to understand how the bank shall be capable to build up the Portfolio of Eligible Loans) 	<p>25</p> <p style="text-align: right;">5</p> <p style="text-align: right;">10</p> <p style="text-align: right;">10</p>
2.2	<p>Pricing policy of the Financial intermediary, to be charged under the Financial Instrument, as submitted under the Call for Service.</p> <ul style="list-style-type: none"> ○ Of which offer related to the proposed interest rates as specified in Appendix 1A Table 2 and according to the methodology explained in Note 1 below. For the avoidance of doubt, the interest rate is the final effective rate. ○ Of which offer related to the proposed fees – as per Appendix 1A Table 3. <p>Higher points will be given to the applicants offering the highest benefit to the Student in terms of pricing and requirements for front contribution and security.</p>	<p>60</p> <p style="text-align: right;">45</p> <p style="text-align: right;">15</p>
2.3	<p>Detailed assessment of the Financial Intermediary’s financial standing with regards to capital adequacy, provisions, liquidity, other financial ratios, its capacity to service outstanding loan portfolio, the quality of its existing Eligible Student portfolio and the rate of its non-performing loans related to Student portfolio (last five financial years information to be provided). (The quality of key financial ratios will be performed based on key financial ratios calculated from the last three years audited financial statements to be submitted with the call)</p>	<p>5</p>
2.4	<p>Detailed assessment of the Financial Intermediary’s internal procedures and risk management, such as credit policy (internal procedures and guidelines), origination, risk assessment (rating/scoring), loan approval procedures, security requirement, recovery and reporting procedures and quality of its IT system etc to comply with the requirements of the FSMA+</p>	<p>10</p>

Explanatory notes related to the evaluation of the Award Criteria

Note 1 – Method of evaluation:

First stage: items 2.1 – 2.2 will be evaluated first. Applicants who score lower than 60 points will be automatically eliminated. From those Applicants who score 60 points or more, the two highest will qualify to the second evaluation phase.

Second Stage: items 2.3 – 2.4 will be subsequently evaluated. The MDB will select that Applicant with the highest score and initiate contractual negotiations accordingly. The MDB reserves the right to decide on the proposed allocation on the basis of the results of the assessment procedure.

To be noted that in the context of the selection and due diligence process, the MDB may engage in negotiations with a view specifically to improving access to finance for Eligible Students.

Reserve list: Those Applicants who score 85 or more points but are not selected for contractual negotiations of the Operational Agreement will form a reserve list

In the case that any one of the applicants indicate in the Call for Service application that they will not be able to build up the portfolio volume of €15 million, the MDB shall have the discretion to decide to either reduce the portfolio volume or enter into an operational agreement with more than one bank, that is, the scheme would be offered through two or more banks, concurrently, under the same terms and conditions.

In case more funding becomes available after the launch of the Call for Service, the MDB has the discretion to consider either (i) providing a higher allocation to the Applicant/s with highest overall scores (i.e. those initially selected for contractual negotiation of Operational Agreement) or (ii) initiating contractual negotiations with any of the Applicant/s included in the reserve list, taking into consideration the results of the evaluation procedure and the ranking formed.

If, for any reason, no Operational Agreement is signed with any of the initially selected Applicant(s), the MDB reserves the right to consider either (i) increasing the amount negotiated with the other Applicant(s) initially selected (in case more than one Applicant is selected) or (ii) approach the next scored Applicant inserted in the reserve list.

Note 2 – Scoring of item 2.2

Step 1: All offers will be assessed individually for each financial parameter.

Note 3 – scoring of items 2.1, 2.3-2.6

Score for item 2.1 will be awarded based on the initial qualitative analysis performed by the MDB. Score for items 2.3 – 2.4 will be awarded based on the detailed full diligence performed by the MDB.

Third Stage: The aggregate results will define the score awarded for this Award criterion, in accordance with the following principle:

Rank 1: Awarded full points

Rank 2: Awarded 90% of the points

Rank 3: Awarded 80% of the points

Rank 4: Awarded 70% of the points

Subsequent rankings will apply the same logic with 10% marks being deducted for each lower ranking accordingly.

APPENDIX 1 - Call for Service No. MDB/001/2021 (FSMA+)

To:

CALL FOR SERVICE

Call for Service no. MDB/001/2021 (FSMA+)

Deadline for the submission of the Call for Service:

Call for Service for FI composing of a Portfolio Guarantee of maximum €3,000,000 representing 80% guarantee rate with a cap rate of 25% at Agreed Portfolio Volume together with a maximum amount of €2,000,000 in Interest Rate Subsidy-

Applicant submitting the Call for Service _____ / _____
(Bank name, Registration number)

Dear Sir or Madam,

Herewith we are submitting our Call for Service on behalf of (*Applicant name*) _____ in response to the Call for Service no. MDB/001/2021 (FSMA+) in the framework of the FSMA+ initiative implemented by the MDB. Capitalised expressions utilised herein shall have the meaning attributed to them in the above-mentioned Call for Service.

The undersigned duly authorised to represent the (*Applicant name*) _____ is not in one of the situations which would exclude it from taking part in this Call for Service listed out in Appendices 4 and 5 to this Call for Service. The undersigned shall, upon request, provide all evidence to that extent.

Yours sincerely

Signature (s)

Stamp of the Applicant

Name and position in capitals:

Applicant's name:

Address:

Date (*Day/month/year*)

Appendices:

Appendix 1A List of Documents attached

Appendix 1B Declaration of Absence of Conflict of Interest

Appendix 1C Statement Regarding Situation of Exclusion 1

Appendix 1D Statement Regarding Situation of Exclusion 2: Declaration of compliance with Community and National Rules and Policies.

APPENDIX 1A to the Call for Service No. MDB/001/2021 (FSMA+)

LIST OF DOCUMENTS TO BE SUBMITTED

The Call for Service by the Financial Intermediaries with branches in Malta and Gozo should include:

a) Description of Applicant:

- i. Description of the Applicant's Institution (date of establishment, number of employees, shareholders etc.), legal status and applicable regulatory framework;
- ii. Geographical area of operations and branch network in Malta and Gozo;
- iii. Description of Applicant's governing and management bodies and corporate governance structure.
- iv. The applicant is to provide full description of the procedures for approving, disbursing and monitoring of student loans.

b) Information on the Applicant's present activities:

- i. Commitment to Student loans
 - I. Overall strategy of the Applicant in general and Student loan lending strategy in particular, positioning vis-à-vis competitors in Student lending segment, product range offered, expected impact of current market environment on student lending (e.g. Tighter lending criteria, etc.)
 - II. Student lending onboard
- ii. Current pricing policy for comparable loans (in terms of maturity, purpose etc.) to a similar target group, as per Table 1 below, including
 - I. Interest rate split into fixed and variable, base rate;
 - II. Up-front fees and any other non-interest payments;
 - III. Security requirements.

Table 1 Current pricing policy

<i>Total of Value of loans awarded if available</i>	<i>Euro:</i>
<i>Interest</i> <input type="checkbox"/> <i>fixed</i> <input type="checkbox"/> <i>variable</i>	<i>Final effective rate</i>
<i>Average Fees per student loan</i>	<i>Euro:</i>
<i>Security</i>	<input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>No</i>

c) Information on the implementation of the FI by the Applicant:

- i. General investment methodology and business plan (e.g. How the FI will be promoted nationwide, including both Malta and Gozo, publicity strategy, procedures for allocation of loans, etc.);
- ii. Applicants are requested to specify the proposed size of the portfolio of Eligible Loans to be originated and disbursed during the Availability Period.
- iii. Lending criteria and proposed pricing to be applied on the new loan portfolio under this Financial Instrument. These should be submitted in accordance with the table that follows and other terms and conditions to be applied to the loans under this Financial Instrument, taking into consideration the provisions of Annex 2 and the objective to provide better financing terms to the Eligible Students. The information submitted herein by the Applicant, as per Tables 2 to 5 below, will be assessed on a comparative basis according to the Award Criteria and will become a contractual obligation for the Applicant, if selected.

Table 2 Proposed interest rate to be charged on the new Student loans covered by the Financial Instrument

Portfolio Volume of Loans to be awarded.	EURO Denominated Portfolio Volume amount
Interest rate to be charged on the loans, whether <input type="checkbox"/> <i>fixed</i> <input type="checkbox"/> <i>variable</i>	Final effective rate

Particular consideration will be given to the benefit fully passed on to the Eligible Students in the form of reduction in interest rate on the loans supported by the Financial Instrument, taking into account:

- Portfolio guarantee on the Portfolio as described above which will reduce the RWA (Risk Weighted Asset) on this particular portfolio.
- The interest rate subsidy which will eliminate the risk on the interest payments during the moratorium period.

Table 3 – Fees to be applied on the new Student loans covered by the Financial Instrument

Nature of fee	Value	Single Payment	Monthly	Annual	Comments, remarks
Processing fee		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Administration fee		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Disbursement fee/outward payment fee/draft fee etc.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Commitment fee		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Fee for amendment of terms (if required)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Early repayment fee		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
other fees, if any (please provide details)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

- iv. Confirmation or provision of the expected timing for the launch of the FI, upon signing of Operational Agreement if the second week of December 2021 cannot be considered as an appropriate launching date by the Financial Intermediary.
- v. Description of the origin of source used to finance the new loans guaranteed under the Financial Instruments (e.g. Applicants own resources)
 1. **Information on Applicant’s IT systems, reporting mechanisms, monitoring procedures and controls, currently utilised in its normal activity (also to be utilised for implementation of the Financial Instrument);**
 2. **Annual reports for the last three financial years, including audited financial statements (only in electronic format i.e. scanned copies of signed audited financial statements);**
 3. **Certified copy of banking license or other requisite license or, if not available, other proof of the Applicant’s authorisation allowing for the implementation of the FI in Malta;**

4. **Appropriate evidence of the representative's authorisation to act for and on behalf of the Applicant (signatory powers);**
5. **Declaration on absence of conflict of interest as per template provided in Appendix 1B, duly signed;**
6. **Statement regarding situation of exclusion – 1 as per template provided in Appendix 1C, duly signed;**
7. **Statement regarding situations of exclusion – 2 as per template provided in Appendix 1D: Declaration of compliance with Community and National rules and policies, duly signed.**

MDB will consider all those applicants who satisfy the Selection Criteria list to move on to the second selection process that is the Award Criteria. At this stage the Applicants may be requested to submit additional information to complement their Call for Service before or during the due diligence process. This will indicatively include inter alia:

- A. Detailed information on the Applicant's operating principles and procedures applied to Student lending:
 - 1) Origination including on-boarding of customers, AML and KYC procedures;
 - 2) Risk assessment procedures (internal rating/scoring system/external system used such as CCR);
 - 3) Loan approval procedures;
 - 4) Monitoring and early warning signals;
 - 5) Recovering procedures (what steps are taken and when; which departments are involved);
 - 6) Risk management: methods utilised for loss forecasting, provisioning and credit risk management on portfolio level;
 - 7) Summary of changes to the Financial Intermediary's operating principles and procedures due to the current financial situation.

- B. Information on the Applicant's total lending portfolio over the last 3 financial years:
 - 1) Composition and concentration of the outstanding loan portfolio;
 - 2) Non-performing loans (outstanding non-performing loans/outstanding loan amount) as of the end of each financial year and year to date data for the current year) for the past five financial years – both in terms of number and volume; (such information is required on consumer credit facilities only divided into two sections – secured and unsecured) – both in terms of number and volume.
 - 3) Annual defaults of consumer credit facilities, net losses and bad debt provisions;
 - 4) Recoveries and recovery periods for consumer credit facilities.

d) Wolfsberg Questionnaire:

The Applicant is kindly requested to fill in the Wolfsberg Questionnaires which is available on the MDB's web site as **Attachment B and B1 to the Call**.

APPLICATION IDENTIFICATION

1.1 Application identification

INFORMATION REQUIRED	
APPLICANT'S NAME	
CONTACT DETAILS	Address: Telephone: Fax: Email:
COMMERCIAL REGISTER, ETC.- REGISTRATION DETAILS	Denomination of register: Date of registration: Country of Registration: Registration number:
VAT	Registration number: Or Statement of exemption issued by the national VAT authority dated/issued by And enclosed under reference

1.2 Person authorised to submit the Call for Service on behalf of the Applicant and appropriate evidence of such authorisation.

INFORMATION REQUIRED	
TITLE	Mr/Mrs/other (delete or complete as appropriate)
NAME	Surname: Forename(s):
CONTACT DETAILS	Address: Telephone: Fax: Email:
DESIGNATED TITLE	

1.3 Contact person (if different from 1.2)

INFORMATION REQUIRED	
TITLE	Mr/Mrs/other (delete or complete as appropriate)
NAME	Surname: Forename(s):
CONTACT DETAILS	Address: Telephone: Fax: Email:
DESIGNATED TITLE	

APPENDIX 1B to Call for Service No. MDB/001/2021 (FSMA+)

DECLARATION OF ABSENCE OF CONFLICT OF INTEREST

The Applicant and the undersigned in his/her/their capacity as duly authorised representative (s) of the Applicant confirm to have read the European Commission 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 see, 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.

Furthermore, the Applicant and the undersigned in his/her/their capacity duly authorised representative (s) of the Applicant confirm that they do not have a direct or indirect interest that may affect the performance of the task assigned to the Applicant under the Call for Service no. MDB/001/2021 (FSMA+)

Yours sincerely,

Signature

Name and position in capitals:

Stamp of Applicant's

Applicant's name

Address:

Date (*day/month year*):

APPENDIX 1C to Call for Service No. MDB/001/2021 (FSMA+)

STATEMENT REGARDING SITUATIONS OF EXCLUSION - 1

The undersigned certifies/certify that the (Applicant) is not in any of the situations which would exclude it from taking part in this Call for Service and accordingly declared(s) that 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 98/733/JHA¹;
 - Corruption, as defined in the Council Act of 26 May 1997 and 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 interest²;
 - Money laundering as defined in the Directives 2005/60/EC³ of 26 October 2005 and 2006/70/EC⁴ of 1 August 2006, and Directive 2001/97/EC of 4 December 2001⁵;
- ii) Has not performed any act which may be qualified as illegal activity in the meaning of the term of the European Commission 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 of 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) Is not 'a firm in difficulty' within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restricting firms in difficulty⁶;
- vi) No member of its senior management has been convicted as a consequent 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;
- vii) No member of its senior management has been guilty of grave professional misconduct;

¹ 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 (Official Journal of the European Union L351 of 29.12.1998), as amended from time to time

² Council Act 26 July 1995 drawing up the Convention on the protection of the financial interest of the European Communities (Official Journal of the European Union C316 of 27.11.1995), as amended from time to time

³ 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 (official Journal of the European Union L309 of 25.11.2005), as amended from time to time

⁴ Commission Directive 2006/70/EC of 1st 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 ground of a financial activity conducted on an occasional or very limited basis (Official Journal of the European Union L214 of 4.8.2006), as amended from time to time.

⁵ Directive 2001/97/EC of the European Parliament and 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 (Official Journal of the European communities L344 of 28.12.2001) as amended from time to time

⁶ Communication from the commission – community Guidelines as State aid and restructuring firms in difficulty (Official Journal of the European Union C244 of 1.10.2004), as amended or substituted by future Community guidelines from time to time.

- viii) Has fulfilled obligations relating to the payment of social security contributions in accordance with the legal provisions of the county in which it is established;
- ix) 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;
- x) Is not found to have provided serious misrepresentation in supplying the information required in accordance with the Call for Service 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 ESF and ESF+ or its representatives.

Yours sincerely

Signature

Name and position in capitals:

Stamp of Applicant's Bank

Applicant's name

Address:

Date (*day/month year*):

APPENDIX 1D to Call for Service No. MDB/001/2021 (FSMA+)

STATEMENT REGARDING SITUATIONS OF EXCLUSION - 2

The undersigned certifies/certify that the (Applicant) is not in any of the situations which would exclude it from taking part in this Call for Service and accordingly declared(s) that the (*Applicant*):

- i) Complies with all Community and National rules and policies in relation to Competition;
- ii) Complies with all Community and National rules and policies in relation to the goal of protecting and improving the environment and promoting sustainable development;
- iii) Complies with all Community and National rules and policies in relation to gender equality and non-discrimination;
- iv) Confirms its willingness and readiness to respect the information and publicity provisions applicable to this Financial Instrument.

Yours sincerely

Signature

Name and position in capitals:

Stamp of Applicant's Bank

Applicant's name

Address:

Date (*day/month year*):