



Lender Guide

SME Recovery Loan Scheme

Closing date and time:	5.00pm Australian Eastern Standard Time (AEST) on 30 September 2033
Commonwealth policy entity:	Department of the Treasury
Administering entity:	Department of Industry, Science, Energy and Resources
Enquiries:	If you have any questions, contact us on 13 28 46 or SMEguarantee@industry.gov.au
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Contents

1. SME Recovery Loan Scheme processes.....	3
2. About the SME Recovery Loan Scheme.....	5
3. Guarantee amount and guarantee period	6
3.1. Guarantee available.....	6
4. Eligibility	6
4.1. Who can apply under the scheme?	6
4.2. What is an eligible application?	6
5. How to apply.....	7
5.1. The application form and related declarations.....	7
5.2. Attachments to the application.....	7
6. How we assess.....	8
6.1. Who will approve applications?	9
6.2. How we pay you.....	9
7. Compliance activities	9
8. Reconciliation	9
9. Conflicts of interest	10
10. How we use your information.....	10
10.1.1. How we handle your confidential information	10
10.1.2. When we may disclose confidential information	10
10.1.3. How we use your personal information.....	11
10.1.4. Freedom of information	11
11. Enquiries and feedback.....	11
12. Definition of key terms	12

1. SME Recovery Loan Scheme processes

The SME Recovery Loan Scheme (the Scheme) supports the flow of credit to eligible SMEs that have been impacted by the economic effects of the Coronavirus pandemic.

The Scheme extends and expands the [Coronavirus SME Guarantee Scheme](#), as part of the Commonwealth Government's economic plan to cushion the economic impact of the coronavirus and help build a bridge to recovery.



The Scheme opens

The Scheme opened on 1 April 2021. The Department of the Treasury published a [web page](#) with information for lenders interested in participating.



Lenders submit an Expression of Interest

The Department of the Treasury considered and approved expression of interests from lenders seeking to participate in the Scheme.



Participating Lenders (you) entered into a participant lender agreement

You entered into an agreement by signing a Participating Lender Agreement, agreeing to the [Scheme Rules](#) and the [Deed of Guarantee](#).



You approve loans to eligible borrowers

You approve loans to eligible borrowers under the Scheme Rules and provide the details of each Scheme-Backed Loan to the Australian Prudential Regulation Authority (APRA).



A Scheme-Backed Loan is impaired

A Claim Trigger occurs on a Scheme-Backed Loan (when an Impairment Event occurs as defined in the Scheme Rules).

This Lender Guide explains how Participating Lenders complete and submit a claim in respect of an impaired Scheme-Backed Loan.



You complete and submit a Claim (an application) for an impaired Scheme-Backed Loan

We will email you information on how to access our online portal.

You submit a Claim for impaired Scheme-Backed Loans through our online portal.

You must submit a separate application for each impaired Scheme-Backed Loan.

Each Claim for an impaired Scheme-Backed Loan must comply with the Scheme Rules and include the information, declarations and material specified in this Lender Guide.

You have until 30 September 2033 to make a claim.



We assess your application

We assess each claim against the eligibility criteria outlined in this Lender Guide and existing Scheme Rules. We confirm it is a Scheme-Backed Loan and will ask you for more information if your application is incomplete.



We approve your application

We seek approval from the Treasury Delegate for your application/s and then pay you for each approved application against an impaired Scheme-Backed Loan.



Compliance

We will review a sample of your Claims and evidence in detail and may ask you for more information on impaired Scheme-Backed Loans. We will also assess lender application patterns as a whole and may conduct other compliance activities throughout the life of the Scheme.



Final account

You submit a final account by 30 March 2034.



Independent Reconciliation

At the end of the Scheme, the Commonwealth will arrange for an independent firm to carry out a reconciliation against each Participating Lender's records.



Final settlements

Following the outcome of the independent reconciliation, we may adjust payments and/or seek repayments from Participating Lenders.

Note, you may also be required to submit a second final account to the Commonwealth by 30 September 2034. The Commonwealth will advise you if a second final account is required after reviewing the accounts you lodge in 2033-34. If a second final account is required, the process would follow the same steps as outlined above.

2. About the SME Recovery Loan Scheme

The SME Recovery Loan Scheme (the Scheme) supports the flow of credit to eligible SMEs that have been impacted by the economic effects of the Coronavirus Pandemic or by the Recent Floods.

Across the economy, many otherwise viable SMEs are facing challenges due to disrupted cash flow. The Scheme is supporting up to \$40 billion of lending to SMEs to assist these businesses get access to working capital from approved lenders to help them get through the impact of the coronavirus, recover and invest for the future. Under the Scheme, the Australian Government has provided a guarantee to approved lenders for new eligible loans, under three phases as follows:

Scheme phase	Loan writing period	Scheme Loan type	Guaranteed Percentage
2021 Scheme	From 1 April 2021 to 30 September 2021	JobKeeper Scheme-Backed Loan	80 percent
	From 1 April 2021 to 31 December 2021	Recent Flood Scheme-Backed Loan	
2021 Scheme expansion	From 1 October 2021 to 31 December 2021	COVID Scheme-Backed Loan (2021)	80 percent
2022 Scheme expansion	From 1 January 2022 to 30 June 2022	COVID Scheme-Backed Loan (2022)	50 percent

The Scheme aims to enhance lenders' willingness and ability to provide cheaper credit to SMEs. The intended outcome for SMEs is that they are able to access additional funding (or refinance existing loans) to support them in minimising the economic effects of the Coronavirus Pandemic and/or the Recent Floods.

The Department of Industry, Science, Energy and Resources (the department/we) is responsible for administering Claims under the Scheme on behalf of the Department of the Treasury (Treasury).

We administer the Scheme according to the Legislative framework, the [Deed of Guarantee](#), the [Scheme Rules](#) and this Lender Guide. We may update this Lender Guide from time to time in consultation with Treasury.

This Lender Guide sets out:

- the eligibility criteria
- the application process
- how we assess applications
- compliance and reconciliation activities
- responsibilities and expectations in relation to the Scheme.

Terms defined in the Australian Government SME Recovery Loan Scheme Rules have the same meaning in this Lender Guide unless otherwise defined.

Key terms used in this Lender Guide are defined in the glossary at section 11.

3. Guarantee amount and guarantee period

The Government has provided Participating Lenders with loan guarantees under the Scheme. Each Participating Lender has an assigned allocation of the \$40 billion Scheme.

You are able to provide loans under the Scheme to eligible borrowers from 1 April 2021 to 30 June 2022. You are able to apply for payment of the guaranteed amount for impaired loans until 30 September 2033.

3.1. Guarantee available

The maximum loan amount is \$5,000,000 per SME (excluding fees). The Government guarantee of 50 or 80 per cent (as the case may be) of the impaired loan applies to both principal and interest, and fees in accordance with the Deed of Guarantee.

To be eligible for the 80 per cent guarantee, the loan must be approved and unconditional by 31 December 2021. As this date may be different from the reported loan agreement date, you may be required to provide evidence as part of your application in relation to the date that the loan became approved and unconditional.

4. Eligibility

4.1. Who can apply under the scheme?

You are eligible to apply under the Scheme if you are:

- a Participating Lender that has entered into a Participating Lender Agreement with the Commonwealth, or that has been assigned Scheme-Backed Loans through a Permitted Transfer under the Scheme, or
- a Representative appointed by the Participating Lender to act on its behalf (with the Claim to be submitted in the name of the Participating Lender) provided the Participating Lender Agreement was current at the time the Scheme-Backed Loan was issued.

4.2. What is an eligible application?

Your application is eligible if it:

- is made in respect of a Scheme-Backed Loan provided to an Eligible Borrower;
- is made in respect of an eligible Scheme-Backed Loan where an Impairment Event has been triggered
- as outlined in the Scheme Rules, Participating Lenders are expected to follow and apply their usual Lender Policies in recognising an impairment to, or writing off, a Scheme-Backed Loan
- correctly calculates the Outstanding Principal Amount of the Scheme-Backed Loan (on a date of a Claim Trigger) and the remaining book value (excluding consideration of the Government's guarantee) of the Scheme-Backed Loan
- otherwise meets the requirements of the Scheme Rules.

If you make a claim for an impaired loan, but subsequently recover the loan, we will settle any overpayments through the reconciliation process (section 8).

5. How to apply

Before you apply (make a Claim), you should read this Lender Guide and the Scheme Rules to make sure you include all the information we need to assess your claim. You can submit applications until the Scheme closing date.

If you intend to have a Representative (as defined by the Scheme Rules) submitting or making a Claim on your behalf, you should advise us and the Treasury of this relationship. We will keep a record of this arrangement. A failure to advise us of these arrangements could delay the processing of your applications.

5.1. The application form and related declarations

We will email you information on how to access our secure online portal where you can submit your Claim. You gather the required documentation as outlined in section 5.2 of this Lender Guide and submit a Claim online. You will also be required to provide a number of declarations in relation to your Claim.

These declarations will cover a range of issues such as, but not limited to:

- your assessment of the borrower's eligibility under the Scheme, for example:
 - the borrower had met the definition of an SME as outlined in the Legislative Rules and Scheme Rules the borrower had met any specific loan criteria
- the eligibility of the product you offered under the Scheme
- the eligibility of the Scheme-Backed Loan
- the correct calculation of your losses (and subsequent Guaranteed Liability) which you are claiming
- where applicable, related guarantees (or expected recoveries) against the loan.

For secured loans or unsecured loans with a personal/director's guarantee, you will be asked whether you have called upon security taken or the guarantee (or intend to do so), what you may have already recovered, and if possible an estimation of the likely amount to be recovered and the timeframes associated with the process.

You are responsible for making sure your application is complete and accurate. Giving false or misleading information is a serious offence under the *Criminal Code Act 1995* (Cth). If we determine that you have provided false or misleading information, we may not progress your application. If you find an error in your application after submitting it, you should call us immediately on 13 28 46. If we find an error or information that is missing, we may ask you for clarification or additional information. This may occur at the time of your application, or at a later stage such as when we may undertake compliance checks or audits.

If you need further guidance around the application process, or if you are unable to submit an application online, [contact us](#) at business.gov.au or by calling 13 28 46.

5.2. Attachments to the application

You must provide the following documents with your application:

- copy of the signed loan agreement with the SME
- copy of document(s) relating to security taken (where applicable)
- copy of the SME Declaration that it has not borrowed more than \$5,000,000 in Scheme-Backed Loans

- copy of the SME Declaration that it met relevant eligibility criteria for the loan type (ie JobKeeper, Recent Flood or COVID Scheme-Backed Loan)
- evidence the loan is impaired
- evidence of the loss amount on the loan (at date of Claim Trigger)
- any other information reasonably requested.

Evidence can include:

Evidence Category	Examples of evidence documents
<p>The loan is impaired</p> <p>Consistent with the Scheme Rules, you must apply your usual Lender Policies as consistently applied in recognising an impairment</p>	<ul style="list-style-type: none"> • Final statements, final account statement or balances identifying the loss amount and recognition that the loan is impaired (or being closed off because it is impaired etc) • Correspondence or 'final demand' or 'default' notices sent to the SME regarding the final outstanding loss amount and advising the loan is impaired (or considered to be impaired based on your usual Lender Policies for assessing impairment) • An Australian Financial Complaints Authority decision reflecting any write down or forgiveness of the amount of the Scheme-Backed Loan, indicating the loan is impaired. You must seek consent from the borrower prior to providing this document. If consent cannot be attained, you instead must provide a declaration attesting to the determination amount (which also satisfies indication that the loan is considered impaired, consistent with the Scheme Rules) • Extract of your financial statements/accounts recognising the loss amount in expense statements or bad debts list etc.
<p>The loss amount on the loan</p>	<p>Same as above, with information identifying the loss amount you have incurred (at date of Claim Trigger)</p>
<p>Documents relating to any security taken</p>	<ul style="list-style-type: none"> • Loan schedules with details on the secured asset(s) and security arrangement(s) • Security agreements with details on the secured asset(s) and security arrangement(s) • Other agreements or formal documentation with details on the secured asset(s) and security arrangement(s)

You must attach supporting documentation with your application in line with the instructions provided within the form. You should only attach requested documents. We will not consider information in attachments that we do not request.

6. How we assess

We will check the details you provide, including the SME borrower details, SME loan details and loan amounts against the APRA report entry. Where required, we will liaise with APRA and the Department of the Treasury to check your application response. We will only pay you for a complete, valid and approved application.

If your application is missing information or attachments, or if we identify an error, we will ask you for more information and will ask you to correct or clarify the errors.

We will assess eligibility and, subject to approval of the Program Delegate, will pay you by direct credit into your nominated bank account.

6.1. Who will approve applications?

The Program Delegate (who is a Senior Responsible Officer in the Department of the Treasury) decides which applications to approve, taking into account advice from the Department of Industry, Science, Energy and Resources.

The Program Delegate's decision is final in all matters, including:

- the application (Claim) approval
- if a Claim is disputed under Rule 10.4 of the Scheme
- the application (Claim) guarantee amount to be awarded.

6.2. How we pay you

We pay you by direct credit into your nominated bank account.

7. Compliance activities

We will undertake reviews and sample audits of applications (Claims) to check compliance against the Scheme Rules throughout the life of the Scheme.

We will assess your applications (Claims) by reviewing your responses, attestations, SME Declaration, and other evidence as part of your application. We may liaise with APRA and the Department of the Treasury to check details in your application. If your application is incomplete or incorrect, we will ask you for more information, evidence or clarification. You are obliged to provide it to us in the manner and timeframe requested. If you cannot clarify or provide the information requested in the timeframe requested to the satisfaction of the Commonwealth, we may consider your application is invalid or incomplete and the Program Delegate may reject your application.

The Scheme Rules also permit the Commonwealth to request an audit following reasonable consultation with you. Audit requirements are set out in Rule 6 of the Scheme Rules and must test a reasonable statistical sample of the Scheme-Backed Loans. We will assist the auditors by giving them access to claims and evidence you have previously submitted to us.

8. Reconciliation

At the end of the Scheme, you must submit a final account by 30 March 2034. (Note that you may also be required to submit a second final account to the Commonwealth no later than 30 September 2034. The Commonwealth will advise you if a second final account is required after reviewing the accounts you lodge in 2033-34.) The Commonwealth will arrange for an independent firm to carry out a reconciliation on applications (Claims). The reconciliation would also take into account and net out any recoveries you may have made on the loan following an approved claim. If the reconciliation identifies any errors, or that we have under or overpaid you, we will adjust your payments at the end of the Scheme. For example, under or overpayments may occur where you submit an application (Claim) for an impaired loan, which subsequently recovers, or you make recoveries under the loan. We may request supporting documentation for items such as recoveries closer to the reconciliation process. We will manage any payment adjustments as per the Scheme Rules.

We will provide further information on the reconciliation process as part of the Scheme administration.

9. Conflicts of interest

Any conflicts of interest could affect the performance of the Scheme. There may be a conflict of interest, or perceived conflict of interest, if our staff, the staff of the Department of the Treasury, any member of APRA or advisor and/or you or any of your personnel:

- has a professional, commercial or personal relationship with a party who is able to influence the approval process, such as an Australian Government officer
- as part of your application, we will ask you to declare any perceived or existing conflicts of interests or confirm that, to the best of your knowledge, there is no conflict of interest.

If you later identify an actual, apparent, or perceived conflict of interest, you must inform us in writing immediately.

Conflicts of interest for Australian Government staff are handled by the [Public Service Code of Conduct \(Section 13\(7\)\)¹](#) contained in the *Public Service Act 1999* (Cth).

Committee members and other officials including the decision maker must also declare any conflicts of interest.

We publish our [conflict of interest policy²](#) on the department's website.

10. How we use your information

Unless the information you provide to us is:

- confidential information as per 10.1.1, or
- personal information as per 10.1.3.

We may share the information with other government agencies for a relevant Commonwealth purpose such as:

- to improve the effective administration, monitoring and evaluation of Australian Government programs
- for research.

10.1.1. How we handle your confidential information

We will treat the information you give us as confidential if it meets any of the following conditions:

- you clearly identify the information as confidential and explain why we should treat it as confidential
- the information is commercially sensitive
- disclosing the information would cause unreasonable harm to you or someone else
- you provide the information with an understanding that it will stay confidential.

10.1.2. When we may disclose confidential information

We may disclose confidential information:

¹ <https://www.legislation.gov.au/Details/C2019C00057>

² https://www.industry.gov.au/sites/default/files/July%202018/document/pdf/conflict-of-interest-and-insider-trading-policy.pdf?acsf_files_redirect

- to our Commonwealth employees and contractors, to help us manage the Scheme effectively
- to the Auditor-General, Ombudsman or Privacy Commissioner
- to the responsible Minister or Assistant Minister
- to a House or a Committee of the Australian Parliament.

We may also disclose confidential information if:

- we are required or authorised by law to disclose it
- you agree to the information being disclosed, or
- someone other than us has made the confidential information public.

10.1.3. How we use your personal information

We will treat your personal information according to the Australian Privacy Principles (APPs) and the *Privacy Act 1988* (Cth). This includes letting you know:

- what personal information we collect
- why we collect your personal information
- to whom we give your personal information.

We may give the personal information we collect from you to our employees and contractors, and other Commonwealth employees and contractors, so we can manage the Scheme.

You may read our [Privacy Policy](#)³ on the department's website for more information on:

- what is personal information
- how we collect, use, disclose and store your personal information
- how you can access and correct your personal information.

10.1.4. Freedom of information

All documents in the possession of the Australian Government, including those about the Scheme, are subject to the *Freedom of Information Act 1982* (Cth) (FOI Act).

The purpose of the FOI Act is to give members of the public rights of access to information held by the Australian Government and its entities. Under the FOI Act, members of the public can seek access to documents held by the Australian Government. This right of access is limited only by the exceptions and exemptions necessary to protect essential public interests and private and business affairs of persons in respect of whom the information relates.

If someone requests a document under the FOI Act, we will release it (though we may need to consult with you and/or other parties first) unless it meets one of the exemptions set out in the FOI Act.

11. Enquiries and feedback

For further information or clarification, you can contact us on 13 28 46 or by [web chat](#) or through our [online enquiry form](#) on business.gov.au.

Our [Customer Service Charter](#) is available at business.gov.au. We use customer satisfaction surveys to improve our business operations and service.

³ <https://www.industry.gov.au/data-and-publications/privacy-policy>

If you have a complaint, call us on 13 28 46. We will refer your complaint to the appropriate manager.

If you are not satisfied with the way we handle your complaint, you can contact:

Chief Financial Officer
Corporate and Digital Division
Department of Industry, Science, Energy and Resources
GPO Box 2013
CANBERRA ACT 2601

You can also contact the [Commonwealth Ombudsman](#)⁴ with your complaint (call 1300 362 072). There is no fee for making a complaint, and the Ombudsman may conduct an independent investigation.

12. Definition of key terms

Term	Definition
AFCA	Australian Financial Complaints Authority
APRA	Australian Prudential Regulation Authority
Application form	The online form to make a Claim under the Scheme
Eligible Loan	An Eligible Loan has the meaning given in Rule 3.2 of the Scheme Rules.
Legislative Rules	Means the <i>Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Rules 2020 (Cth)</i> .
Loan guarantee	Government guarantee of up to 80 per cent (2021 Percentage) or 50 per cent (2022 Percentage), of an impaired Scheme-Backed Loan, including outstanding principal and interest, and fees in accordance with the Deed of Guarantee.

⁴ <http://www.ombudsman.gov.au/>

Term	Definition
Participating Lender	<p>Each person who:</p> <p>(a) Is either:</p> <ul style="list-style-type: none"> • an authorised deposit taking institution (ADI) or Non-ADI lender carrying on business in Australia who is either appropriately licensed under all Relevant Laws to engage in the credit activity of providing funding for working capital purposes to SME borrowers in Australia or who is exempt under such Relevant Laws from such licensing requirements; or • in the case of a non-ADI lender, who is approved under a Participating Lender Agreement by the Commonwealth as an eligible lender having regard to the non-ADI Lender Criteria, and <p>(b) has entered into a Participating Lender Agreement.</p>
Personal information	<p>Has the same meaning as in the <i>Privacy Act 1988</i> (Cth) which is:</p> <p>Information or an opinion about an identified individual, or an individual who is reasonably identifiable:</p> <ol style="list-style-type: none"> a. whether the information or opinion is true or not; and b. whether the information or opinion is recorded in a material form or not.
Program Delegate	A Senior Responsible Officer with the Department of the Treasury with responsibility for the Scheme.
Scheme	The SME Recovery Loan Scheme
Scheme Rules	The Australian Government SME Recovery Loan Scheme – Scheme Rules dated 30 April 2021 (as amended by version update dated 16 September 2021 and effective on and from 1 October 2021. Further amended Scheme rules on 15 December 2021 and effective on and from 1 January 2022) as amended from time to time.

Term	Definition
SME	<p>A SME is an entity at a time in a financial year (the current year) if:</p> <ul style="list-style-type: none"> (a) the entity carries on a business in current year, or is a non-profit body during the current year; and (b) one or more of the following applies: <ul style="list-style-type: none"> (i) the entity's annual turnover for the current year is likely to be less than \$250 million (ii) the entity carried on a business in one of the 2 financial years immediately before the current year, and its annual turnover for that year was less than \$250 million (iii) the entity was a non-profit body during one of the 2 financial years immediately before the current year, and its annual turnover in that year was less than \$250 million.