



LuxFLAG Microfinance Label Eligibility Criteria

In order to obtain a LuxFLAG Microfinance Label a fund must comply with the following criteria set by LuxFLAG. The principle conditions are that the MIV must:

1. Have a microfinance portfolio corresponding to at least 50% of the MIV's total assets¹;
2. Have at least 25% of its microfinance portfolio invested in MFIs rated by an independent microfinance rating agency recognised by LuxFLAG or regulated/supervised by competent local authorities subject to review by the LuxFLAG Eligibility Committee.
3. Seek a return on investment;
4. Comply with the following legal and governance criteria:
 - Take the form of a distinct legal entity;
 - Segregate the functions of custody and management of assets;
 - Regularly report and publish audited financial and other information for investors (Minimum annual reporting);
 - Apply the principle of risk diversification².
5. The MIV must be subject to supervision equivalent to that in EU Member States or;
If the MIV itself is not regulated:
 - It must have a Custodian that must be subject to supervision equivalent to that in EU Member States;
 - If applicable, its Manager must be subject to supervision equivalent to that in EU Member States.
6. The MIV must duly complete the "social performance" questionnaire sent with the application documents.

LuxFLAG reserves the right to independently assess and evaluate compliance with the above mentioned criteria.

¹ LuxFLAG's Board of Directors may permit allowance to be made in this calculation (a) under certain exceptional circumstances (including, but not limited to market constraints, portfolio or capital reorganizations,...), for balances of cash or cash equivalents which are temporarily unusually high and (b) for central bank deposits required to be made by investee entities, whose ability to on lend the full amount invested by the applicant is thereby restricted. In both cases, the applicant must duly justify the application of the allowance to the calculation.

² This criterion does not apply to entities specialised in risk capital