What is InnovFin MidCap Guarantee?

InnovFin MidCap Guarantee (MCG) enables the EIB to provide a 50% guarantee on a portfolio of new loans granted by financial intermediaries (FIs) to innovative companies with fewer than 3,000 employees at group level. Under Horizon 2020, the EU research and innovation (R&I) programme for 2014-20, the European Commission and the European Investment Bank Group (EIB and EIF) launched a new generation of financial instruments and advisory services in 2014 to help innovative firms access finance more easily. Until 2020, “InnovFin – EU Finance for Innovators” is offering a range of tailored products which provide financing in support of research and innovation by small, medium-sized and large companies and the promoters of research infrastructure.

Eligibility Criteria:
- Midcap companies in EU-28 and Associated Countries
- Innovative midcaps investing in a project
- Minimum midcap rating limit

Key Structural Features:
- Risk-sharing instrument covering credit losses (principal and interest) on each loan
- Guarantee payment upon default; pro-rata sharing of recoveries
- Alignment of interests between the EIB and the FI under a pari passu agreement
- Full delegation to the FI for the loan inclusions (quarterly reports), based on eligibility criteria
- One exception: EIB pre-approval for the financed R&I project (above a threshold) under a streamlined process
- Loan size from EUR 7.5m (or EUR 1m if not eligible under the SME Guarantee) to EUR 50m
- Maturity from two to ten years, with a fixed repayment schedule
- Market-based pricing: aligned with the FI’s loan margin and fees
- Midcap portfolio to be built up over a three-year period (typically)

What are the benefits for financial intermediaries?
- MCG is set up as a straight guarantee
- Indirect EIB participation of up to EUR 250m (guarantee amount) per transaction
- MCG is expected to provide capital relief on the guaranteed exposure allowing the FI to take larger ticket sizes
- Delegation of midcap loan inclusions to the FI, no pre-approval from EIB (except for certain larger RDI projects)
- Loan administration delegated to the FI

1 The companies shall not perform RDI activities which are related to human cloning, genetic heritage of human beings, human embryos, human stem cells, nuclear energy and/or military applications.
3 The analysis of the treatment of the guarantee in respect of regulatory capital relief is to be carried out by the FI together with its regulator. The fulfilment of the regulatory requirements that enable the FI to use the guarantee as a credit risk mitigation tool remains ultimately subject to the scrutiny and interpretation of the FI’s regulator.