(b) 40 % of the risk finance investment provided to the eligible undertakings referred to in paragraph 3 point (b);

(c) 60 % of the risk finance investment provided to the eligible undertakings referred to in paragraph 3, point (c) and for follow-on risk finance investment in eligible undertakings after the eligibility period referred to in paragraph 3, point (b).

Finance provided by independent private investors benefitting from risk finance aid in the form of tax incentives in accordance with Article 21a shall not be taken into account for the purposes of reaching the aggregate private participation rates set out in the first subparagraph.

The private participation rates mentioned in the first subparagraph, points (b) and (c), shall be reduced to 20 % under point (b) and 30 % under point (c) for investments that are either: made in assisted areas designated in an approved regional aid map in force at the time of provision of the risk finance investment in application of Article 107(3), point (a), of the Treaty; or that receive support on the basis of the Member State's recovery and resilience plan as approved by the Council of the European Union; or receive support from the European Defence Fund in accordance with Regulation (EU) 2021/697 or under the Union Space Programme in accordance with Regulation (EU) 2021/696 of the European Parliament and of the Council;* or that receive support from Union funds implemented under shared management covered by Regulation (EU) 1303/2013, Regulation (EU) 2021/1060 or Regulation (EU) 2021/2115 of the European Parliament and of the Council**.

13. Where a risk finance measure is implemented through a financial intermediary targeting eligible undertakings at different development stages as referred to in paragraphs 3 and 4, the financial intermediary shall achieve a private participation rate that represents at least the weighted average based on the volume of the individual investments in the underlying portfolio and resulting from the application of the minimum participation rates to such investments as referred to in paragraph 12, unless the required participation from independent private investors is achieved at the level of the eligible undertakings.

14. Financial intermediaries and fund managers shall be selected through an open, transparent and non-discriminatory procedure in accordance with applicable Union and national laws. Member States may require that eligible financial intermediaries and fund managers fulfil predefined criteria objectively justified by the nature of the investments. The procedure shall be based on objective criteria linked to experience, expertise and operational and financial capacity, and shall comply with the following cumulative conditions:

(a) it shall ensure that eligible financial intermediaries and fund managers are established in accordance with the applicable laws;

(b) it shall not discriminate between financial intermediaries and fund managers on the basis of their place of establishment or incorporation in any Member State;

(c) it shall aim at establishing adequate risk-reward sharing arrangements as referred to in paragraph 10, and profit-driven decisions as referred to in paragraph 15.

15. Risk finance measures shall ensure that the financial intermediaries receiving the public contribution take profit-driven decisions when providing eligible undertakings with risk finance investments. This obligation is met where the following cumulative conditions are fulfilled:

(a) the Member State, or the entity entrusted with the implementation of the measure, shall provide for a due diligence process in order to ensure a commercially sound investment strategy for the purpose of implementing the risk finance measure, including an appropriate risk diversification policy aimed at achieving economic viability and efficient scale in terms of size and territorial scope of the relevant portfolio of investments;

(b) risk finance investments provided to the eligible undertakings shall be based on a viable business plan, containing details of product, sales and profitability development, establishing *ex ante* financial viability;

(c) a clear and realistic exit strategy shall exist for each equity and quasi-equity investment.

16. Financial intermediaries shall be managed on a commercial basis. This requirement is met where the financial intermediary and, depending on the type of risk finance measure, the fund manager, fulfil the following cumulative conditions:

(a) they shall be obliged by law or contract to act in accordance with best practices and with the diligence of a professional manager acting in good faith and avoiding conflicts of interest; regulatory supervision shall apply, where relevant;

(b) their remuneration shall conform to market practices. This requirement is presumed to be met as long as they are selected through an open, transparent and non-discriminatory selection procedure in accordance with in paragraph 14;

(c) they shall share part of the investment risks by either co-investing their own resources or receiving a remuneration linked to performance, so as to ensure that their interests are permanently aligned with the interests of the Member State or its entrusted entity;

(d) they shall set out an investment strategy, criteria and the proposed timing of investments;

(e) investors shall be allowed to be represented in the governance bodies of the investment fund, such as the supervisory board or the advisory committee, if any.

17. In a risk finance measure where risk finance investment is provided to eligible undertakings in the form of guarantees, loans or quasi-equity investments structured as debt, the financial intermediary shall undertake risk finance investments into eligible undertakings that would not have been carried out or would have been carried out in a restricted or different manner without the aid. The financial intermediary shall be able to demonstrate that it operates a mechanism that ensures that all the advantages are passed on to the largest extent to the eligible undertakings in the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates.

18. Risk finance measures providing risk finance investments for SMEs that do not fulfil the conditions laid down in paragraph 3 shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the following cumulative conditions are fulfilled:

(a) at the level of the SMEs, the aid fulfils the conditions laid down in Commission Regulation (EU) No 1407/2013***, Commission Regulation (EU) No 1408/2013**** or Commission Regulation (EU) No 717/2014*****, whichever is applicable;