



Request for Proposal
for
**SME Co-Investment
Partner Programme**

Issuer : SME Corp. Malaysia
Level 6 Block B Platinum Sentral
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

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1 INTRODUCTION AND PURPOSE

SME Corporation Malaysia (SME Corp.) is continuing its support of small and medium enterprises (SMEs) in Malaysia through a shared risk capital investment under the **SME Co-Investment Partner Programme (SCIP)**. Under this Programme, SMEs are supported through cash flow-based, risk capital financing in the range of **RM500,000 to RM3 million**, combined with a degree of technical assistance support. In order to attract a capable fund management firm to meet the foregoing objectives, SME Corp. seeks to **co-invest** with the fund management firm into potential early stage SMEs.

This Request for Proposal (RFP) provides a description of the programme, its objectives and investment mandate with which the selected Fund Management Firm (the “Investment Partner”) must agree to comply in order to receive disbursement of the SME Corp. commitment.

This template will present a standard format for an RFP from potential Fund Management Firm. It is intended to assist them to prepare their proposals based on the requirements of the **SCIP Programme**. The template serves three main purposes:

1. Establishing a standard format to invite potential industry players to serve as Investment Partner under the **SCIP Programme**.
2. Ensuring that SME Corp. as the agency that oversees the implementation of the **SCIP Programme** develops a well-defined qualifying criteria and requirements in selecting the Investment Partner.
3. Provide a basis for selection of Investment Partner for the **SCIP Programme**.

This RFP contains information relevant to the submission of proposals together with the terms and conditions under which they are to be received and evaluated.

2 DEFINITIONS

Unless the stated context implies otherwise, the following definitions apply to all documents related to the RFP and disbursement of the SME Corp. commitment:

“RFP” means the Request for Proposals issued by SME Corp. Malaysia to those potential firms invited by SME Corp. Malaysia to apply for the **SCIP Programme**.

“Proposal” means the aggregate of all documents submitted to SME Corp. Malaysia by the Applicant in response to the RFP.

“Programme” means the **SME Co-Investment Partner Programme**, in Malaysia to be funded by SME Corp. and private investors.

“SME” means micro, small or medium enterprise as defined by the National SME Development Council (NSDC) Section 7 of the RFP, “Required Investment Policies.

“Early-stage SME” means any business within the SME definition that have been in operation within the period of 1 to 3 years only.

“Investment Partner” means the Applicant selected by SME Corp. who may be an existing or new entity formed by one or more practitioners in the capital market industry to finance viable SMEs either in the form of equity, debt or a hybrid of debt and equity.

“Applicant” means each of those parties invited by SME Corp. to apply for the **SCIP Programme** and submitting a proposal.

“Borrower/ Investee” means all SMEs provided financing by the under the **SCIP Programme**.

“Investor” means any party providing a matching investment as required under the Programme, which may include the Investment Partner”.

“Prospective Investee” means any SME firm that meets the provisions of the Required Investment Policies (Section 7) which is being considered for investment.

3 EXPRESSION OF INTEREST

In order to gain a credible estimate of the number of potentially qualified parties interested to compete in the RFP solicitation, SME Corp. seeks Expression of Interest from those who wish to respond to the RFP. All interested Applicants must submit an **Expression of Interest** to SME Corp. to qualify as potential Applicants.

The **Expression of Interest** must be either scanned as a PDF file and e-mailed to the e-mail address below or printed and placed in a single, sealed envelope and delivered to the following physical address **no later than 5.00 pm on 31 December 2019**:

Attn: **Access to Financing Unit**
Email: scip@smecorp.gov.my
Ecosystem Development Division
SME Corp. Malaysia
Level 7 Block C Platinum Sentral
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

Applicants may submit prepared (printed) materials or texts about their **firms** focusing on their **capabilities, credentials, experience, scope of services, and track record of performance**. In submitting **Expression of Interest** to SME Corp. Applicants are urged not to submit unnecessarily elaborate marketing or sales brochures or other representations beyond those sufficient to present a complete and effective **Expression of Interest**. SME Corp. will forward copies of the **Expression of Interest** to the **Evaluation & Selection Committee**. It is advised that Applicants use the most reliable courier services available or submit the documentation by hand. SME Corp shall not be liable or held responsible for any delay in the delivery of the EOI using any courier service.

Expression of Interest must be in the form of a letter from either the Managing Director/Chief Executive Officer of the Applicant Firm on the Applicant Firm's letterhead. The **Expression of Interest** should acknowledge that the RFP has been read and understood and that the Applicant intends to prepare and submit a Proposal. It must also state that the minimum eligibility requirements listed in Section 5 will have been met by the time of the submission of the Proposal and that the Applicant is prepared, if required, to provide clear evidence thereof, as also specified in Section 5.

4 SME CO-INVESTMENT PARTNER PROGRAMME

The **SME Co-Investment Partner (SCIP) Programme** is aimed to enhance **access to financing** for SMEs, particularly those at early-stage through the provision of funding in the form of equity or a hybrid of debt and equity. The programme entails a co-funding initiative between the public and private sector, whereby private investor' investment which will be matched by the funds from the Government through SME Corp. commitment.

SME Corp. will identify and appoint suitable Fund Management Firm to implement the **SCIP Programme** on non-exclusive basis. The Programme will complement existing financing landscape for SMEs through the followings:

- Offers the choice of both **equity and debt financing** to meet SMEs' financing needs;
- Finance mainly **early-stage SMEs** as opposed to the normal venture capital and bank financing which are more inclined towards firms at the growth and expansion stages;
- Covers SMEs in **all sectors** including mainstreet firms that have strong high growth potential, innovativeness and in newly emerging areas. This is more well spread compared to current venture capital financing which are mainly for technology-based companies; and
- Crowd in private investors to invest into **viable** SMEs initially through **public-private partnership** (co-funding), with an exit in Government funds over time.

The central focus of the **SCIP Programme** is the Fund Management Firm (referred to as the "Investment Partner"). The Investment Partner is a non-banking funding institution which will be introduced to fulfill the following:

- i) Existing or new legal entities run by those with experience in fund management but focus only on financing and developing SMEs and supported by non-financial services to enhance success of SMEs;
- ii) They are different from existing fund managers as their functions extend beyond provision of financing to include mentoring and technical assistance; and
- iii) Given their mandates to provide financial assistance and mentoring of SMEs, the Investment Partner will also enjoy certain privileges not given to fund managers, in terms of being established through a public and private partnership, and having access to Government funding support under the Programme framework which may be continued under the 12th Malaysian Planning (RMK-12) with follow on investments beyond the early stage SMEs. This is entirely subject to success of investments under current Programme

The Investment Partner can be existing or new entity, a combination of two or more angels or foreign players and will manage the investments through a clearly defined scope as per the design of the Programme. The Investment Partner is expected to closely mentor these SMEs, report to SME Corp. on their progress and provide the required guidance to enhance success rate. Hence, the Investment Partner will be subjected to certain holding period or exit term in the SME investee. The performance and activities of the Investment Partner will be monitored by SME Corp. on regular basis.

5 ELIGIBILITY CRITERIA OF INVESTMENT PARTNER

- 5.1 An Investment Partner must possess deep understanding of SME business operations as well as possess experience in banking, fund management and other areas of finance. The key attributes of Investment Partner and its management team include:
- a) Registered with the **Securities Commission Malaysia** either as a Venture Capital Corporation or Private Equity Corporation (VCC/ PEC) or Venture Capital or Private Equity Management Corporation (VCMC/ PEMC) or licensed under the Moneylenders Act 1951 (if it is involved in activity of money lending to business entities);
 - b) Fit and proper with relevant skillsets, at least **1** director with a **minimum of 10 years** relevant experience;
 - c) No conflict in carrying out its function as the Manager of the investments;
 - d) Experience in operating a business and fund-raising activity;
 - e) Experience in providing management consulting services to SMEs;
 - f) Experience in managing several business cycles of SMEs;
 - g) Experience indicating an ability to recognise patterns in behaviour of entrepreneurs, businesses and markets;
 - h) Able to demonstrate and understand financial statements of private operating companies;
 - i) Viable and practical funding strategy and mechanism;
 - j) Presence of management support systems and other resources (e.g., "back office" and supervision) to assist the Fund's operations;
 - k) Ability to **raise** the required **matching funds**, as demonstrated by the Applicant's track record in fund raising and the quality of letters of provisional or conditional commitments of capital from duly authorised executive officers of investors (the "Provisional Commitment Letters" or evidence of having raised an SME fund in the past);
 - l) Exposure to international standards of business and conduct;
 - m) Demonstrates high level of professionalism; and
 - n) Open to foreign and local players with business presence in Malaysia.
- 5.2 An Applicant shall respond to the RFP on the basis that the entity is deemed to have examined and understood the entire content of this RFP. The Applicant shall also be deemed to have accepted and is bound by the terms and conditions specified in this RFP.

6 ROLES AND RESPONSIBILITIES OF SME PARTNER

Among the roles and responsibilities of the Investment Partner include:

1. To raise funds from private investors through financial instruments such as debenture, unlisted securities or equities to be matched with funds from the Government on maximum 1:1 ratio;
2. To identify viable SMEs to be financed under the Programme and in accordance with the Required Investment Policies;
3. To perform financial analysis and due-diligence on potential SMEs;
4. To provide detailed analysis or performance target of the Fund and the SMEs;
5. To provide financing to SMEs only in the form of either equity, debt or hybrid of debt and equity;
6. To provide hands-on mentoring and technical guidance to the SMEs to ensure good governance;
7. To identify specific needs of the SMEs and arrange for capacity building and other assistance through network of referrals and/ or in collaboration with SME Corp.;
8. To monitor loans channelled / investments made to SMEs and ensure timely repayment and recovery of investments made in SMEs;
9. To ensure timely repayment / service of investments to SME Corp./ Private Investors;
10. To provide on-going and regular financial and operational reporting to SME Corp. and other stakeholders as required or as may be required under the governing law; and
11. Other duties as described in the SME Corp. Letter of Appointment and other Key Agreements upon execution.

In addition, the Investment Partner is prohibited to invest in the following activities:

- i) Other SME Partners, finance companies or finance-type leasing companies;
- ii) Undertake passive or casual businesses such as Fixed Deposit Savings or purchase of Unit Trust;
- iii) Purchase of real estate or related activities; and
- iv) Entity whose primary business activity is deemed contrary to public interest.

7 REQUIRED INVESTMENT POLICIES

The following elements of investment policy must be part of the Letter of Appointment and to be incorporated directly and/ or by reference into the Key Agreements between SME Corp. and the Investment Partner.

7.1 TARGETED INVESTMENTS

7.1.1 Investment Policy

The Investment Partner must carry out these purposes by making investments consistent with these Required Investment Policies and by providing efficient and effective technical and business assistance to SME Investees.

7.1.2 Definition of a Prospective Investee

To qualify as a firm eligible for investment (a "Prospective Investee"), a business must meet the standards set forth in this Section. The definition of SMEs (revised 2014) endorsed by the National SME Development Council is as follows:

Category	Small	Medium
Manufacturing	Sales turnover from RM300,000 to less than RM15 million <u>OR</u> full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million <u>OR</u> full-time employees from 75 to not exceeding 200
Services & Other Sectors	Sales turnover from RM300,000 to less than RM3 million <u>OR</u> full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million <u>OR</u> full-time employees from 30 to not exceeding 75

At the time of the initial investment by the SME Partner, an Investee must be registered with the Companies Commission of Malaysia (SSM) or other equivalent bodies, but exclude:

- i) Entities that are public-listed on the main board; and
- ii) Subsidiaries of:
 - Public-listed companies on the main board;
 - Multinational corporations (MNCs);
 - Government-linked companies (GLCs);
 - *Syarikat Menteri Kewangan Diperbadankan* (MKDs); and
 - State-owned enterprises.

7.1.3 Malaysian Presence

- All investees must be **organised or have their principal operations in Malaysia**. Investment Partner may invest in a business only if it meets all of the standards set forth in this Section for its presence in Malaysia at the time of an **initial investment by the Fund** and at the time of **any subsequent investments**.
- A majority (51% or more) of the capital of the business must be Malaysian owned or are legal entities organised under the laws of the Government of Malaysia.
- A majority of the assets of the Investee **must** be located in Malaysia.
- A majority of the officers and employees of the Investee must be Malaysian nationals resident in Malaysia.
- The principal place of business of the investee, defined as the location at which the majority of its employees reside, must be in Malaysia.
- The investee must be free from any legal proceedings.

7.1.4 Investment Operations - Portfolio Restrictions

The Investment Partner shall comply with the investment restrictions and investment procedures set out below:

- Engage in primary business activity deemed as contrary to public interest.
- Refinancing of existing credit facilities, purchase of existing premises and labour costs, expect wages.
- Investments a specific investee shall be at least RM500,000 and no greater than RM3 million per investment, including any follow-on investments.

7.1.5 Investment Opportunities

Until the end of the investment period or, if earlier, the Investment Partner shall procure that all new investment opportunities received by the manager or its associates for investments that fall within this investment policy will first be offered to the Investors.

7.1.6 Prohibited Types and Characteristics of Investments

The Investment Partner shall not make an investment in any of the following:

- (a) any state-controlled entity;
- (b) any other pooled multiple investment vehicle;
- (c) securities that are listed on any stock exchange or that are otherwise publicly tradable;

- (d) any business that is not primarily engaged in the regular and continuous operation of an active business;
- (e) any business in which the employees do not carry on the majority of day-to-day operations and the business does not provide control and supervision on a day-to-day basis over persons employed under contract;
- (f) any business in which a substantial majority of the proceeds of the investment by the Fund will be passed through the Investee to another affiliated entity, unless the investee controls such affiliate and owns a majority of the equity of such affiliate; or
- (g) any business primarily engaged in providing funds to other institutions whose core business is investment or lending, purchasing debt obligations, lease financing, or other types of financial services.

8 SELECTION CRITERIA OF SME PARTNER

8.1 GENERAL CRITERIA

Investment Partner will be appointed based on the Applicant whose Proposal achieves the highest number of points within a scoring system used by the Evaluation & Selection Committee. The Evaluation & Selection Committee recognises the inevitably subjective nature of such scoring and thus, reserve the right not to disclose either the scoring system or the scores achieved by the Applicants. However, it is the strong sentiment of the Government that a thoroughly objective selection process is in the best interest of not only the **SCIP Programme** but also that of the reputation of Investment Partner and its Investors.

Applicants should be aware of the importance of responding fully to all aspects of the RFP. Proposals which fail to respond to all required questions and requests for information will be automatically disqualified and rejected. It is advised, however, that responses to individual questions be concise in order to strengthen the overall impression of the Applicant as portrayed by the Applicant's Proposal. Unnecessarily lengthy responses are likely to dilute the strength of such an overall impression.

In addition to the quality and precision of the proposal itself, the Evaluation & Selection Committee seeks clear evidence of strong technical knowledge of both business and finance, strong professional credentials, reputation for integrity, sound financial standing, and a track record of success in risk capital and/or related entrepreneurial endeavors. Applicants must also be able to offer verifiable references from corporate, business and industry sources who that can unreservedly vouch for the Applicants' performance, integrity, and professional backgrounds.

8.2 CRITERIA SPECIFIC TO THE SME CO-INVESTMENT PARTNER PROGRAMME

In addition to the above-listed attributes normally sought in RFP solicitations, the Evaluation & Selection Committee seeks, in particular, evidence of experience and understanding of the following key issues related specifically to the objectives of SCIP:

- The nature of entrepreneurship and the particular strengths and weaknesses common to SME entrepreneurs;

- The processes involved in identifying and directly addressing technical and management issues common to early-stage SMEs; and
- The Evaluation & Selection Committee will give significant weight to evidence that the Applicant has relevant experience in investing and financing and / or advising SMEs in a wide diversity of industry sectors, particularly those related to innovative and high-growth areas.

9 RFP TERMS AND CONDITIONS

9.1 LIABILITIES OF SME CORP. MALAYSIA

This RFP is only an invitation for proposal and no contractual obligation on behalf of SME Corp. whatsoever shall arise from the RFP process unless and until a formal contract is signed between SME Corp. and the Investment Partner.

This RFP does not commit SME Corp. to pay any cost incurred in the preparation or submission of any proposal or to procure or contract for any services.

9.2 PROPOSAL PROCESS MANAGEMENT

SME Corp. reserves the right to accept or reject any or all proposals, to revise the RFP, to request one or more re-submissions or clarification from the applicants, or to cancel the process in part or whole. No applicant is obligated to respond to or to continue to respond to the RFP after the submission and closing date.

SME Corp. will, at its discretion, appoint the Investment Partner submitting the best proposal that complies with the RFP. SME Corp. may, at its sole discretion, reject any or all proposals received or waive minor defects, irregularities, or informalities therein.

9.3 RFP OWNERSHIP

This RFP is a proprietary to SME Corp. and SME Corp. reserves the right to recall the RFP in its entirety or in part. Investment Partner cannot and agree that they will not duplicate, distribute or otherwise disseminate or make available this document or the information contained in it without the express written consent of SME Corp.

Investment Partner shall not include or make reference to this RFP in any publicity without prior written approval from SME Corp. Investment Partner must accept all of the foregoing terms and conditions without exception. All responses to the RFP will become the property of SME Corp. and will not be returned.

9.4 NON DISCLOSURE AGREEMENT

The Investment Partner as part of the proposal should sign the non-disclosure agreement to safeguard the confidentiality of SME Corp. business information and data.

9.5 INVESTMENT PARTNER PRESENTATION

If required, the Investment Partner will be invited to make presentations at any appropriate venue which will be notified in writing. SME Corp. shall not be under any obligation to bear any part of the expenses incurred by the Investment Partner for the presentations.

10 OTHER TERMS AND CONDITIONS

10.1 Responsiveness of Applicant

As mentioned in clause 8.1 above, the Evaluation & Selection Committee will reject any Applicant who fails to respond to all requirements of the RFP by the deadline.

10.2 Proposal Submission Deadline

10.2.1 All Proposals, without exception, must be received by SME Corp. Malaysia **no later than 5.00 pm on 9 January 2020** at the following address:

Ecosystem Development Division
SME Corp. Malaysia
Level 7, Block C, Platinum Sentral
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
(Attn: Access to Financing Unit)

10.2.2 Proposals including supporting documents received after the deadline for any reason will not be accepted and will be returned to the Applicant unopened. Furthermore, no Applicant will be permitted to make any amendment or alteration of the Proposal after the deadline has passed.

10.3 Form of Submission

Applicants must submit six (6) signed copies of their Proposals, each bound or stapled separately, all within a single, sealed envelope or document box.

10.4 Additional Information

The Evaluation & Selection Committee reserves the right to contact any Applicant for clarification of information submitted and to contact parties with whom the Applicant has current or past business relations in order to verify information submitted by the Applicant. An Applicant may also submit any additional information or references the Applicant deems favourable to support the Applicant's proposal.

10.5 PROPOSAL / PROPOSAL VALIDITY

Proposal (s) should be valid for a period of 90 days from the closing date for submission.

10.6 CONFIDENTIALITY

10.6.1 All members of the evaluation & selection committee, Investment Partner, and SME corp. will be required to sign confidentiality agreements prohibiting the disclosure to other parties of any information submitted in the applicants' proposals or obtained in relation thereto.

10.6.2 Any due diligence performed in order to verify or clarify information submitted by Applicants will be undertaken in writing directly by the Evaluation & Selection Committee members or SME Corp. in order to further ensure confidentiality.

10.6.3 Information relating to the Evaluation & Selection Committee's assessment of the Proposals received will not be disclosed to Applicants or other persons.

10.7 NO FEES

No fees will be imposed upon Applicants in connection with the submission and review of Proposals.

10.8 FRAUD, CORRUPTION AND STANDARD OF CARE

The Applicant further accepts that in submitting this RFP proposal in the expectation of a contract award the Applicant agrees to maintain a relationship of trust and confidence with SME Corp. The Applicant further agrees to perform its role as the Investment Partner by consistently observing the highest standards of professional and ethical competence, integrity and diligence, using at least the same degree of skill, judgment, diligence and care as the Applicant would use if it were commercially operating, managing, investing and overseeing the Applicant's own capital.

10.9 COST OF PREPARATION OF THE PROPOSAL

The costs of preparing the Proposal and of negotiating the contract, are not reimbursable by SME Corp. or other parties related to the issuance of this RFP and the appointment process.

10.10 ASSIGNMENT AND SUB-CONTRACTING

An Applicant which is appointed as the Investment Partner pursuant to this RFP, will not assign, transfer, pledge, hypothecate, sub-contract or otherwise encumber its rights to receiving SME Corp. commitment under the **SCIP Programme** for any reason whatsoever without the consent of SME Corp.

10.11 DISPUTE RESOLUTION

Any dispute, controversy or claim arising from or related to this RFP and/or an (envisaged) appointment, or a breach or invalidity thereof, which cannot be amicably settled between the parties will be settled by arbitration process under Malaysian Law.

10.12 OTHER CONDITIONS OF THE RFP

- 10.12.1 All proposal submissions, exchanges, correspondence and document relating to the RFP process and the Agreements will be written in English.
- 10.12.2 All amendments, changes and modifications to the RFP will be sent to all Applicants and will be binding on them. Applicants **must** acknowledge receipt of all amendments by email to SME Corp. In order to give Applicants reasonable time in which to take an amendment into account in their proposals, SME Corp. may, if the amendment is substantial, extend the deadline for the submission of proposals.

10.13 INTERVIEWS

- 10.13.1** Interviews with short-listed Applicants will be held at the address indicated by SME Corp., unless other arrangements are agreed between the Applicant and SME Corp., the Evaluation & Selection Committee will conduct the interviews with SME Corp. representative presence upon the Evaluation & Selection Committee request.

11 RFP RELATED QUESTIONS / CLARIFICATIONS / SUBMISSION

All inquiries related to this RFP should be directed to:

- i) scip@smecorp.gov.my

Any notices with respect to this RFP should also be mailed to the following address:

Ecosystem Development Division
SME Corp. Malaysia
Level 7 Block C Platinum Sentral
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
(Attn: Access to Financing Unit)