

National Security Strategic Investment Fund (NSSIF) Programme

Guidance Document

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1. Introduction and background

1.1 Introduction

This NSSIF Guidance Document is for applicants interested in being selected to manage an Enterprise Capital Fund or British Patient Capital investment under the National Security Strategic Investment Fund (NSSIF) Programme.

The NSSIF Programme operates in conjunction with the existing Enterprise Capital Fund (ECF) and British Patient Capital (BPC) programmes and has additional requirements and features over and above the ECF or BPC programmes.

To be eligible for an investment under the NSSIF Programme an applicant must also be eligible under either the ECF or BPC programmes. Therefore, this Guidance Document should be read in conjunction with the ECF Guidance Document or the BPC Request for Proposals (as applicable)¹.

Applicants selected under the NSSIF Programme will be able to access a dialogue with the National Security Interface Centre (NSIC), part of HM Government, to support the development of advanced technologies which have dual-use applications, i.e. national security and commercial applications. Further details on the application process for the NSSIF Programme are set out below.

In overview, applicants wishing to apply to be selected to manage an NSSIF Programme investment will need to:

- apply to become accredited by HM Government's National Security Interface Centre (NSIC Accreditation). This will include evidencing or undergoing security vetting acceptable to UK authorities and demonstrating significant technical credentials in areas identified by HM Government's National Security Strategic Technology (NSST) Areas of Interest²;

¹ More information on the Enterprise Capital Fund programme can be found at: <https://www.british-business-bank.co.uk/ourpartners/enterprise-capital-funds/>

More information on British Patient Capital can be found at: <https://www.britishpatientcapital.co.uk/partner-with-us/>

² HM Government's NSST Areas of Interest can be found at: <https://www.british-business-bank.co.uk/national-security-strategic-investment-fund/>

- apply to be selected for the Enterprise Capital Fund programme or the British Patient Capital programme (as applicable); and,
- demonstrate strong alignment with the NSSIF Programme’s objectives and programme requirements (set out below), in particular demonstrating such alignment through the proposed investment strategy and the applicant’s technical credentials in investing in dual-use advanced technologies.

Applicants should note that NSIC Accreditation is an accreditation based principally upon the security vetting and technical credentials requirements of NSIC and is independent of the ECF or BPC selection due diligence process. It will therefore be possible in principle for an applicant to meet the requirements of NSIC Accreditation but not meet the requirements for the ECF or the BPC programmes and vice versa. Furthermore:

- in cases where an applicant meets the requirements of NSIC Accreditation but not the requirements for the ECF or BPC programmes (as applicable), applicants will not be eligible for investment;
- in cases where an applicant meets the requirements for the ECF or BPC (as applicable) but not NSIC Accreditation, the ECF or BPC programmes (as applicable) may at their sole discretion make an award under the applicable programme. However, under these circumstances applicants will not be part of the NSSIF Programme and not benefit from the NSSIF Programme’s features including a dialogue with the NSIC.

1.2 Background to the National Security Strategic Investment Fund

The Chancellor announced at Autumn Budget 2017 that a National Security Strategic Investment Fund would be established to support long-term equity investment (“patient capital investment”) in advanced technologies which will contribute to the national security mission.

This announcement followed an extensive consultation on Patient Capital. The term Patient Capital is used to describe long-term equity investment for fast-growing, innovative companies and is required by these businesses to enable them to scale-up

and prosper. An Industry Panel, chaired by Sir Damon Buffini, provided input for this HM Treasury consultation which was published in the Patient Capital Review.³

The evidence presented in the Patient Capital Review showed that a major barrier holding back the continued development of young innovative firms continues to be access to longer-term investment. The lack of such investment slows these firms' growth, dampens their ambition and means that some firms are sold to trade buyers rather than growing to maturity in the UK. Overall levels of productivity are reduced as a result as some firms do not fulfil their economic potential.

In the Autumn Budget 2017 the Chancellor announced an action plan to unlock over £20 billion of Patient Capital over the next 10 years⁴. The £85m NSSIF Programme is one element of the Government's action plan.

This additional investment capacity will be channeled through the existing ECF and BPC programmes dependent on each applicant's eligibility under either of these schemes.

1.3 Objectives

The NSSIF Programme builds on the objectives of the existing ECF and BPC programmes, with the following three additional NSSIF Programme-specific objectives:

1. **Support private sector led investment into the UK's world class security technology sector, by increasing the amount of private early stage venture and growth capital available to innovative, high-potential UK companies in this sector.** As part of the Government's Industrial Strategy, the NSSIF Programme seeks to help increase the amount of private capital and technical expertise focused on UK security technology firms that have high growth potential.
2. **Attract venture and growth capital into investment strategies which will support HM Government's national security mission by investing in dual-use advanced technologies.** Dual-use advanced technologies, means those technologies which have the potential to contribute to the national security mission

³ More information about the review can be found here

<https://www.gov.uk/government/publications/patient-capital-review>

⁴ Further details can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661471/Financing_growth_in_innovative_firms.pdf

(as defined in HM Government’s National Security Strategic Technology Areas of Interest, see below), as well as having commercially viable civil applications.

3. **Facilitate the faster adaptation and adoption of private sector commercial security technologies by HM Government.** By establishing the National Security Interface Centre as part of the NSSIF Programme, HM Government aims to foster a greater cross-fertilisation between the public and private sector to significantly increase the pace of its adaptation and adoption of dual-use advanced technologies from the private sector.

The NSSIF Programme will build on the UK’s role as both a leading centre for advanced technologies and a global hub for venture capital. By providing additional capital investment focussed on dual-use advanced technologies, the NSSIF Programme aims to combine the best expertise from the public and private sector to foster the growth of high potential UK companies and at the same time contribute to the national security mission.

1.4 HM Government’s National Security Strategic Technology (NSST) Areas of Interest

HM Government’s National Security Strategic Technology (NSST) Areas of Interest⁵, set out the NSSIF Programme’s areas of investment interest. It is expected that applicants selected under the NSSIF Programme will follow an investment strategy that not only meets the expectations for an ECF or BPC investment (as applicable), but also contains a significant element focussed on dual-use advanced technologies including in these NSST Areas of Interest. Accordingly, applicant organisations will be asked to demonstrate adequate credentials in these areas.

1.5 Expected Benefit for Selected Applicants

The NSSIF Programme offers an innovative opportunity for selected applicants with the requisite expertise. Applicants selected under the NSSIF Programme will be accredited as “NSSIF Fund Managers”. In addition to benefiting from an investment from the ECF or BPC programme (as applicable), NSSIF Fund Managers can expect to benefit from access to a relationship with NSIC.

⁵ HM Government’s NSST Areas of Interest can be found at: <https://www.british-business-bank.co.uk/national-security-strategic-investment-fund/>

HM Government's NSST Areas of Interest and the execution of the selected NSSIF Fund Manager's investment strategy will provide a basis for the subject matter of engagement between the NSIC and each selected NSSIF Fund Manager. It is expected that this technical dialogue with the NSIC will support NSSIF Fund Managers in targeting their investments in dual-use advanced technologies that will help to meet the NSSIF Programme's objectives.

The NSIC will be resourced to respond effectively to requests or queries from NSSIF Fund Managers and will engage in technical discussions with NSSIF Fund Managers including by fielding appropriate expertise.

2. Application Process

2.1 Initial contact

Prospective applicants are invited to make contact with the NSSIF team at BBB using the following email address NSSIF@british-business-bank.co.uk. The NSSIF team will discuss the NSSIF Programme and the applicant's potential suitability under the NSSIF Programme as well as one of either the Enterprise Capital Fund programme or the British Patient Capital programme. Please note that to be eligible for an investment under the NSSIF Programme an applicant must also be eligible under either the ECF or BPC programmes. Therefore, this Guidance Document should be read in conjunction with the ECF Guidance Document or the BPC Request for Proposals (as applicable)⁶.

2.2 Initial assessment

If applicants meet the initial eligibility assessment of BBB's NSSIF team, they may be referred to the applicable ECF or BPC assessment team and may also be put forward to NSIC for an initial security check and an initial assessment by NSIC of their technical credentials. NSIC particularly welcome's innovative responses that indicate how the applicant intends to fully utilise the opportunity to interact with the NSIC.

Information required for NSIC's initial assessment:

- High-level organisational information and personal information relating to a minimum of two key senior staff who may be expected to undergo Government security clearance (e.g. DV or equivalent).
 - The following organisational information will be required: Names of key shareholders, business address, business and VAT registration numbers, details of any notable affiliations or affiliates.
 - The following personal information will be required: Full Name, Home Address, NI Number, Driving Licence number, Date of Birth, Nationality, Place of Birth.

⁶ More information on the Enterprise Capital Fund programme can be found at: <https://www.british-business-bank.co.uk/ourpartners/enterprise-capital-funds/>

More information on British Patient Capital can be found at: <https://www.britishpatientcapital.co.uk/partner-with-us/>

- Outline technical credentials in the fields identified by HM Government's National Security Strategic Technology Areas of Interest.
- Details of the applicant organisation's credentials and alignment with the NSSIF Programme's objectives and programme requirements (set out below), including their proposed investment strategy and technical credentials in dual-use advanced technologies.

The ECF or BPC assessment teams may also consider the information submitted on the applicant organisation's credentials as part of an early assessment the applicant's eligibility.

It is expected that in parallel with NSIC's initial assessment, the application may be taken forward by the applicable ECF or BPC assessment team in line with the procedures of the relevant programme. Please note that the ECF and BPC programmes are distinct investment programmes operated by different subsidiaries of British Business Bank. An applicant suitable for one of these programmes is unlikely to be suitable for the other. More information⁷ can be found in the ECF programme Guidance Document or the BPC Request for Proposals. If you have any doubt as to your eligibility for either the ECF or BPC programme, please consult with BBB's NSSIF team in the first instance.

Applicants who successfully pass NSIC's initial assessment and the initial ECF or BPC assessment may be invited to a pitch meeting for the ECF or BPC programme (as applicable). The pitch meeting will be led by the relevant ECF or BPC assessment team and representatives of NSIC may be in attendance.

The ECF or BPC assessment team (as applicable) will then decide whether to progress the application to formal investment due diligence. Separately, NSIC will determine whether NSIC Accreditation should be progressed. An application under the NSSIF Programme cannot progress beyond this stage without a positive determination from both organisations. If an applicant organisation or its relevant individuals do not pass NSIC's initial assessment, the applicant will not be entitled to receive feedback on why they have been declined. The ECF or BPC assessment team (as applicable) will provide feedback to unsuccessful applicants at this stage in line with normal practices within the ECF or BPC programmes.

⁷ More information on the Enterprise Capital Fund programme can be found at: <https://www.british-business-bank.co.uk/ourpartners/enterprise-capital-funds/>

More information on British Patient Capital can be found at: <https://www.britishpatientcapital.co.uk/partner-with-us/>

2.3 NSIC Accreditation

The selection process from due diligence through to award under the ECF or BPC programme (as applicable) will be in line with the existing processes and summarised in the ECF Guidance Document or BPC Request for Proposals respectively.

Over and above the established selection process for the ECF or BPC programmes, an award under the NSSIF Programme requires NSIC Accreditation.

The NSIC selection process for the NSSIF Programme will require applicants to apply for NSIC Accreditation. This will include applicant organisations demonstrating:

- they and relevant senior staff achieve a high level of Government security clearance such as Developed Vetting. Full details on the requirements will be communicated to those organisations successful at the Initial Assessment stage;
- they have significant technical credentials in fields identified by HM Government's National Security Strategic Technology Areas of Interest;
- strong alignment with the NSSIF Programme's objectives (set out in section 1.1 above) and a demonstrable ability to meet the NSSIF Programme-specific requirements (set out in section 3 below); and,
- how their proposed investment strategy and their technical expertise in dual-use advanced technologies will further the objectives of the NSSIF Programme.

Please note that ECF's or BPC's due diligence and selection process (through to award) is expected to run in parallel with the NSIC Accreditation process. Any award will be a decision of the relevant ECF or BPC Investment Committee and will be subject to the customary conditions precedent. Please note that under the NSSIF Programme, no award can be made unless NSIC confirms to the applicable ECF or BPC assessment team that the applicant has obtained (and continues to have) NSIC Accreditation.

Information provided by applicants in relation to their application may be shared between BBB's NSSIF team and the relevant ECF and BPC assessment team on the one hand and NSIC on the other (and vice versa) at their sole discretion, including for the purposes of selection.

Notwithstanding the above, British Business Bank or its affiliates, including the relevant ECF or BPC assessment team, and NSIC expect to follow independent applicant assessment processes in order to reach a decision on selection.

Should applicant organisations (and their staff) be declined at any stage in the NSIC Accreditation process by NSIC, they will not be entitled to receive feedback on why they have been declined at this stage.

The ECF or BPC assessment team (as applicable) will provide feedback to unsuccessful applicants at this stage, in line their normal practices within the existing programmes.

2.4 Timetable and availability of BBB funding

Under the Programme, BBB has an initial funding allocation to commit £85 million for investment in successful proposals. The Programme will remain open for applications until such time as the available funds have been committed, or such earlier time as BBB at its sole discretion determines. However, subject to the success of this initial phase, future funding allocations may become available to BBB.

BBB will consider proposals on a first come, first served basis. This application process is designed to enable the selection of proposals that are considered to offer the best overall value-for-money in promoting the objectives and satisfying the criteria of the Programme.

3. Additional NSSIF Programme-specific requirements

In addition to the requirements of the ECF or BPC programmes (as applicable) it is anticipated that successful applications meet the following NSSIF Programme-specific requirements, to be documented in the legal agreements under which any investment by the ECF or BPC programme is made:

A Fund Scientific or Technical Advisory Board/Panel

It is envisaged that investments managed by an NSSIF Fund Manager will be overseen by a Scientific or Technical Advisory Board/Panel. This forum will be advisory only and it is envisaged that, among other things, it will provide a formal channel through which the NSIC and the selected NSSIF Fund Manager can interact and share technical information and ideas. Representatives of BBB's NSSIF team, the ECF or BPC programme (as applicable), and the NSIC will have a seat on this forum. (Please note that this Scientific or Technical Advisory Board/Panel is additional to any limited partner or investor advisory committee (or similar investor forum) at which the relevant ECF or BPC representatives will normally expect to be represented).

Sharing of information

Investments managed by NSSIF Fund Managers will be subject to the normal reporting requirements under the ECF or BPC programme (as applicable). Applicants should note that NSIC expects to receive such reporting information from the ECF or BPC programme (as applicable) during the life of an investment, for the purposes of general programme coordination and performance monitoring. Any information shared shall be solely for NSIC's purposes. The legal documentation relating to the investment shall permit the ECF or BPC programme (as applicable) to make such on-going disclosures to NSIC.

Requirement to have and to retain NSIC Accreditation

As a condition precedent to any investment under the NSSIF Programme it is expected that NSIC will provide to the ECF or BPC programme (as applicable) confirmation in writing that the applicant organisation and its relevant individuals have been successfully NSIC Accredited.

NSSIF Fund Managers and relevant individuals are required to be NSIC Accredited at all times. Withdrawal of NSIC Accreditation during the life of the investment is at NSIC's discretion. If NSIC Accreditation is suspended or withdrawn, NSIC will notify the ECF or BPC programme (as appropriate) in writing. Such event shall result in the benefits of NSIC Accreditation being suspended or withdrawn and NSIC ceasing to participate in any on-going dialogue either directly or through the Scientific or

Technical Board/Panel. The ECF or BPC programme (as appropriate) will expect to be entitled to request at any time that NSIC confirms any party's NSIC Accreditation.

NSIC Accredited key persons

NSSIF Fund Managers shall be required to ensure that a minimum of two key persons are NSIC Accredited and dedicating an agreed minimum time commitment to managing the NSSIF investment. In the event that one or more NSIC Accredited key persons lose their NSIC Accreditation or cease to dedicate the agreed minimum time commitment to managing the NSSIF investment, this may be deemed a suspension event and investment activity may be suspended until a suitable proposal to replace such persons or otherwise resource the investment has been approved by the ECF or BPC programme (as applicable). If such approvals are not obtained within an agreed period, new investment activity may be permanently suspended.

NSIC Accreditation may be withdrawn at any time because the Fund Management organisation or Accredited key persons no longer meet the criterion. NSIC shall not be required to provide a rationale for the withdrawal of Accreditation. However, it is likely that Accredited key persons would themselves be aware of a rationale. For similar reasons, it is anticipated that in addition to the customary suspension, cause and termination provisions, the legal agreements under which any investment is made will include certain NSSIF-specific provisions. All decisions relating to NSIC Accreditation, including but not limited to, requirements, selection, award and withdrawal, are a matter for NSIC and at its sole discretion.

4. Terms and Conditions

The NSSIF Programme operates in conjunction with the existing ECF and BPC programmes of British Business Finance Limited ("BBFL") and British Patient Capital Limited ("BPC") respectively. Any award under the NSSIF Programme will be implemented by way of an investment from either the ECF programme or the BPC programmes (as applicable). Awards will be subject, among other things, to receipt by BBFL/BPC of written confirmation from NSIC that the applicant has successfully cleared NSIC's initial assessment and NSIC Accreditation.

Any costs or expenses incurred by an applicant will not be reimbursed and BBFL/BPC will not be liable in any way to an applicant for costs, expenses or losses incurred as a result of this process.

BBFL/BPC reserves the right to amend the timetable and / or the process until such time as binding arrangements are concluded with applicants.

BBFL/BPC reserves the right to reject any and all applications at any stage, with or without cause.

BBFL/BPC reserves the right to request clarification of information submitted and to request additional information regarding any application, including the right to request face-to-face meetings. Refusal to provide such information upon request may cause the application to be rejected. Where no reply to a request for information or for clarification is received within ten business days, BBFL/BPC may consider that the application has been withdrawn.

No representation, express or implied, is made by BBFL/BPC as to the completeness or accuracy of any facts or opinions contained in this Request for Proposals. Recipients of this document should seek their own independent legal, financial, tax, accounting or regulatory advice before making any application under the Programme.

Please note that BBFL/BPC is acting as an investor for the purposes of this Programme and therefore this Request for Proposals does not require approval under financial promotion legislation or corresponding rules.

Applicants should be aware BBFL/BPC is not authorised to carry out regulated activity. BBFL/BPC will thus be unable to consider responses where receipt or processing would require any form of regulatory authorisation or permission.

Any offer to invest in a fund made by BBFL/BPC as a result of this process will be subject to the prompt and satisfactory agreement of legal terms. Applicants will also be expected to provide a timetable for meeting any other obligations, such as the raising of private sector investment, and successful completion of an application will be conditional on meeting that timetable.

Respondents should note that information received by BBFL/BPC or any other member of the British Business Bank plc group as part of this 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 (FOIA), the Data Protection Act and GDPR (Data Laws) and the Environmental Information Regulations 2004. 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 BBFL/BPC or any member of the British Business Bank plc 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 BBFL/BPC or the relevant member of the British Business Bank group and ultimately the Information Commissioner and courts. Personal data will be processed in accordance with the Data Laws: in the majority of circumstances this will mean that personal data will not be disclosed.

By submitting a Formal Response, applicants accept the terms and conditions set out in this section 4. Except for this section 4, which is intended to be legally binding, this Request for Proposals is not a legally binding document and should be treated as indicative only.

Important legal notice

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 the Prudential Regulation Authority or the Financial Conduct Authority.

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 <https://british-business-bank.co.uk/corporate-information/>

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