

Enterprise Finance Guarantee

An Opportunity for Lending Institutions to Partner with the British
Business Bank

3rd April 2019



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1. Introduction

1.1 *The British Business Bank*

The British Business Bank (“**BBB**”) is an economic development bank which is 100% owned and funded by the UK Government. Established on 1 November 2014, the BBB’s overarching objective is to change the structure of the finance markets for smaller businesses in the UK, so that they work more effectively and more dynamically and can help smaller businesses achieve their potential.

The BBB has six key objectives:

- increase the supply of finance available to smaller businesses where markets don’t work well
- create a more diverse and vibrant finance market for smaller businesses, with a greater choice of options and providers
- build confidence in the market by increasing smaller businesses’ understanding of the options available to them
- reduce imbalances in access to finance for smaller businesses across the UK, including identifying gaps
- to be a centre of expertise on smaller business finance for Government
- achieve this whilst managing taxpayer resources efficiently and within a robust risk management framework.

BBB works with more than 100 commercial partners who deliver services and products to smaller businesses with its support. This indirect operating model means BBB works with finance providers in the market rather than competing against them. BBB programmes cover equity and debt finance markets for smaller businesses and range from providing start-up capital, to growth capital to well-established firms in order to help fill finance gaps.

BBB manages the Enterprise Finance Guarantee programme (“**EFG**”) on behalf of the Secretary of State for the Department for Business Energy and Industrial Strategy (“**BEIS**”) through its subsidiary British Business Financial Services Ltd.

1.2 EFG

1.2.1 The Opportunity for New Lenders to Join EFG as Accredited Lenders

In accordance with its objectives of increasing the supply of finance to smaller businesses and creating a more diverse and vibrant finance market in which there is a greater choice of options and providers, BBB wishes to expand the number and range of partner organisations using EFG to generate additional lending for smaller businesses.

The EFG lender accreditation process opened on 21st June 2016 and finance providers active in secured smaller business lending are invited to apply, as detailed further in Sections 3 and 4 below. This RFP was updated with minor modifications on 3rd April 2019

1.2.2 Background on EFG

The EFG programme was introduced by the UK government in 2009 in response to the financial crisis which was prevailing at the time. Since its launch, EFG has supported the provision of more than £3.2bn of finance to more than 30,000 smaller businesses in the UK. It is the UK Government's principal loan guarantee scheme focused on improving access to finance for those Small Medium Enterprises ("SMEs") with inadequate security to support a commercial transaction.

Currently, EFG supports £200m-£300m of finance per annum, delivered to the market via more than 40 lending partners. These lending partners include all the main high street banks, smaller specialist lenders, asset finance providers, invoice finance providers and community lenders. BBB is looking to facilitate greater levels of EFG-supported finance to smaller businesses across a greater range of debt finance lenders.

In summer 2015, BBB undertook a review of EFG and engaged with borrowers, existing EFG lenders, non-EFG lenders and other stakeholders to assess whether EFG was still meeting its strategic objectives and whether, operationally, any improvements could be made. In April 2016, the review findings were published. In summary, the review found that EFG is still very much valued by both customers and lending partners and that strategically, it is enabling smaller businesses with a sound borrowing proposal but inadequate security to access finance they would not otherwise be able to get; but that some operational "tweaks" could however be made to further improve the lender's experience of using the programme; further marketing of the programme should be undertaken to increase borrower awareness of its benefits; and more lenders should be invited to join the programme as accredited partners. Peer to Peer Intermediaries are however excluded from the scope of EFG.¹

¹ Peer to Peer Intermediaries are entities providing a platform which pairs borrowers and individual lenders.

2. How can EFG be used by Accredited Lenders?

EFG is a risk-sharing partnership between Government, lender and the SME borrower, to enable lending which would not otherwise be possible. It can be used where the SME has a viable borrowing proposition, that can reasonably be expected to be serviced and repaid; which a lender is willing to support but for the inadequacy of security. The assessment should be made according to the lender's credit and security assessment policies. EFG provides the security the borrower is unable to provide for itself and helps turn a 'no' credit decision by the lender into a 'yes'.

EFG thus enables lenders to be more responsive to the borrowing requirements of smaller businesses, which, in turn, allows smaller businesses to fulfil their growth ambitions. This in turn helps generate a positive contribution to the UK economy.

EFG is versatile and can be used to support a wide range of debt products - term loans, invoice finance facilities, asset finance facilities and overdrafts (committed and uncommitted) are all within the scope of EFG.

BBB aims to keep the operation of EFG as straightforward as possible for participating lenders. All of the commercial decision-making rests with the lender in exactly the same way as for any other commercial transaction, subject to having verified the transaction and borrower's eligibility for EFG using a bespoke web portal provided by BBB.

In keeping with that delegation of decision-making, no borrower has an automatic entitlement to receive an EFG-backed facility. Differences in lending appetite and market positioning between lenders can justifiably mean that the same borrowing proposal may receive a different response from different accredited lenders.

EFG operates under European Union *de Minimis* State aid rules.

2.1 Key Terms

2.1.1 Smaller Business Eligibility

- SMEs carrying on business in the UK with turnover of up to £41 million
- Most industrial sectors are eligible²

² Some activities/sectors are excluded for State aid reasons – these include export related activities, providing finance, the formal education sector, providing insurance and others, as set out in the legal agreement which the lender will sign as part of the accreditation process.

- Must not be in financial distress
- Must be viable (assessed according to the lender's normal commercial practice) but have inadequate security to meet lender's normal security requirements
- Must not have exhausted State aid limits.

2.1.2 Eligible Debt Instruments

- EFG can be used to facilitate new lending and to a limited extent, to refinance existing debt (refinancing is limited to a maximum 20% of a lender's annual portfolio of EFG-supported lending).
- EFG can be used to support term loans, overdrafts and asset and invoice finance facilities.
- EFG-supported facilities can range between £1,000 and £1.2 million, though facilities of £600,000 or higher are restricted to a maximum loan term of five years.
- Facility terms can range between three months and ten years, with a three year limit for overdrafts and invoice finance.
- Terms and pricing are commercial matters for each lender but in all cases the borrower pays a 2% annual guarantee fee to the Secretary of State for Business Energy and Industrial Strategy as a contribution towards the cost of providing the guarantee.

2.1.3 Terms between the Accredited EFG Lender and BBB

The key terms and conditions relevant to lenders encompass the following:

- The EFG guarantee is to the Lender, not the Borrower. For asset finance, the EFG guarantee can be applied to the whole of the proposed asset finance transaction or to part of the proposed transaction.
- BBB provides each lender with an annual lending limit for EFG transactions. Lenders cannot exceed this annual lending limit without agreement in writing from BBB.
- Decision-making on borrower eligibility is fully devolved to the lender. An accredited lender must follow its normal commercial lending practices when assessing borrower viability and

adequacy of security – no greater or lesser rigour should be applied to an EFG-supported transaction than for a normal commercial transaction.

- The lender records all eligible transactions on the EFG web portal. The EFG web portal records details of EFG-supported facilities through all stages of the facility life cycle, including claims against the guarantee. Lenders must use the web portal provided by BBB to enter and update EFG facility details in a timely and accurate manner in accordance with the guidance issued.
- In the event of a borrower defaulting, the lender may claim up to 75% of the outstanding principal (net of any recoveries) from the Guarantor while bearing the remaining 25% of the loss, subject to not exceeding an annual portfolio claim limit.
- Any recoveries made by the lender after making a claim on the guarantee must be repaid on a 75%/25% basis.
- This annual portfolio claim limit caps guarantee claims at a maximum of 20% gross (15% net) of annual lending. Low volume lenders (lenders with an annual lending limit of no more than £2m) currently benefit from arrangements to address the possibility of portfolio concentration, which has the effect of providing a more generous cap.
- Lenders must ensure relevant customer-facing and back office staff in their organisation (e.g. Relationship Managers, Credit Sanctioners etc.) and any intermediaries, are trained to appropriately apply and administer EFG, and that they manage their internal communication so that all relevant staff receive and understand the information relevant to them.
- Lenders must work with BBB on joint promotions, accurately convey scheme terms and conditions on all marketing materials and assemble case studies for EFG use, in order to market the EFG programme appropriately.
- Lenders undergo periodic audit, in which samples of transactions will be analysed to check that scheme eligibility rules and processes have been followed.
- BBB provides training, communications and guidance materials for lenders, both initially following accreditation and intermittently as refresher training where needed.
- All accredited scheme lenders are required to enter into a standard form EFG legal agreement, and BBB provides lenders with guidance materials.
- BBB arranges for the quarterly collection of guarantee fees from borrowers via direct debit. Where collection failures occur, lenders are required to assist in the process of rectifying collection errors. Collection failures are typically very low, around 1% of all quarterly collections attempted.

- BBB has a dedicated EFG team available to answer queries from lenders and provide guidance as required.
- BBB holds periodic meetings with lenders, both bilaterally and collectively as appropriate, to discuss scheme performance, best practices and any issues.

3. The Accreditation Process for Prospective New Lenders

3.1 Introduction

BBB acts as an agent for the Secretary of State for BEIS under delegated authority. Ultimately, the legal documentation will be entered with BEIS. BBB welcomes proposals from any applicant able to meet the requirements stipulated in Section 4 of this document.

All applicants are expected to conform to a 4-stage accreditation process, as detailed below.

- **Expression of Interest:** short submission (please refer to Annex 1) outlining in brief how the applicant meets the requirements for lenders participating in the EFG programme.
- **Formal Proposal:** detailed submission, providing detailed information on the applicant's organisation and its intended use of EFG.
- **Due Diligence and Accreditation Award (subject to satisfaction of conditions precedent):** due diligence will look at the applicant's business, governance, risk management and compliance frameworks. If requirements are satisfied, the lender will be offered accreditation in principle, subject to fulfilling a number of further conditions.
- **Completion:** The lender needs to sign the EFG legal agreement and have satisfied conditions precedent, including training staff and audit checks.

Lenders will need to state which type or types of EFG lending they would like to become accredited for: term lending, asset finance, overdrafts or invoice finance. The formal proposal form and due diligence process will vary to take account of these different types of finance. Lenders already accredited for at least one type can approach BBB informally if they would like to apply EFG to additional types of lending.

BBB may request clarification or additional information at any point in the process. BBB will assess applications using a risk and judgement-based approach based on the requirements set out in Section 4 of this document: for the avoidance of doubt, however, satisfaction of minimum requirements does not guarantee accreditation and BBB reserves the right, at its sole discretion, to decline to accredit any applicant at any stage of the above process should it consider accreditation to be inappropriate for any reason at any time. By way of illustration, such reasons may include (but shall not be limited to): the desirability of building an optimal panel of accredited EFG lenders, weaknesses in quality of proposals, business models which do not fit within the principles of EFG and the terms of the legal agreement; for example where there is a lack of alignment between the lender of record and the originator and/or servicer of the loans (see Section 4.8 of this document) and/or should total applications exceed the amount of funding Government provides for EFG.

As a decision may be taken not to progress an application at any stage, applicants are encouraged not to make further efforts or incur costs in progressing their interest until invited to do so by the BBB, and not to advertise externally their intention to become an EFG lender.

Applicants considered unsuitable to become EFG partners at any stage in the process will be advised of this via email by the BBB. In the event that their circumstances change an applicant may make a fresh approach to the BBB.

3.2 Detailed Guidance

3.2.1 Stage 1: Expression of Interest

Applicants should complete and submit a pdf version of the Expression of Interest form appended to this document via email to EFGaccreditation@british-business-bank.co.uk.

The Expression of Interest form should be used to outline the key elements of the lender's application and how the lender meets the minimum requirements detailed in Section 4 of this document. An Expression of Interest must be made before a Formal Proposal can be submitted.

Applicants are encouraged to have a preliminary discussion with BBB (contact via EFGaccreditation@british-business-bank.co.uk) in order to help them ascertain whether participation in EFG would be appropriate, before committing effort to preparing an Expression of Interest.

Following receipt of an Expression of Interest, BBB may contact applicants to discuss the information within their Expression of Interest and to seek any clarifications deemed necessary. Applicants may be requested to submit supplementary information.

BBB will take a risk and judgment-based approach on deciding whether the applicant will be invited to progress to Stage 2, on the basis of both the written information submitted and any discussions held and will inform the applicant of the outcome of Stage 1 via email.

3.2.2 Stage 2: Formal Proposal

BBB will ask those applicants which it has invited to progress to Stage 2 to complete a Formal Proposal form which will seek further detail on the applicant's organisation, strategy and processes and its proposed use of EFG.

BBB will invite applicant representatives to meet to discuss the applicant's existing and proposed future operations relevant to EFG. The BBB may ask applicants for additional information at this or any other point in the process.

On the basis of the information received to that point (including from the Formal Proposal, supporting documentation and any checks or additional information submitted), BBB will decide whether to invite the applicant to continue to the next step in the process.

3.2.3 Stage 3: Due Diligence and Award

BBB's due diligence will focus on formally assessing the applicant's business, governance, risk management and compliance frameworks, sources of funding, track record and proposed lending strategy. Any information provided by an applicant will need to be satisfactorily validated by the BBB by the end of this stage. If the due diligence result is satisfactory to BBB, the BBB will communicate an 'in principle' intention to enter into an agreement subject to satisfaction of any conditions precedent and completion of legal documentation.

3.2.4 Stage 4: Completion

Before being able to commence lending via the scheme, a lender will be required to complete a number of preparatory steps. Firstly, the EFG legal agreement must be signed by the lender. This is a standard agreement, with limited scope to negotiate changes. BBB will provide the lender with training on use of the EFG web portal, as well as general training and communications materials on how the scheme works, which the lender may choose to use to train its staff on scheme terms. The lender is however responsible for ensuring that all relevant staff within its organisation are fully trained on how the scheme works and that all internal processes reflect the necessary EFG process requirements.

The BBB's independent scheme auditors will undertake a process and systems check before lending can commence, to ensure the new lender's internal EFG systems and process are robust and fit for purpose. At the discretion of BBB, a lender, particularly those with 20 or more staff involved in delivering the EFG scheme to the market, may be required to conduct an on-line "product knowledge" test to ensure all relevant staff within the lender's organisation has received sufficient product training.

For the avoidance of doubt any accreditation decision made as a result of the present Expression of Interest form and associated process will be subject to, among other things, completion of satisfactory due diligence, necessary approvals and the prompt and satisfactory agreement of legal terms.

3.3 Assessment of Expressions of Interest and Formal Proposals:

- BBB will make reasonable endeavours to respond promptly to applicants at each stage of the application process.
- BBB may request additional information to clarify issues or to supplement the Expression of Interest form at any stage.
- BBB reserves the right to reject expressions of interest and proposals at any stage of the application process.

3.4 Delivery of Expressions of Interest and Formal Proposals

- Expressions of Interest and Formal Proposals should be submitted by email, ideally as pdf, to EFGaccreditation@british-business-bank.co.uk.
- A response will be issued to all applicants via email.
- Any accompanying spreadsheets should be in Microsoft Excel, ensuring that no formulas have been hidden or removed. If the document is password protected, the password should be provided separately.
- By sending in an Expression of Interest, applicants confirm they have read this document, **including the Legal Notice.**

4. Requirements

This section details the requirements for accreditation as an EFG lender. Applicants must be able to address all points to the full and absolute satisfaction of BBB in order to progress through the EFG accreditation process, and applicants are requested to explain how they will meet these requirements in the Expression of Interest form. In the event that a minimum requirement is unclear to the applicant, or the applicant does not have or is unable to disclose the information, this should be raised with the BBB at the earliest opportunity.

For the avoidance of doubt, satisfying minimum requirements does not guarantee that an accreditation application will be successful, and BBB reserves the right to take into account (and seek) additional relevant information at its discretion.

4.1 Lending to SMEs trading in the UK

Lenders should either be able to demonstrate their track record in the provision of secured term loans, overdrafts, asset finance or invoice finance to EFG-eligible UK SMEs; or if they are a newer lender or a lender entering a new market segment, to be able to demonstrate a clear intention and strategy to lend to qualifying UK SMEs.

4.2 Secured Lending

As EFG offers an alternative to security which the lender requires but the borrower is unable to provide then, by definition, accreditation is only suitable for lenders which lend on a secured basis. A core principle of the EFG scheme is that accredited lenders must be able to confirm:

- a) That each EFG-backed transaction is viable (i.e. that the SME is able to repay and service the loan according to the lender's credit policy); and
- b) That the lender would be prepared to lend in principle, with its own capital, to the SME, but for the inadequacy or lack of available security.

Implicit within this principle is the requirement for the lender to go through the process of verifying the availability of security according to their normal lending policies, and to establish that there is either a shortfall or complete absence. At this point EFG becomes relevant. Lenders who only lend on an unsecured basis by definition cannot comply with this principle and are ineligible for accreditation.

4.3 Additionality

EFG-backed lending must be additional, so it must be lending that otherwise, following the lender's normal credit approval processes, would not have been possible due to the absence or inadequacy of security. EFG lending is not designed as a substitute for lending which would have otherwise been undertaken by the applicant wholly at their own risk. This 'additionality' must be demonstrated by the applicant within their case for using EFG.

4.4 Critical Mass

The structure of the guarantee means that for participation to be worthwhile for both the lender and BBB, applicants must be able to demonstrate through evidence-based forecasts the extent to which they intend to use the guarantee. BBB would generally expect applicants to use EFG to support a minimum of £500,000 of new lending in each of the three financial years following accreditation. BBB is, however, open to discussing lower minimum EFG annual lending amounts with applicants specialising in low value loans or where lenders are new to market.

4.5 Availability of Capital

Each applicant must be able to demonstrate that they have or will have sufficient capital available to meet their lending forecasts for the next three years, covering secured smaller business lending both with and without EFG support.

Where the availability of or freedom to deploy that capital is subject to conditions which may affect its ability to be used for EFG-backed lending then this must be declared (this is likely to be especially relevant to those applicants making use of capital originating from public sources, including EU programmes, and subject to continuing conditions). In such cases the applicant should verify the position with the provider(s) of the funding concerned.

4.6 Operations, Management Team and Track Record

Applicants must demonstrate a viable business model and robust operations and systems. For example, where an applicant's business is loss-making, BBB wishes to see a strategy of how the applicant plans to reach profitable status over time. Applicants must demonstrate that robust and tested systems and processes are in place for making and managing the proposed EFG supported lending facilities. This requirement includes but is not limited to origination processes, risk management and underwriting capabilities and processes, lending documentation, back-office

systems, monitoring and compliance and governance arrangements and management information reporting. Applicants must also be able to demonstrate that they have a competent team, with sufficient expertise to execute the proposed strategy for EFG-backed lending.

Applicants must have appropriate standards of reputation and integrity, including appropriate ethical standards in all areas of its proposed operations and appropriate processes in place to maintain these. The applicant must be able to demonstrate this as part of their proposal.

Where a proposal relates to a start-up operation or a move into new markets, applicants are expected to clearly demonstrate access to sufficient resources, skills and competencies required to execute the proposal's lending strategy. The applicant is also required to demonstrate that they will originate additional lending using EFG which otherwise would not happen.

If an applicant identifies any shortfalls in the levels of resources, skills and competencies required to deliver against the proposal, they must demonstrate how they intend to address these.

4.7 Regulation and Tax Domicile

Applicants are expected to be appropriately regulated, licensed and have the necessary authorisations and permission to conduct activities consistent with their lending strategy. Lenders who are in the process of applying for the necessary regulatory approvals can still apply for EFG accreditation but obtaining the relevant approvals will be a condition precedent for progression through the accreditation process. Applicants must be able to demonstrate transparent and appropriate tax structures. Applicants should also demonstrate appropriate ethical standards in relation to their proposed lending activity, operations and general business activities.

4.8 Legal Structure

All Applicants, if successful, will be required to enter into a "standard form" legal agreement. The legal agreement reflects the fundamental principle of EFG – the risk sharing partnership between the UK Government and the delivery partner. The legal agreement fits business models where the origination and servicing of the EFG-backed lending is undertaken by the same legal entity as the named lender (the "lender of record") who contracts with the underlying borrower. EFG can also accommodate corporate groups where there are multiple named lenders under one legal agreement who share in the same EFG Allocation.

The core terms of the agreement include (amongst other things) the following:

- the guarantee is given to the relevant lender in relation to the EFG backed loans or facilities originated under the legal agreement
- the lender originates the EFG backed lending and is the primary entity responsible for servicing the EFG backed lending
- the lender acts in accordance with its standard policies when originating and administering the EFG-backed loans and with regard to the standard of care set out in the legal agreement
- the lender is responsible for the administration of the web portal and making sure it is up-to-date
- the lender maintains adequate and up-to-date records in relation to the scheme facilities.

In general, we do not undertake individual negotiations with Lenders on the legal agreement. If an Applicant intends to outsource or rely on a third party to originate and/or service its EFG-backed lending, this will be treated as an exception - the general principle is that the third party must be EFG accredited and be a named lender in the same legal agreement as the Applicant.

If you have a business model that does not fit the EFG legal agreement, your application will be considered using a risk and judgement-based approach which will appraise (among other matters) whether your business model fulfils the underpinning principle of EFG (the risk sharing and alignment of interests between the UK government and the delivery partner). Your proposal may be subject to enhanced due diligence with BBB asking for further information at the formal proposal and/or due diligence stage.

BBB will inform Applicants at the Expression of Interest stage if their lending model does not fit within the structure of the legal agreement. If an Applicant is invited to Stage 4 – Completion, any additional costs incurred by BBB in modifying the legal agreement to accommodate business models not contemplated above will be for the account of the Applicant. These will be notified to the Applicant in advance.

Where the applicant is a Peer to Peer Intermediary which pairs borrowers and individual lenders, it will not be considered a suitable delivery partner for EFG. This is because of their differing structures and diverse sources of funding which make the Peer to Peer Platforms unsuitable for EFG.

5. Legal Notice

Applicants who submit the Expression of Interest form are deemed to acknowledge and accept its terms and conditions including in particular this Section.

British Business Bank plc (referred to as “BBB” in other sections) and its subsidiaries, including British Business Financial Services Ltd, (referred to as the “BBB Group” in other sections) reserve the right at any time not to continue with the current process and/or cancel or withdraw from the process at any stage and any costs or expenses incurred by respondents will not be reimbursed. British Business Bank plc and its subsidiaries exclude their liability for any costs, expenses or losses incurred by respondents to the full extent permitted by law.

British Business Financial Services Ltd (“BBFSL”) is a wholly owned subsidiary of BBB. This Request for Proposals is being funded and delivered by the Secretary of State for the Department of Business, Energy and Industrial Strategy (“BEIS”) acting through its agent, BBFSL. BBFSL carries out administrative and operational assistance to BEIS and, for the avoidance of doubt, does not provide any investment services or perform any investment activities on a professional basis.

BBB, BEIS and BBFSL reserve the right to reject any and all proposals at any time.

BBB Group reserves the right to amend any timetable and/or other aspects of the current process at its discretion.

BBB Group may request clarification of information and additional information regarding a response and/or may also request face to face meetings. Refusal to provide such clarification, information or meetings may cause a submitted response to be rejected. Where no reply to a request for information or for clarification is received within ten business days, BBB Group may assume that the submission has been withdrawn.

Respondents should note that information received by the BBB Group as part of the current process, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000, the Environmental Information Regulations 2004 and data protection regulations and legislation, including but not limited to the Data Protection Act 2018 and the European Union’s General Data Protection Regulation ((EU) 2016/679). In view of this, should respondents consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if respondents could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding.

If the BBB Group receives a request for disclosure of information provided, full account will be taken of any explanation, but no assurance can be given that confidentiality will be maintained in all circumstances. Decisions on disclosure remain the responsibility of British Business Bank plc and its subsidiaries and ultimately the Information Commissioner and courts.

Personal data will be processed in accordance with the privacy notice on our website
<https://www.british-business-bank.co.uk/privacy-notice/>.

This request for proposals is not intended to constitute a financial promotion and is not being distributed by, nor has it been approved for the purposes of section 21 of FSMA by, a person authorised under FSMA. No part of this document should be published, reproduced, distributed or otherwise made available in whole or in part in any jurisdiction where to do so would be unlawful.

British Business Bank plc is a public limited company registered in England and Wales registration number 08616013, registered office at Steel City House, West Street, Sheffield S1 2GQ. As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government which is not authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). British Business Bank operates under its own trading name through a number of subsidiaries, one of which is authorised and regulated by the FCA.

BBFSL is a wholly owned subsidiary of British Business Bank plc, registered in England and Wales registration number 09174621, registered office at Steel City House, West Street, Sheffield S1 2GQ. It is not authorised or regulated by the PRA or FCA.

British Business Bank plc and its subsidiary entities are not banking institutions and do not operate as such.

A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at www.british-business-bank.co.uk.

Any enquiries concerning this document may be addressed by email to EFGaccreditation@british-business-bank.co.uk.

Annex 1 - Enterprise Finance Guarantee: Expression of Interest to become an accredited EFG lender

Applicants are requested to submit a response (not more than 5 pages) following the format set out below.

Lender details

Applicant Details	
Applicant Name:	
Details of Ownership:	
Contact Address:	
Principal Contact(s) (Name(s) and Role(s)):	
Phone - Direct Line: Phone - Mobile:	
E-mail:	

Requested Information

General information	
1	Please provide a brief background of the applicant organisation, including its principal lending activity.
2	What are the main lending products provided to UK SMEs, and what are the key terms of these? What is the strategy for UK smaller business lending going forward?
3	What are your key items of collateral normally considered for a commercial lending application?
4	Please indicate for which type of lending you intend to use EFG: <ul style="list-style-type: none"> a) Term lending b) Revolving facilities c) Invoice Finance d) Asset Finance
5	<ul style="list-style-type: none"> a) What are the key statutes and regulatory requirements with which you must comply (or will have to comply in the case of a newer lender or a lender wishing to enter a new market segment)? b) Are you in full compliance with the above? Please explain any areas of non-compliance, and how and when you intent to address these areas.
6	Who would be responsible for the management of EFG in the applicant organisation?

Information on how you meet the EFG accreditation criteria	
A	Criterion A: Lending to SMEs trading in the UK. Please provide high level evidence of your track record in the provision of lending to the UK smaller business market (by type of lending if applicable, such as term, revolving, invoice finance, asset finance and whether secured or unsecured), including default rates and performance against target; or if you are a newer lender or a lender entering a new market segment, demonstrate your intention and strategy for UK SME lending.
B	Criterion B: Secured Lending. Please confirm that you are active in issuing secured lending to smaller businesses, or planning to be, and in which types of secured lending products.
C	Criterion C: Additionality. EFG-backed lending must be additional, so it must be lending that otherwise, following the lender's normal credit approval processes, would not have happened due to the lack of security. EFG lending is not designed as a substitute for lending which would have otherwise been undertaken by the applicant wholly at their own risk. Please describe at a high level how EFG lending would be additional for you as lender as part of your strategy.
D	Criterion D: Critical Mass. Please provide us with a forecast on how much EFG-backed lending you think you might originate per year, both in terms of number of deals and average deal size; and compared to your non-EFG smaller business lending. Please provide some background on how you have come up with this forecast. Whilst we normally aim to work with lenders who will be able to originate around £500,000 lending that is EFG-backed per year for three years, we may consider accrediting lenders who forecast being able to originate less than £500,000 per year.
E	Criterion E: Availability of Capital. Please demonstrate that you have or will have sufficient capital available to meet your lending forecasts for the next three years, covering secured SME lending both with and without EFG support. Please highlight at this stage if some of your sources of capital come with conditions that may restrict the ability for EFG-backed lending.
F	Criterion F: Operations, Management Team and Track Record. Please set out <u>at a high level (and without supporting documentation)</u> that robust and tested systems and processes are in place for making and managing EFG-supported lending facilities. This requirement includes but is not limited to origination processes, risk management and underwriting capabilities and processes, loan documentation, back-office systems, monitoring and compliance and governance arrangements and management information reporting. Please demonstrate at a high level that you have a competent team, with sufficient expertise to execute the proposed strategy for EFG-backed lending. BBB will test all of these requirements in more detail during Stage 2.
G	Criterion G: Regulation and Tax Domicile. Please set out where you are domiciled for tax purposes and confirm that you hold the necessary regulatory approvals.
H	Criterion H: Legal Structure. Please outline your legal structure, to include a group structure diagram where there is more than one company. Please provide us with the name of the lender of record, the servicer of the loans (if different from the lender of record) and the originating entity (again, if different from the lender of record).

Certification and Authority to Submit

I confirm that I am duly authorised to submit this information on behalf of the applicant organisation(s).

I confirm that, to the best of my knowledge, this information provides an accurate representation of the current performance and future intentions of the applicant organisation(s).

I understand that accreditation as an EFG lender is discretionary and that submission of this information does not convey any particular status or entitlement upon the applicant organisation(s).

Name (Please print in block capitals)
Title / Role (Please print in block capitals)
Signature
Date