



Tailored facility for small and medium-sized enterprises (SMEs)

Incentive Guidelines

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1. Background

1.1 Objective

The purpose of this Tailored facility (hereinafter, “the facility”) is to assist small and medium-sized enterprises (SMEs), including start-ups, by enhancing their access to finance. The facility is designed to address the following major barriers to lending:

- Insufficient value or type of collateral
- Innovative business ventures, economic sectors or technologies which fall outside the risk appetite and tolerance of commercial banks.
- Other factors for which commercial banks may not be willing or able to provide the required financing in whole or part.

The facility is available through commercial banks, acting as implementing partners of the Malta Development Bank (MDB).

1.2 Structure

The facility is generally structured as follows:

- a. The required funds are co-financed by the commercial bank and the MDB in such proportions as may be agreed between the parties.
- b. On a case-by-case basis, the MDB may offer a partial credit risk protection by way of guarantee on the share of the loan provided by the partner commercial bank.

1.3 Amount of Facility

The size of the loan ranges from a minimum of €750,000 to a maximum of €5 million.

1.4 Benefits for the SME

Eligible SMEs benefit from enhanced access to credit as insufficient collateral and lack of credit history should not remain an obstacle when seeking finance from the banking sector. SMEs also benefit from better terms and conditions and lower interest rates as a result of the risk sharing co-financing arrangement with the commercial bank and the protection of the MDB’s guarantee, if applicable. The commercial bank shall pass on the benefit from MDB’s guarantee, if applicable, to the SME.

2. Eligibility Criteria

2.1 Who can apply?

- Applicants must be viable SMEs. An SME is defined by Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC) as an enterprise that, among other aspects:
 - has fewer than 250 employees.
 - has an annual turnover of up to €50 million or a balance sheet of up to €43 million.
 - is independent and autonomous, i.e. not part of a wider group of enterprises.
 - has less than 25% of its capital held by public sector entities.
 - is established and operating in the Republic of Malta.

2.2 What type of projects are eligible?

- The project must be supported by a viable business plan.
- The project for which funds have been requested is considered bankable by the commercial bank, meaning that the business is reasonably expected to generate sufficient cash flow to enable timely repayments.
- The project for which funds has been requested is newly originated; and
- The activities of the SME should not be in the exclusion criteria laid down in Annex 1.

The purpose of the financing covers a wide spectrum of possible activities including:

- a. the establishment of new enterprises,
- b. expansion capital,
- c. capital for the strengthening and/or stabilisation of the general activities of an enterprise or
- d. the realisation of new projects, penetration of new markets or new developments by existing enterprises.

The minimum loan size is €750,000. Loan requests of a smaller amount are covered under other SME guarantee schemes of the MDB. The minimum term of the loan is 24 months. The maximum term depends on the life-time of the asset being financed, to be agreed on a case by case basis.

2.3 Who cannot apply?

- An SME that: –

- is in financial difficulty.
- has suspended its business activities.
- is bankrupt/insolvent or being wound up or having its affairs administered by courts.
- in the last 5 years has entered into an arrangement with its creditors, in the context of being bankrupt/insolvent or wound up or having its affairs administered by the courts.
- in case of a sole trader or of the individuals managing a corporate entity, is convicted of an offence concerning professional misconduct by judgement, fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity where such illegal activity is detrimental to the European Union's financial interests.

2.4 Additionality

Lending under this tailored facility must provide 'additionality', meaning that under the commercial bank's normal credit approval process, the loan would not have been granted at all (or to the required amount) due to: (i) absent or inadequate collateral and/or (ii) the novelty of the business venture does not fall under the risk appetite of the commercial bank. This 'additionality' must be demonstrated by the applicant or the commercial bank requesting to use the facility.

3. Application Process

- The scheme is available through participating commercial banks.
- SMEs are to apply for the facility through the commercial banks by providing their borrowing proposal and any other necessary documentation.
- The approval of the facility is at the discretion of the commercial bank acting in conjunction with the MDB.

4. General Provisions

4.1 Monitoring

Approved applications is subject to monitoring and control by the commercial bank and the MDB in terms of their respective rules and procedures.

The MDB reserves the right to request the participating commercial bank for information on the applicants as may be deemed necessary for its internal controls and purposes.

4.2 Disclosure of Confidential Information

MDB may disclose Confidential Information in pursuance to the grant of a facility:

- a. to officers, directors, employees, representatives, auditors, professional advisers and service providers to the extent necessary for, or in connection with, the grant of the facility and to comply with its statutory requirements;
- b. to the Central Bank of Malta, Supervisory Board set up under the MDB Act, State Aid Monitoring Board, local audit and statistics authorities, relevant EU authorities, and to their respective officers, directors, employees, representatives, auditors and professional advisers to comply with statutory requirements.

4.3 State Aid Rules and Obligations

The provision of funding for the tailored purpose facility is made in accordance with State aid rules and obligations, namely:

- Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis*.
- Commission Regulation (EU) No 651/ 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (the General Block Exemption Regulation).

4.4 Facilities information

For more information on facilities extended by MDB in terms of these Incentive guidelines kindly refer to this ([Link](#)).

5. Contact Details

Further information on the facility can be obtained by contacting:

Malta Development Bank
Pope Pius V Street
Valletta VLT 1041

Contact number +356 2226 1700

Email: info@mdb.org.mt

Website: <https://mdb.org.mt>

ANNEX 1: Exclusion Activities

1. Illegal Economic Activities

Any production, trade or other activity, which is illegal under the laws or regulations applicable to the Family Business (“Illegal Economic Activity”).

Human cloning for reproduction purposes is considered an Illegal Economic Activity.

2. Tobacco and Distilled Alcoholic Beverages

The production of and trade in tobacco and distilled alcoholic beverages and related products.

3. Production of and Trade in Weapons and Ammunition

The financing of the production of and trade in weapons and ammunition of any kind or military operations of any kind.

4. Casinos

Casinos and equivalent enterprises.

5. Internet Gambling and online casinos

6. Pornography and prostitution

7. Nuclear Energy

8. IT Sector Restrictions

Research, development or technical applications relating to electronic data programs or solutions, which:

- (i) aim specifically at supporting any activity included in the Restricted Sectors referred to under 1. to 7. (inclusive) above; or
- (ii) are intended to enable to illegally:
 - a. enter into electronic data networks; or
 - b. download electronic data.

9. Life Science Sector Restrictions

When providing support to the financing of the research, development or technical applications relating to:

- (i) human cloning for research or therapeutic purposes; and

(ii) Genetically Modified Organisms (“GMOs”).

10. Activities Involving Live Animals

Activities involving live animals for experimental and scientific purposes insofar as compliance with the "Council of Europe’s Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes" cannot be guaranteed.

11. Activities which give rise to significant environmental impacts

12. Pure Agriculture and Fisheries (due to state aid regulations)

13. Speculative Real Estate Development Activities

14. Activities constituting pure financial transactions (such as trading in financial instruments).