

Answering your
questions about the
**BOUNCE-BACK
SCHEME**

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



South African Reserve Bank

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BOUNCE-BACK SCHEME FOR BUSINESSES IN SOUTH AFRICA

The Bounce-Back Scheme comprises two mechanisms. The first mechanism is a loan guarantee which facilitates loans guaranteed by government to eligible businesses. The loans will assist eligible businesses in recovering from constraints in accessing finance due to COVID-19 lockdowns, the July 2021 civil unrest as disasters like the floods affecting KZN. The Bounce-Back Scheme will also support economic growth and foster job creation in South Africa.

Funds borrowed from this Scheme, through participating banks, Development Finance Institutions (DFIs) and non-bank Small Medium Enterprise (SME) finance providers, can be used for growth and expansion and to foster job creation within South Africa.

The Bounce-Back Scheme benefits from lessons learnt from the 2020 Loan Guarantee Scheme to provide for greater take-up including by DFIs and non-bank SME finance providers which will participate on the same basis as participating banks. The Bounce-Back Scheme comprises a loan guarantee mechanism of R15 billion, with a smaller equity linked scheme, to be facilitated by National Treasury and DFIs, which will be introduced later this year as a complementary tool of R5 billion.

1. WHAT IS THE BOUNCE-BACK SCHEME?

The Bounce-Back Scheme is an initiative with two features. The first feature is a loan guarantee to provide loans guaranteed by government which will assume a portion of initial losses (20.5%), with finance providers assuming the risk for remaining losses. The second feature is an equity linked mechanism to be initiated later in 2022. The Bounce-Back Scheme will support the continuation of South African businesses, including their role as employers, in particular, it will support the need to minimize the risk that the businesses' liquidity constraints endanger their solvency. Government and participating banks are sharing the risks of these loans with government taking the first loss this time.

2. HOW DO BUSINESSES ACCESS THE SCHEME?

The Bounce-Back Scheme loans will be accessible through participating banks (banks which have opted to use the Scheme for their customers). Access to the Bounce-Back Scheme for DFIs and non-bank SME finance providers, will be facilitated through participating banks on the same basis as the banks' participation, which includes due diligence in accordance with regulatory standards. The basis for participation of DFIs and non-bank SME finance providers will include financing costs subject to participating banks' due diligence and regulatory standards. Access to the equity linked tool will be introduced in late-2022 and details will be communicated together when finalized.

3. HOW IS IT STRUCTURED?

The National Treasury has provided a guarantee to the South African Reserve Bank (Reserve Bank). This guarantee is recorded as a contingent liability on the government's account. The Reserve Bank will lend money to participating banks at the repo rate (currently 4.25 per cent) plus a 0.5 per cent once-off charge of the amount disbursed. Participating banks will lend this money as well as their own funds for the unguaranteed portion (79.5%) of the loan amount (which is raised by the individual banks, DFIs and non-bank SME finance providers through their usual funding channels) to small and medium-sized businesses at a floating interest rate of no more than the repo rate plus 6.50 per cent. The repo rate at the time of the launch on 25 April 2022 is 4.25%.

4. WHO MANAGES THE SCHEME?

The National Treasury, Reserve Bank and participating banks have agreed on the relevant legal framework including on financial and operational requirements. In addition, non-bank lenders may also participate in the Bounce-Back Scheme through participating banks, as only licensed banks have access to the Reserve Bank's repo facilities. The Reserve Bank is the administrator of the Scheme on National Treasury's behalf. The Reserve Bank will provide the finances for these loans

to banks and will keep a record of the amounts owing by each bank as well as default rates. The Reserve Bank will publish an annual report setting out how much each bank would have used from the Scheme and the performance (default rate) of each bank's loan portfolio.

5. WHICH BANKS ARE PARTICIPATING?

All commercial banks can access the Scheme although the Reserve Bank reserves the right to limit the amount that can be accessed by an individual bank. The entire Scheme is limited to R15 billion and will be dispersed through participating banks on a first come, first serve basis. If your current bank is not participating in the scheme, businesses may approach a participating bank, DFI or non-bank SME finance provider. National Treasury will continue to engage with banks to allow them to participate on an on-going basis.

6. WHICH BUSINESSES QUALIFY?

Businesses which have a relationship, either through lending or transactional banking with a participating bank, meet the participating bank's specific requirements, are registered with the Companies and Intellectual Property Commission (CIPC) or are registered for Value Added Tax in terms of the Value Added Tax Act, 89 of 1991 with the South African Revenue Service and have a maximum turnover of R100 million. Eligible businesses must have a maximum turnover of R100 million per annum to be eligible to access the Scheme. The maximum loan amount will be set at R10 million per businesses (and a minimum loan amount of R10 000). In the case of small and medium enterprises, the turnover cap is a maximum turnover of R100 million with a maximum loan amount of R10 million whilst for non-bank lenders loans may be made for a maximum amount of R100 million per non-bank lender subject to the approval of the lender.

7. MY LOAN WAS DECLINED, MAY I REAPPLY UNDER THE AMENDED SCHEME?

Yes, you may.

8. MAY A BUSINESS WITH A CURRENT LOAN FROM THE LOAN GUARANTEE SCHEME APPLY FOR AN AMENDED OR ANOTHER LOAN UNDER THE SCHEME?

Businesses may contact any participating bank (if their bank is a participating bank), to apply for a loan under this Scheme. The granting of a loan will depend on the business meeting the eligibility criteria of this Scheme. Where a loan was previously declined, the business may apply again for

such a loan subject to their bank's credit assessment practices, for example, if the loan was previously declined due to the business not being in good standing with its bank on 29 February 2020 or it was unable to prove its turnover, then the business may apply.

9. HOW WILL LOSSES WORK?

Participating banks, non-bank SME finance providers, DFIs and the National Treasury share the risks of the Scheme with National Treasury taking the first 20.5% loss and lenders assuming the remaining risk. The Reserve Bank takes no financial risk in the Scheme as its loans to banks are guaranteed by the National Treasury.

10. WHAT CONDITIONS DO BANKS, DFI'S AND NON-BANK SME LENDERS HAVE TO MEET?

Banks, non-bank SME finance lenders and DFIs are required to check the qualifying criteria of applicants. They will use their existing processes and infrastructure to process loan applications. Banks have discretion on whether they wish to extend a loan to an applicant. Banks will cede any loans under this Scheme to the Reserve Bank as security or collateral for the funds made available to the banks. Banks will report regularly to the Reserve Bank on the performance of the loan portfolios. Non-bank lenders and DFIs will follow the same process with their participating bank acting as facilitator.

11. WHAT HAPPENS IF A BUSINESS THAT HAS TAKEN A BOUNCE-BACK SUPPORT LOAN CLOSES DOWN?

If a business that has taken a loan goes into liquidation, the loan will be pursued for all possible recoveries by the lender. The lender will recover the government portion of the loan on its behalf as well.

12. WHO CAN I CONTACT FOR MORE INFORMATION?

To access the Bounce-Back Scheme, contact your primary or main banker to determine if your bank is participating in the Scheme. If your bank is not participating in the Scheme, you will not be able to access it currently. However, Government is engaging with other banks and non-banks to also join this scheme.