



Banking & Payments
Federation Ireland

BPFI Protocol on Multi- banked SME Debt

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BPFI member banks are fully committed to supporting viable small and medium-sized enterprises (SMEs) and to preserving employment. A financially sound SME is recognised as delivering the best result for all stakeholders. The very important contribution made by SMEs to the economy is recognised and valued. In the current difficult environment the strain on SMEs, many of which are family businesses, is evident. BPFI members wish to work in a spirit of partnership with SMEs to enable them to prosper and for all relevant stakeholders to benefit from their enterprise.

While direct SME bank debt is largely supplied by one bank, BPFI members are aware that, in some cases, bank debt connected to an SME can be multi-banked. Multi-banked SME debt falls into broadly three categories as follows:

- Direct SME Debt comprises debt advanced directly to the SME business by member banks to finance the SME business.
- Indirect SME Debt comprises debt advanced indirectly to the SME business by member banks, which finances any asset (including premises) which is essential to the functioning of the SME business. Such debt is most likely to be in the name of a party other than the SME.
- SME Related Debt comprises debt other than Direct or Indirect SME Debt which depends primarily for its repayment on the viability and cash flow of the SME business.

It is recognised that the current basis of bilateral discussion with its banks may be cumbersome for an SME in some cases.

The objective of this Protocol is to create a framework to allow an SME in financial difficulty, and with multi-banked debt, to communicate with member banks on a collective basis and to allow the member banks to collectively discuss the case. In such situations member banks, at the request of the SME customer or a member bank (with the SME customer's authority), will set up a Liaison Group to discuss a particular case.

The key objectives of this Liaison Group will be:

- to work in support of the viability of the SME customer;
- to provide a framework to facilitate the SME customer communicating with member banks via a collective channel which will supplement the existing bilateral relationship;
- to facilitate the SME customer, or its advisor(s), in submitting a proposal for collective consideration;
- to facilitate each bank having full and similar information for decision-making purposes;
- to enable each bank to communicate its position for its part of the connection;
- to provide a framework to allow member banks to collectively discuss the position and to proactively look at the options available to sustain the viability of the business.

Banks subscribing to this Protocol will adhere to the following principles:

- a) The bank is fully committed to supporting viable SMEs and to preserving employment.
- b) This Protocol complements the Central Bank of Ireland Code of Conduct for Business Lending to Small and Medium Enterprises and the definition of an SME in the code also applies for this Protocol amended as follows:
 - Excluding property-related businesses e.g. property holding companies, other non- trading SME businesses.
- c) 'Financial difficulties' – an SME customer will be classified as being in financial difficulties where the following applies to its Direct SME Debt and/or Indirect SME Debt:
 - The credit facility of a borrower is in arrears for three consecutive months;
 - In the case of an overdraft credit facility, where the approved limit on the facility is exceeded by the borrower and remains exceeded for 90 consecutive days.
- d) At the request of an SME customer (in the prescribed format), or of a member bank (with the prescribed SME customer's authority), the bank will participate in a Liaison Group to discuss the case. The participating banks (a participating bank is a member bank taking part in a Liaison Group) - mindful of

the rights of the SME customer and keen to ensure the SME customer gets full benefit from the review - may request the SME customer to employ advisors to assist them in their interactions with the Liaison Group.

- e) To benefit from this Protocol the SME will need to be regarded as co-operating with the participating banks.
- f) Direct SME Debt and Indirect SME Debt will be used to identify cases which qualify for this Protocol. Once a case qualifies for the Protocol, the SME Related Debt providers may also be invited by the Liaison Group members to take part in the Liaison Group subject to:
 - The written agreement of the SME customer; and
 - The SME Related Debt being considered material by the Liaison Group members in the context of sustaining the core viability of the business.
- g) In each case the process will terminate automatically within 40 working days from the date of the SME customer's request. Working day means any day except Saturday, Sunday, bank holiday and public holidays.
- h) Each case will be dealt with on the merits of that particular case.
- i) Any Liaison Group meeting under this Protocol will not be a decision-making forum but can propose an action plan. Decisions will be made by individual participating banks in line with their individual procedures and communicated by them to their SME customer in the normal way.
- j) In agreeing to become involved in the Liaison Group, the SME customer and the participating banks are not compromising in any way their existing contractual agreements. A participating bank can without notice act unilaterally in line with existing contractual agreements. Where this proves necessary, the bank taking such action should notify other participating banks as a matter of courtesy.
- k) The Protocol does not apply to cases subject to existing syndicate/club or multi-lender agreements and special purpose vehicles including vehicles established for the purposes of a particular transaction. It will not apply to cases subject to receivership, examinership or proceedings under the Personal Insolvency Act 2012.
- l) Each member bank subscribing to this Protocol will designate a key contact point. This information will be published on the BPFi website.
- m) The Protocol will come into effect from 2nd January 2014 and will apply to SMEs with total Direct and Indirect SME debt between €250,000 and €10 million.
- n) All parties to this Protocol are expected to act in good faith. However, no assurance is given to as to the continued business viability of the SME debtor by reason of the activation or implementation of this Protocol in any case.

In order for BPFi member banks to subscribe to the Protocol they will confirm same by letter to BPFi. In order for a member bank to exit the Protocol, it will confirm same to BPFi by letter, setting out at least one month's notice in that letter of its withdrawal from the Protocol. No new cases will be accepted by that member bank under the Protocol after the withdrawal date. Existing cases will continue until expiry of the arrangement adhered to under the Protocol.

BPFi and its members reserve the right to review the Protocol as its operational effectiveness warrants. In any case, the operation of the Protocol will be reviewed by the member banks six months from the effective date.

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