



Department
for Business
Innovation & Skills

**BUILDING THE BRITISH
BUSINESS BANK: INVESTMENT
PROGRAMME**

**Information Session for
Prospective Applicants**

*April - May 2013
(As Revised August 2014)*

AGENDA

1. BUSINESS BANK INITIATIVE
2. INVESTMENT PROGRAMME
3. OBJECTIVES
4. INVESTMENT CRITERIA
5. INVESTMENT CHANNELS
6. YOUR NEXT STEPS
7. SUMMARY AND Q&A



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1. Business Bank Initiative

- **Business bank initiative announced at 2012 Autumn Statement**
 - new institution to address access to finance issues for UK SMEs
 - brings together £1bn of new Government capital and £2.9bn of existing capital
- **Expect to be fully operational by H2 2014**
 - however being set up in stages to enable quick support to be available to businesses
- **Business bank will not directly lend to or invest in businesses**
 - it will work with the private sector and increase capacity of different channels of finance



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2. Investment Programme

- **Launched on 10 April 2013**
- **Initially a £300 million co-investment initiative; extended to £400 million and reopened for applications on 6 August 2014**
- **First new phase of the business bank programme**
- **Managed by the Department for Business Innovation and Skills**
- **Builds on the “BFP” – and now a rolling programme**
- **Promotes diversity of supply of lending to SMEs**
 - encourages new entrants to SME finance markets
 - supports the growth of smaller lenders in SME finance markets



2. Investment Programme (cont'd)

- **Investment in a wide range of investment types**
 - equity, equity-like and debt instruments in financial institutions
 - direct lending debt funds or asset backed lenders
 - non-bank channels (e.g. supply chain, P2P, other platforms)
- **Open and fair process**
 - high quality thresholds will apply
 - bids can be submitted at any time while the Programme remains open (subject to the allocation of the £400 million funds)
 - strong appetite to deploy funds in a timely but responsible manner so early applications are encouraged
 - preference for lending activity to commence by the end of 2014



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3. Objectives

- **Diversification:**

“Support the development of diverse debt finance markets available to SMEs”

- **Leverage:**

“Mobilise additional funding from private sector sources in order to support lending to SMEs”

- **Effective Deployment:**

“Channel finance to SMEs in an effective, appropriate and responsible manner”

- **Additionality:**

“Expand the aggregate amount and / or types of debt funding available to SMEs”



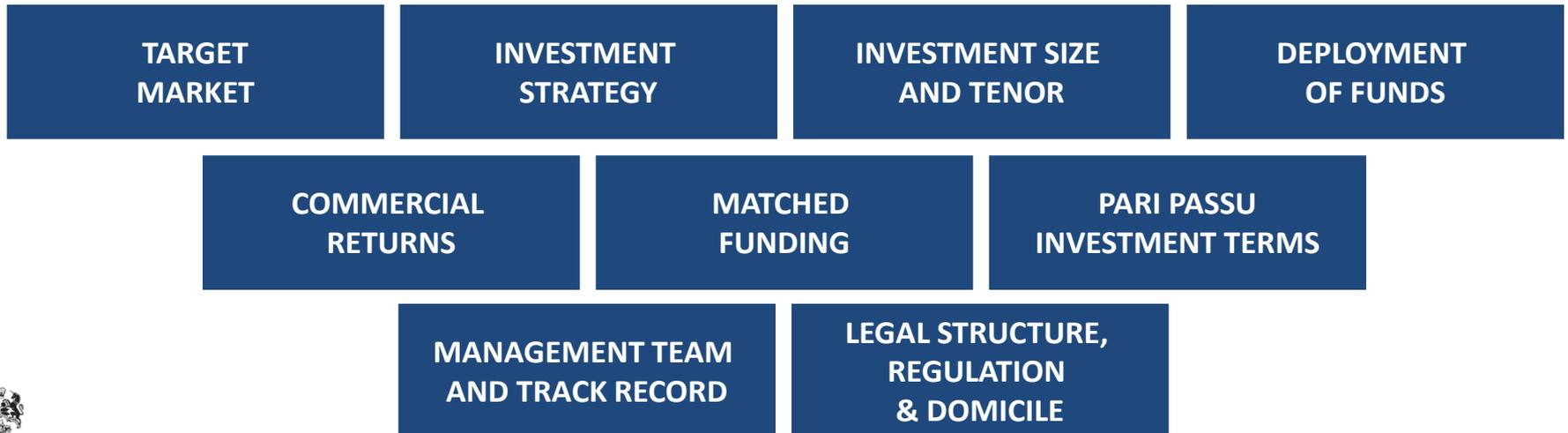
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4. Investment Criteria

- **9 key criteria against which bids will be assessed**
 - minimum requirements for bids to be compliant
 - additional preferences expressed in certain instances
- **Focus on delivering objectives of diversification, leverage, effective deployment and additionality**



4. Investment Criteria (cont'd)

TARGET MARKET

- Viable UK SMEs with t/o <£100m
- Preference for t/o <£25m
- Keen to understand sector / location spread

INVESTMENT STRATEGY

- Must be focused on debt finance
- Favourable if a “new” solution (e.g. new to market or new to lenders)

INVESTMENT SIZE AND TENOR

- Open to requests for £10m to £100m, with focus on £30m to £50m
- Investment tenor of <10 years



4. Investment Criteria (cont'd)

DEPLOYMENT OF FUNDS

- Deploy funds within 3 years of commitment
- Ability to lend quickly to benefit SMEs
- Require evidence of origination capability

COMMERCIAL RETURNS

- Must generate commercial return that meets needs of private sector investors
- Favourable if reduces SME cost-to-borrow

MATCH FUNDING

- Maximum commitment of 50% investment requirement - less is preferable
- Require evidence of fundraising capability



4. Investment Criteria (cont'd)

PARI PASSU INVESTMENT TERMS

- Must invest on no worse terms than private sector investors
- Fees should be in line with market rates

MANAGEMENT TEAM AND TRACK RECORD

- Must have breadth and depth to execute investment strategy
- Successful and relevant track record

LEGAL STRUCTURE, REGULATION & DOMICILE

- Transparent and appropriate investment, regulatory and tax structures (e.g. EU tax domiciled)
- High level of ethical standards



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5. Investment Channels

- **Funds will be allocated to two different types of proposal**
 - reflects differences in bid characteristics
 - applicants required to apply through one or other channel
 - no set allocation of the £400m funds between channels

MANAGED INVESTMENTS

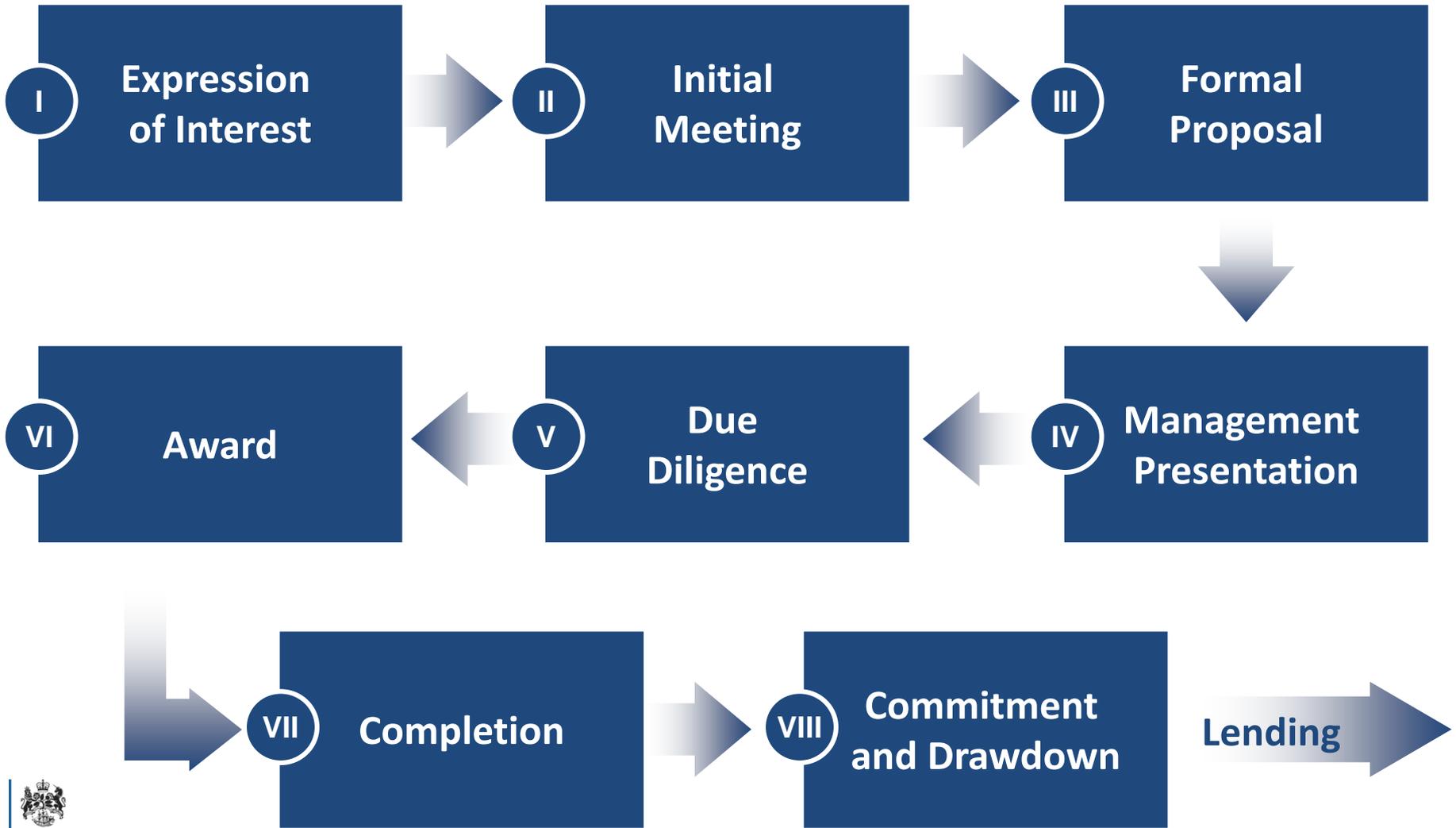
- Co-investment alongside private sector investors
- Managed funds, or other managed lending vehicles
- Direct onward lending to SMEs

DIRECT CAPITAL INVESTMENTS

- Co-investment alongside private sector investors
- Investments in equity or debt in lending businesses
- Investments used to increase lending activity



5. Investment Channels – Assessment Process



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6. Your Next Steps

- **Review Investment Programme website and application documentation for additional detail**
 - Request for Proposals for Managed Investments
 - Guidance Document for Direct Capital Investments
- **Engage with the Investment Programme team**
 - submit Expression of Interest outlining details of your bid
 - submit general questions with responses published online
 - submit specific questions with responses direct to applicants
- **Progress through assessment process or reject, review, revise and resubmit**



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7. Summary and Q&A

- **£400 million co-investment initiative to promote diversity of supply of lending to SMEs**
 - open and fair “first come, first served” competition
- **Seeking to deliver diversification, leverage, effective deployment and additionality**
 - achieved through 9 clearly defined assessment criteria
- **2 different investment channels – Managed Investments and Direct Capital Investments**
 - bids welcomed for diverse range of investment types
- **Programme is open for bids subject to the commitment of the £400 million funding currently allocated to the Programme**
 - appetite to commit funds quickly



7. Summary and Q&A (cont'd)

ANY QUESTIONS?

Visit us online for further information

<https://www.gov.uk/investment-programme-to-encourage-lending-to-smes>

Or contact us at

investmentprogramme.enquiries@bis.gsi.gov.uk

