



General Conditions

1. Title

The English Aid for access to finance for SMEs State Aid Scheme (the “Scheme”)

2. Member State

United Kingdom

3. Regions

East Midlands;
Eastern;
London;
North East;
North West;
South East;
South West;
West Midlands; and
Yorkshire and the Humber

4. Organisations permitted to award aid under the Scheme

The Department for Communities and Local Government

5. Legal Basis

Aid under the Scheme may be awarded in accordance with the relevant terms and conditions of the General Block Exemption Regulation 2014-2020 (“GBER”). Each award must comply with the General Conditions of the Scheme and the relevant Specific Condition(s).

6. UK legal authority to award aid

The Department for Communities and Local Government is authorised to award aid under domestic law, including:

- The European Communities Act 1972;
- The Local Government, Planning and Land Act 1980;
- The Leasehold Reform, Housing and Urban Development Act 1993;
- The Local Government Act 2000;
- The Public Contracts Regulations SI 2006 No 5;
- The Local Government Act 2007;
- The Housing and Regeneration Act 2008; and
- The European Communities (Finance) Act 2008

7. Duration

From 1.7.2014 to 31.12.2020

8. Forms of aid

Awards under the Scheme may take the form of

- Grants;

- Loans below the reference rate; and
- Repayable advances.

9. Incentive Effect

All awards under the Scheme must demonstrate the 'incentive effect' in accordance with the requirements of the GBER.

This may involve the submission of documents to the funder prior to the award of funding.

10. Reporting

All awards are conditional upon the recipient providing suitable information to meet GBER reporting requirements set out in the GBER.

11. Cumulation

Aid awarded under the Scheme may only be cumulated with other awards of State Aid where these relate to different eligible costs.

12. Budget

In any calendar year the Scheme shall not be used to provide awards which cumulatively exceed €125 million (around £99m). This sum is provided for State Aid purposes only and does not reflect a committed government budget.

13. Funding

The awards of aid provided under the Scheme may come from EU structural funds and state funds.

All awards of funding must identify the relevant regulation used to award funding, these are listed under specific conditions.

14. Primacy

In the event that any part of this scheme is inconsistent with the GBER, the provisions of GBER shall prevail.

15. Contact

Questions about this scheme should be directed to the State Aid Policy Network, c/o ERDF Policy Unit, The Department for Communities and Local Government, Fry Building, 2 Marsham Street, London, SW1P 4DF.

Specific Conditions

1. Name

Risk finance aid

2. Eligible undertakings

The risk finance aid may also cover follow-on investments made in eligible undertakings, including after the 7 year period mentioned in point 5(b), if the following cumulative conditions are fulfilled:-

- (a) The total amount of risk finance mentioned in point 9 is not exceeded;
- (b) The possibility of follow-on investments was foreseen in the original business plan;
- (c) The undertaking receiving follow-on investments has not become linked, within the meaning of Article 3(3) of Annex I with another undertaking other than the financial intermediary or the independent private investor providing risk finance under the measure, unless the new entity fulfils the conditions of the SME definition.

3. Aid intensity

Aid Measure	Maximum % aid intensity levels for:			Notification thresholds (€)
	Large Enterprises	Medium Enterprises	Small Enterprises	
<u>GBER Article 21:</u> Risk finance aid and <u>GBER Article 4</u>	Not applicable.	40% – 90% subject to form of investment (see GBER Article 21, point 10).	40% – 90% subject to form of investment (see GBER Article 21, point 10).	€15 million per eligible undertaking under any risk finance measure.

4. Excluded undertakings

See GBER Article 1.

5. Other conditions

Aid Measure	Condition
<u>GBER Article 21, point 2</u>	At the level of financial intermediaries, risk finance aid to independent private investors may take one of the following forms: (a) equity or quasi-equity, or financial endowment to provide risk finance investments directly or indirectly to eligible undertakings; (b) loans to provide risk finance investments directly or indirectly to eligible undertakings; (c) guarantees to cover losses from risk finance investments directly or indirectly to eligible undertakings.
<u>GBER Article 21, point 3</u>	At the level of independent private investors, risk finance aid may take the forms mentioned in point 2 of GBER Article 21, or be in the form of tax incentives to private investors who are natural persons providing risk finance directly or indirectly to eligible undertakings.

<u>GBER Article 21, point 4</u>	At the level of eligible undertakings, risk finance aid may take the form of equity, quasi-equity investments, loans, guarantees, or a mix thereof.
<u>GBER Article 21, point 6</u>	The risk finance aid may also cover follow-on investments made in eligible undertakings, including after the 7 year period mentioned in point 5(b), if the following cumulative conditions are fulfilled: (a) the total amount of risk finance mentioned in point 9 is not exceeded; (b) the possibility of follow-on investments was foreseen in the original business plan; (c) the undertaking receiving follow-on investments has not become linked, within the meaning of Article 3(3) of Annex I with another undertaking other than the financial intermediary or the independent private investor providing risk finance under the measure, unless the new entity fulfils the conditions of the SME definition.
<u>GBER Article 21, point 7</u>	For equity and quasi-equity investments in eligible undertakings, a risk finance measure may provide support for replacement capital only if the latter is combined with new capital representing at least 50 % of each investment round into the eligible undertakings.
<u>GBER Article 21, point 8</u>	For equity and quasi-equity investments as referred to in point 2(a), no more than 30 % of the financial intermediary's aggregate capital contributions and uncalled committed capital may be used for liquidity management purposes.
<u>GBER Article 21, point 9</u>	The total amount of risk finance referred to in point 4 shall not exceed EUR 15 million per eligible undertaking under any risk finance measure.
<u>GBER Article 21, point 11</u>	Where a risk finance measure is implemented through a financial intermediary targeting eligible undertakings at different development stages as referred to in point 10 and does not provide for private capital participation at the level of the eligible undertakings 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 point 10.
<u>GBER Article 21, point 12</u>	A risk finance measure shall not discriminate between financial intermediaries on the basis of their place of establishment or incorporation in any Member State. Financial intermediaries may be required to fulfil predefined criteria objectively justified by the nature of the investments.
<u>GBER Article 21, point 13</u>	A risk finance measure shall fulfil the following conditions: (a) it shall be implemented via one or more financial intermediaries, except for tax incentives to private investors in respect of their direct investments into eligible undertakings; (b) financial intermediaries, as well as investors or fund managers shall be selected through an open, transparent and non-discriminatory call which is made in accordance with applicable Union and national laws and aimed at establishing appropriate risk-reward sharing arrangements whereby, for investments other than guarantees, asymmetric profit sharing shall be given preference over downside protection; (c) in the case of asymmetric loss-sharing between public and private investors, the first loss assumed by the public investor shall be capped at 25 % of the total investment; (d) in the case of guarantees falling under point 2(c), the guarantee rate shall be limited to 80 % and total losses assumed by a Member State shall be capped at a maximum of 25 % of the underlying guaranteed portfolio. Only guarantees covering expected losses of the underlying guaranteed portfolio can be provided for free. If a guarantee also comprises coverage of unexpected losses, the financial intermediary shall pay, for the part of the guarantee covering unexpected losses, a market-

	conform guarantee premium.
<u>GBER Article 21, point 14</u>	<p>Risk finance measures shall ensure profit-driven financing decisions. This is considered to be the case where all of the following conditions are fulfilled:</p> <p>(a) financial intermediaries shall be established according to the applicable laws;</p> <p>(b) 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;</p> <p>(c) risk finance 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;</p> <p>(d) a clear and realistic exit strategy shall exist for each equity and quasi-equity investment.</p>
<u>GBER Article 21, point 15</u>	<p>Financial intermediaries shall be managed on a commercial basis. This requirement is considered to be fulfilled where the financial intermediary and, depending on the type of risk finance measure, the fund manager, fulfil the following conditions:</p> <p>(a) they shall be obliged by law or contract to act with the diligence of a professional manager in good faith and avoiding conflicts of interest; best practices and regulatory supervision shall apply;</p> <p>(b) their remuneration shall conform to market practices. This requirement is presumed to be met where the manager or the financial intermediary is selected through an open, transparent and non-discriminatory selection call, based on objective criteria linked to experience, expertise and operational and financial capacity;</p> <p>(c) they shall receive a remuneration linked to performance, or shall share part of the investment risks by co-investing own resources so as to ensure that their interests are permanently aligned with the interests of the public investor;</p> <p>(d) they shall set out an investment strategy, criteria and the proposed timing of investments;</p> <p>(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.</p>
<u>GBER Article 21, point 16</u>	<p>A risk finance measure providing guarantees or loans to eligible undertakings, shall fulfil the following conditions:</p> <p>(a) as a result of the measure, the financial intermediary shall undertake investments 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 final beneficiaries in the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates;</p> <p>(b) in the case of loans, the nominal amount of the loan is taken into account in calculating the maximum investment amount for the purposes of point 9;</p> <p>(c) in the case of guarantees, the nominal amount of the underlying loan is taken into account in calculating the maximum investment amount for the purposes of point 9. The guarantee shall not exceed 80 % of the underlying loan.</p>
<u>GBER Article 21, point 17</u>	A Member State may assign the implementation of a risk finance measure to an entrusted entity.
<u>GBER Article 21, point 18</u>	Risk finance aid for SMEs that do not fulfil the conditions laid down in point 5 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:

	<p>(a) at the level of the SMEs, the aid fulfils the conditions laid down in Regulation (EU) No 1407/2013; and</p> <p>(b) all the conditions laid down in the present Article, with the exception of those set out in points 5, 6, 9, 10, and 11, are fulfilled; and</p> <p>(c) for risk finance measures providing equity, quasi-equity or loan investments to eligible undertakings, the measure shall leverage additional financing from independent private investors at the level of the financial intermediaries or the SMEs, so as to achieve an aggregate private participation rate reaching at least 60 % of the risk finance provided to the SMEs.</p>
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Specific Conditions

1. Name

Aid for start ups

2. Eligible undertakings

Eligible undertakings shall be unlisted enterprises up to five years following their registration, which have not yet distributed profits and have not been formed through a merger. For eligible undertakings that are not subject to registration the five years eligibility period may be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.

3. Aid intensity

Aid Measure	Maximum % aid intensity levels for:			Notification thresholds (€)
	Large Enterprises	Medium Enterprises	Small Enterprises	
<u>GBER Article 22:</u> Aid for Start Ups <u>and GBER Article 4</u>	Not applicable.	Loans up to €1m, or €1.5m in Art 107(3)(c) areas or €2m in Art 107(3)(a) areas; guarantees up to €1.5m or €2.25m in Art 107(3)(c) areas or €3m in Art 107(3)(a) areas; grants up to €0.4m, or €0.6m in Art 107(3)(c) areas or €0.8m in Art 107(3)(a) areas	For small and innovative enterprises, the maximum amounts on the left may be doubled.	See thresholds on the left.

4. Excluded undertakings

See GBER Article 1.

5. Other conditions

Aid Measure	Condition
<u>GBER Article 23, point 4</u>	A beneficiary can receive support through a mix of the aid instruments referred to in point 3 of GBER Article 23, provided that the proportion of the amount granted through one aid instrument, calculated on the basis of the maximum aid amount allowed for that instrument, is taken into account in order to determine the residual proportion of the maximum aid amount allowed for the other instruments forming part of such a mixed instrument.

Specific Conditions

1. Name

Aid to alternative trading platforms specialised in SMEs

2. Eligible undertakings

Where the platform operator is a small enterprise, the aid measure may take the form of start-up aid to the platform operator, in which case the conditions laid down in GBER Article 22 shall apply.

The aid measure may take the form of tax incentives to independent private investors that are natural persons in respect of their risk finance investments made through an alternative trading platform into undertakings eligible under the conditions laid down in GBER Article 21.

3. Aid intensity

Aid Measure	Maximum % aid intensity levels for:			Notification thresholds (€)
	Large Enterprises	Medium Enterprises	Small Enterprises	
<u>GBER Article 23:</u> Aid to alternative trading platforms specialised in SMEs and <u>GBER Article 4</u>	Not applicable	See relevant % above.	See relevant % above.	See relevant threshold above.

4. Excluded undertakings

See GBER Article 1.

5. Other conditions

None.

Specific Conditions

1. Name

Aid for scouting costs

2. Eligible costs

The eligible costs shall be the costs for initial screening and formal due diligence undertaken by managers of financial intermediaries or investors to identify eligible undertakings pursuant to GBER Articles 20 and 21.

3. Aid intensity

Aid Measure	Maximum % aid intensity levels for:			Notification thresholds (€)
	Large Enterprises	Medium Enterprises	Small Enterprises	
<u>GBER Article 24:</u> Aid for scouting costs and <u>GBER Article 4</u>	Not applicable.	50% of the eligible costs.	50% of the eligible costs.	None.

4. Excluded undertakings

See GBER Article 1.

5. Other conditions

None.