

## **Improving Access to Non-Bank Debt - Industry Taskforce Terms of Reference**

“Government will...establish an industry working group, to explore how to further develop access to non-bank lending channels, including forms of bond issuance, for SME and mid-sized businesses. The group will be led by the Department for Business, Innovation and Skills and will report by Budget 2012.”

Autumn Statement, Nov 2011

### **Objective**

To examine structural and behavioural barriers to the development of alternative debt markets in the UK, building on recent work on this subject, and to make evidence-based recommendations to Government ahead of Budget 2012 on practical measures to facilitate the development of these markets.

### **Scope**

The review will focus on alternatives to ‘traditional’ bank lending. The Group may consider availability of all forms of debt and credit to businesses that are not senior bank lending. The review should include direct debt issuance by firms in both public and private markets, but may cover other forms of debt such as asset finance, factoring, invoice discounting, or peer-to-peer lending and ‘crowd-funding’. The provision of equity finance is not in scope of this review, except to the extent that availability of equity finance impacts on the development of debt markets.

The Group should focus on those businesses that do not achieve the scale necessary to access UK and international public capital markets. Within this, the Group will want to prioritise those businesses that would benefit most from diversifying their external finance structure.

### **Activities**

#### **The working group should:**

- Assess the current role of non-bank debt in UK businesses’ current capital structures. Assess whether lack of diversity in their current capital structure impacts on their growth or risk.
- Examine demand for raising external finance through non-bank debt channels, for both working capital and investment, and the relative attractiveness of other finance products.
- Assess the supply of funds for debt finance and the channels through which non-bank debt is currently provided. This can include public and private debt markets.

- Explore innovations in debt finance in the UK and other comparable countries. Examine the potential for new and innovative debt products for UK businesses and any potential barriers to take-up.

The Government has separately announced that it will establish a Business Finance Partnership (BFP) to invest in mid-sized businesses and SMEs in the UK. The BFP will make available an initial £1bn to develop non-bank lending channels. The working group will focus on structural issues so will complement the BFP, but will not take investment decisions, which are a matter for the Chancellor.

The working group will be supported by officials in the Department for Business, Innovation and Skills and HM Treasury. Group members are expected to meet at least monthly leading up to Budget 2012. The Chair of the working group will be invited to report progress regularly to BIS Ministers.

### **Members**

Members of the working group will be appointed at the invitation of the Secretary of State, Department for Business, Innovation and Skills. The roles will be non-remunerated. Membership will be drawn from various market participants including businesses, the investor community and corporate finance practitioners. The Group may invite additional experts to attend meetings where their input would be helpful.

The Group will be chaired by Tim Breedon, Chief Executive of Legal & General Group plc. Further members will be appointed in consultation with the Chair.