



## COMMERCIAL FUNDS DEDICATED TO MICROFINANCE INSTITUTIONS

**BlueOrchard Finance S.A.** is the global leader in the management of commercial microfinance investments. We are a Swiss company with a global outreach. Our multi-national teams in Geneva (Switzerland), New York (USA) and Lima (Peru) consist of qualified and experienced professionals with a passion for contributing to the development of the least privileged communities. We believe micro-entrepreneurship favors sustainable socio-economic progress. We also consider commercial investments in the microfinance sector as necessary and beneficial.

**BlueOrchard Finance S.A.** manages and services a range of commercial funds designed to meet the evolving financial needs of microfinance institutions (MFIs) from start-ups to mature banking institutions. Our products and services include:

- The **Dexia Micro-Credit Fund (DMCF)**
- The **BBVA Codespa Microfinance Fund** for Latin America
- The **St. Honoré Microfinance Fund** (fund of funds)
- A sizeable part of the **ResponsAbility Global Microfinance Fund** (max. 25%)
- **BlueOrchard Loans for Development I and II**, closed in 2006 and 2007
- **BlueOrchard Microfinance Securities I**, closed in 2004-2005

The aim of **BlueOrchard Finance S.A.** is to engage in long-term relationships with MFIs and to supply commercial funding that will sustain their progress and growth. While the terms and conditions of our lending vary slightly by product, the following information summarizes our general process and eligibility criteria.

### ELIGIBILITY CRITERIA

1. **Age:** at least 3 years in existence (exceptions can be made for promising start-ups).
2. **Minimum total assets:** USD 1,000,000 (exceptions can be made for sustainable smaller MFIs).
3. **Externally audited accounts.**
4. **External rating.**
5. **Primary business:** microfinance.
6. **Sustainability:** operational self-sufficiency or a good vision on how to reach it.
7. **Governance and management:** sound corporate governance and dynamic management team.

### LOAN CONDITIONS

1. **Currency**
  - USD and EUR.
  - Local currency in selected countries, typically where hedging mechanisms are available.
2. **Maturity**
  - Usually up to 3 years, though for some products maturities can extend to 5-7 years.
  - The first loan would generally have a maturity of max. 12-18 months.
  - Special "MFI peak demand loans" of short term duration are available.
3. **Loan Amount**
  - Up to 15% of the Total Assets of the MFI (exceptionally, up to 20%).
  - Up to 8% of the Net Asset Value of the fund/financing vehicle.
4. **Interest rates**
  - Variable: between USD Libor (6 months) + 3% and USD Libor (6 months) + 7%.
  - Fixed: terms to be negotiated.
  - Based on internal and external risk assessment.

## 5. Payments

- Principal can be amortized or fully paid at maturity.
- Interest will generally be paid on a semi-annual basis, negotiable.

## 6. Guarantee

- No guarantee is required.

## 7. Other

- An MFI can have multiple loans outstanding across and among funds/products.
- Most debt is ranked senior-unsubordinated, but in some products, subordinated debt is available for very strong MFIs.

## PROCESS

1. The MFI provides **BlueOrchard Finance S.A.** with general information on its operations (i.e. description of the MFI, history, most recent audited accounts, etc.).

2. The MFI provides **BlueOrchard Finance S.A.** with all necessary documentation to begin the loan process:

- Audited accounts of the last three years (for start-ups, as available).
- Detailed sources of funding.
- Business plan for the next three years.
- Institutional presentation.
- External rating or evaluation. The company making the evaluation must be recognized by the national banking authorities or accredited by the CGAP Rating Fund.
- List of board members and managers with brief biographies.
- Legal attestation demonstrating the ability to operate.

We also ask MFIs to complete the following reports in our database, to be accessed with a password on <https://www.blueorchard.org/blueorchardbackoffice>:

- Monthly Report as at the last month of the last three financial years and most recent 2 months
- Semi-annual Report for the most recent two semesters.

3. If there is mutual interest, a **BlueOrchard Finance S.A.** team undertakes an on-site due diligence of the MFI including meetings with the top management and a branch visit.

4. Once all the documentation is gathered, the MFI sends a loan request to **BlueOrchard Finance S.A.**. **BlueOrchard Finance S.A.** will need up to 4 weeks to make a loan disbursement depending on the risk consideration and fund liquidity. During that time:

- A loan request is submitted to the BlueOrchard Credit Committee.
- If the loan request is approved by the Credit Committee, a promissory note with the terms and conditions is sent to the MFI.

5. The loan disbursement is made.

6. Once the loan is made, the MFI must report regularly in the BlueOrchard online database:

- Monthly: Monthly Report.
- Semi-annually: Portfolio Analysis Report and Assets & Liabilities Report.

7. Once the loan is made, the MFI must submit annually:

- Audited accounts.
- Detailed sources of funding.
- Updated rating or external evaluation.
- Updated Business Plan.

Contact us at:

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