

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

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

Updated 6 January 2021

UPDATE: Following the governments announcement on 17 December 2020 the Coronavirus Large Business Interruption Loan Scheme has been extended to 31 March 2021. References to the Scheme Period should be construed accordingly.

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1. Introduction

1.1 The Coronavirus Large Business Interruption Loan Scheme

The Coronavirus Large Business Interruption Loan Scheme (the “CLBIL Scheme” or “CLBILS”) is a scheme opened by Her Majesty’s Government on 17 April 2020 and expanded on 26 May 2020. The aim of the CLBIL Scheme is to support large businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow as a result of the COVID-19 pandemic. “Large businesses” for these purposes are those businesses whose turnover is in excess of £45 million.

The CLBIL Scheme is a separate scheme to the Coronavirus Business Interruption Loan Scheme (“CBILS”) opened on 23 March 2020 and the aim of which is to support smaller businesses (SMEs) across the UK impacted by the COVID-19 pandemic. If you are an accredited Lender under CBILS, you will need to apply under the separate process set out under this Request for Proposals to become an accredited Lender under CLBILS – see “The Accreditation Process for Prospective New Lenders: Existing Accredited CBILS Lenders and Further Exceptions” under paragraph 3.4 below and “The Accreditation Process of Prospective New Lenders: Additional Requirements For Larger Scheme Facilities” under paragraph 3.5 below.

The CLBIL Scheme will run for a period of 6 months from 20 April 2020 to 20 October 2020 (the “Scheme Period”), with the accreditation process commencing on 17 April 2020. We may extend the Scheme Period at our discretion.

1.2 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
- reduce imbalances in access to finance for smaller businesses across the UK, including identifying gaps
- encourage and enable SMEs to seek the finance best suited to their needs
- 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 130 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 CLBIL Scheme 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.

1.3 CLBILS -Opportunity for Lenders to Join as Accredited Lenders

The CLBILS Lender accreditation process is open and finance providers active in large business lending are invited to apply, as detailed further in Sections 3 and 4 below.

2. How can CLBILS be used by Accredited Lenders?

CLBILS is a risk-sharing partnership between Government, Lender and the borrower, to enable lending which would not otherwise be possible. If a lender wishes to lend to borrowers falling within the definition of a “SME”, that is where its annual turnover is at or below £45 million, the expectation is that the lending will be under CBILS and not CLBILS. In this case, and if not already accredited in respect of CBILS, prospective New Lenders should also, or in the alternative, consider the Request for Proposals for CBILS.

Viability of the borrower

CLBILS can be used when the borrower has a viable business proposition assessed according to a Lender’s normal commercial lending criteria. However, where there are some concerns over the short-to-medium term business performance due to the uncertainty and impact of Coronavirus (COVID-19), provided the Lender reasonably believes that (a) the finance will help the borrower trade-out of any short-to-medium term cashflow difficulty, and (b) if the facility is granted, the borrower should not go out of business in the short-to-medium term, then the proposition may be considered eligible under the CLBIL Scheme (the “**Borrower Viability Test**”).

Secured and unsecured lending

CLBILS may be used for both secured and unsecured lending. To be eligible, the borrower must have been adversely affected by the Coronavirus (COVID-19), have passed the Borrower Viability Test and satisfy the other scheme criteria. A Lender must ensure, subject to certain carve-outs, that any scheme facility ranks pari passu with any senior security obligations of the borrower; the Lender is otherwise expected to take security in accordance with its credit and security assessment policies.

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

The intention of CLBILS is to ensure that the lending decision-making for a participating Lender rests with the Lender in the same way as for any other commercial transaction, subject to having verified the transaction and borrower’s eligibility for CLBILS using a bespoke web portal provided by BBB (and subject to undertaking certain notification requirements in relation to Larger Scheme Facilities).

However, personal guarantees cannot be taken by a Lender for CLBIL Facilities of £250,000 or less. If a CLBIL Facility of £250,000 or less benefits from an existing personal guarantee or at any time in the future benefits from any personal guarantee, then a Lender cannot make a demand or otherwise enforce such a guarantee for any amounts due under the CLBIL Facility or apply any proceeds from such a guarantee to the CLBIL Facility.

Personal guarantees may be used for CLBIL Facilities of over £250,000, at a Lender's discretion. If a personal guarantee is used in relation to such a CLBIL Facility, including where such a facility benefits from an existing or future personal guarantee, the following rules apply:

- (1) a Lender must only make a demand on such a personal guarantee once you have realised all other collateral that is available to support such CLBIL Facility. This includes collateral that is available to both the CLBIL Facility and to other facilities.
- (2) If a Lender makes a demand on or otherwise applies the proceeds of such a personal guarantee in connection with the CLBIL Facility, it may only do so for a maximum amount equal to 20% of the amount of such CLBIL Facility that remains outstanding after the proceeds of all other available collateral have been applied.

In addition to the above, neither a borrower's nor a guarantor's principal private residence can be taken as security to support a personal guarantee or as security for a CLBIL backed facility.

In keeping with that delegation of decision-making, no borrower has an automatic entitlement to receive a CLBILS-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.

CLBILS operates under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.

2.1 Key Terms

2.1.1 Business Eligibility

- Large enterprises carrying on business in the UK with an annual turnover of more than £45 million
- Most sectors are eligible¹
- Must have passed the Borrower Viability Test
- Must not be a "business in difficulty" as at 31 December 2019²

¹ Some activities/sectors are excluded– these include, the state funded education sector, entities providing insurance (other than insurance brokers), deposit taking banks and others, as set out in the legal agreement which the Lender will sign as part of the accreditation process.

² Unless a business is less than three years, if a business has accumulated losses greater than half of its subscribed share capital as at 31 December 2019, it will not be eligible for CLBILS. In practice this means that certain fast growth businesses may not be eligible for CLBILS. The State aid framework CLBILS operates under requires that a business is not an "undertaking in difficulty" as at 31 December 2019 to be eligible - see Article 2 (18) of the Commission Regulation (EU) No 651/2014 of 17 June 2014 for further information.

- Must have been adversely impacted by the Coronavirus (COVID-19).
- Must not have used the Bank of England's Covid Corporate Financing Facility or either of the Government's Bounce Back Loan Scheme or CBILS.

2.1.2 Eligible Debt Instruments

- CLBILS can be used to facilitate new lending and to a limited extent, to refinance existing debt (refinancing is generally limited to a maximum 20% of a Lender's annual portfolio of CLBILS-supported lending).
- CLBILS can be used to support term loans, revolving credit facilities, asset finance and invoice finance facilities.
- CLBILS-supported facilities can range between £50,000 and £200 million (although note that additional restrictions and accreditation requirements apply to facilities greater than £50 million (**Larger Scheme Facilities**)). The amount of the facility must not be more than:
 - Double the annual wage bill of the UK business of the applicant for 2019 or, if the applicant commenced trading after 1st January 2019, the estimated annual wage bill for the first 2 years of operation, or
 - 25% of total turnover of the UK business of the applicant in 2019, or
 - The applicant's liquidity needs for its UK business for the next 12 months (this may be self-certified by the applicant)
- Facility terms can range between three months and three years.
- Terms and pricing are commercial matters for each Lender, subject to the requirements of passing on the entire economic benefit of the CLBILS Guarantee. Economic benefit is deemed to have occurred when the interest rate the Lender can charge is reduced as a result of the CLBILS Guarantee through the risk and capital benefits, whilst factoring in the scheme costs.
- The Lender is required to pay a Scheme Lender Fee to the Secretary of State for Business Energy and Industrial Strategy as a contribution towards the cost of providing the guarantee.

The amount of the Scheme Lender Fee for each facility under the CLBILS Scheme is based on the balance³ of the facility multiplied by a margin of 50bps for the first year of the facility and 100bps thereafter. In certain circumstances, if a debt restructuring is permitted, a Lender may have the ability to extend the facility for up to a maximum six year term, in which case the applicable margin will be 200bps from years four to six.

³ This is the principal amount outstanding for asset finance and terms loans, the facility limit for revolving credit facilities and, for invoice finance facilities, the facility limit multiplied by 60 per cent..

2.1.3 Terms between the Accredited CLBILS Lender and BBB

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

- The CLBIL guarantee is to the Lender, not the borrower. For asset and invoice finance, the CLBIL guarantee can be applied to the whole of the proposed finance transaction or to part of the proposed transaction.
- BBB provides each Lender with an annual lending limit for CLBILS transactions. Lenders cannot exceed this annual lending limit without agreement in writing from BBB. Any lending in excess of the annual lending limit, without BBB's written agreement, shall not be covered by the guarantee.
- Decision-making on borrower eligibility is fully devolved to the Lender. When assessing the Borrower Viability Test, no greater or lesser rigour should be applied to a CLBILS-supported transaction than for a normal commercial transaction.
- The Lender records all eligible transactions on the CLBILS web portal. The CLBILS web portal records details, the amount and terms of the lending, any extension of the terms of the lending, borrower default and claims against the guarantee of all CLBILS-supported facilities. Lenders must use the web portal provided by BBB to enter and update CLBILS 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 80% of the outstanding amount due under the facility (net of any recoveries) from the Guarantor while bearing the remaining 20% of the loss. Debt restructurings are permissible in certain circumstances and a Lender may claim for up to 80% of the losses incurred due to the restructuring.
- Any recoveries made by the Lender after making a claim on the guarantee must be repaid on an 80%/20% basis (80% must be repaid to HMG).
- The facility must benefit at all times during its life, on an at least pari passu basis with other senior obligations (including secured and/or super-senior obligations, if any) of the borrower, from collateral constituting a substantial percentage of the then current market value of all collateral made available by or on behalf of the borrower to support all borrowing facilities of that borrower with the lender, with an exception in relation to secured facilities for individual assets of a minimal value and for certain invoice and asset financing facilities.
- The facility must include restrictions on the borrower in respect of the payment of dividends (or similar distributions). For facilities of up to £50 million, these can only be made if certain conditions are fulfilled. For Larger Scheme Facilities, dividends and share buy backs cannot be made during the term of the facility. Additional requirements must also be included for facilities of this size relating to restrictions in respect of executive and senior management pay.
- The restrictions for Larger Scheme Facilities in relation to dividends and share buy backs and executive and senior management pay will also apply to any proposed facility which, when aggregated with all other facilities offered or provided to an applicant or any other member of the applicant's group, is in excess of £50 million (such proposed facility a **Trigger Scheme Facility**).

- Larger Scheme Facilities and Trigger Scheme Facilities must be notified to BBB prior to being offered by a Lender and such notice must contain certain prescribed information in relation to the applicant and its group and include details of the proposed facility and security structure. In some circumstances BBB may either request further information in relation to the applicant or the proposed facility or may require the Lender not to offer the facility.
- 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 CLBILS, 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 CLBILS use, in order to market the CLBILS programme appropriately.
- Lenders undergo periodic audits (including an audit prior to moving from a probationary to a full Lender under the Scheme). Samples of transactions will be analysed during the audit to check that scheme eligibility rules and processes have been followed, including whether the economic benefits of the CLBILS Guarantee has been passed on to borrowers in the form of lower borrowing costs than would otherwise have been charged.
- 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** CLBILS legal agreement, and BBB provides Lenders with guidance materials. Lenders will initially be accredited on a probationary basis.
- All accredited scheme Lenders will calculate their Scheme Lender Fee and pay these amounts to the BBB on a quarterly basis.
- BBB has a dedicated CLBILS 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 into with BEIS. BBB welcomes proposals from any applicant able to meet the requirements stipulated in Section 4 of this document.

Unless an applicant is in one of the categories set out in paragraph 3.4 (Exceptions) below, 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 CLBILS programme.
- **Formal Proposal:** detailed submission, providing detailed information on the applicant's organisation and its intended use of CLBILS.
- **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 CLBILS legal agreement and have satisfied conditions precedent, including training staff and, where required, prior audit checks.

Lenders will need to state which type or types of CLBILS lending they would like to become accredited for: term lending, asset finance, revolving credit facilities 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 CLBILS 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 CLBILS Lenders, weaknesses in quality of proposals, business models which do not fit within the principles of CLBILS 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 ability to deploy quickly and at scale.

In addition, in line with BBB's objective to manage taxpayer resources efficiently reflecting its use of public money, then a Lender may be considered unsuitable to join the scheme if the cost-effectiveness in progressing an applicant is deemed to ultimately provide limited value for money.

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 CLBILS Lender.

Applicants considered unsuitable to become CLBILS Lenders 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.

BBB will, at its sole discretion, prioritise applications on the basis of risk and impact in the large business finance market. Assessment will be based upon our judgement of the applicant's ability to deploy CLBILS at pace and volume within a robust risk management framework to the market.

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 clbilsaccreditation@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 may wish to have a preliminary discussion with BBB (contact via clbilsaccreditation@british-business-bank.co.uk) in order to help them ascertain whether participation in CLBILS 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 CLBILS.

BBB may invite applicant representatives to meet to discuss the applicant's existing and proposed future operations relevant to CLBILS. 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 CLBILS 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 CLBILS 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 CLBILS process requirements.

The BBB may invite the Lender to an Operational Review before lending can commence, to ensure the new Lender's internal CLBILS 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 CLBILS 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 Existing Accredited CBILS Lenders and Further Exceptions

Existing lenders accredited under CBILS, and existing BBB delivery partners and PRA regulated banks or building societies, may have a streamlined accreditation process which will truncate or exempt the applicant from one or more of the steps set out in paragraph 3.2 (Detailed Guidance) above. If an applicant has applied for another BBB scheme and due diligence has been undertaken on the applicant in connection with that scheme, this may also exempt the applicant from one or more of the stages described above. Applicants should state whether they fall into one of these categories on initial enquiry to find out the process applicable to them.

3.5 Additional Requirements for Larger Scheme Facilities

Given the size and additional risk considerations for Larger Scheme Facilities, in addition to the accreditation requirements set out above, in order to be accredited in respect of Larger Scheme Facilities, Lenders will generally be expected to have permission to use the Internal Ratings Based (IRB) approach, approved for corporate lending at this scale.

3.6 Delivery of Expressions of Interest and Formal Proposals

- Expressions of Interest and Formal Proposals should be submitted by email, ideally as pdf, to clbilsaccreditation@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.**

3.7 Accreditation

If you are accredited as Lender under CLBILS, your accreditation will last for the duration of the CLBILS Scheme (subject to you becoming a full Lender after the end of your probationary period) and our rights under the standard legal agreement.

4. Requirements

This section details the requirements for accreditation as an CLBILS Lender. Applicants must be able to address all points to the full and absolute satisfaction of BBB in order to progress through the CLBILS accreditation process, and applicants are requested to explain how they will meet these requirements in the Expression of Interest form. If 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 consider (and seek) additional relevant information at its discretion.

4.1 Lending to Large Businesses trading in the UK

Lenders should either be able to demonstrate their track record in the provision of term loans, revolving credit facilities, asset finance or invoice finance to CLBILS-eligible UK large businesses; 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 large businesses.

4.2 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 CLBILS to support a minimum of £10,000,000 (and £100,000,000 if seeking accreditation in respect of Larger Scheme Facilities) of new lending during the Scheme Period providing BBB is satisfied that the Lender satisfies the value for money principle outlined in 3.1 above.

4.3 Interest and fees

Each applicant must be able to demonstrate that the lender levied fees and interest that they propose to charge borrowers for facilities offered under CLBILS are reasonable and based on a Lender's normal pricing framework. They must also demonstrate that their pricing for CLBILS borrowers will take into account the economic benefit provided by the CLBIL guarantee. Each applicant must provide the BBB with a schedule setting out the lender levied fees and interest, which they will typically charge for CLBILS facilities and demonstrate how the government guarantee, and the reduction in funding and capital costs, is reflected in that pricing through lower pricing than it may otherwise have charged.

4.4 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 duration of the Scheme Period, covering large business lending both with and without CLBILS support.

Where the availability of or freedom to deploy that capital is subject to conditions which may affect its ability to be used for CLBILS-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.

4.5 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 CLBILS 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 CLBILS-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.

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.

4.6 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 CLBILS 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, in particular, the proposal must be consistent with the requirements of British Business Bank plc's group-wide tax policy, a copy of which can be found on the BBB website at: <https://british-business-bank.co.uk/transparency/> Applicants should also demonstrate appropriate ethical standards in relation to their proposed lending activity, operations and general business activities.

4.7 Legal Structure

All Applicants, if successful, will be required to enter into a "standard form" legal agreement with the UK Government. The legal agreement reflects the fundamental principle of CLBILS – 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 CLBILS-backed lending is undertaken by the same legal entity as the named Lender (the "lender of record") who contracts with the underlying borrower. CLBILS can also accommodate corporate groups where there are multiple named Lenders under one legal agreement who share in the same CLBILS 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 CLBILS backed loans or facilities originated under the legal agreement
- the Lender originates the CLBILS backed lending and is the primary entity responsible for servicing the CLBILS backed lending
- the Lender acts in accordance with its standard policies when originating and administering the CLBILS-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
- the Lender pays the Scheme Lender Fee to the Guarantor.

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

If you have a business model that does not fit the CLBILS standard 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 CLBILS (the risk sharing and alignment of interests between the UK government and the delivery partner, which requires the originator to have a financial interest in the performance of the portfolio) and your ability to deploy. 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 standard legal agreement. If an Applicant is invited to Stage 4 – Completion, any additional costs incurred by BBB in modifying the standard 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 platform which pairs borrowers and individual lenders but does not provide credit to underlying borrowers or assume the rights of the person who provided credit, i.e. it's not the lender of record, it will not be considered a suitable delivery partner for CLBILS for its own account. This means that an institutional investor lending through a platform rather than the platform itself should be accredited with the platform entering into suitable arrangements to be able to originate loans under the scheme. Applicants must be able to demonstrate that the platform that they originate facilities through is able to ring-fence institutional funds and comply with the CLBILS accreditation. The application will be considered using a risk and judgement-based approach which will appraise (among other matters) whether the business model fulfils the underpinning principle of CLBILS, as detailed above.

5. Legal Notice

Applicants who submit the Expression of Interest or Formal Proposal form are deemed to acknowledge and accept its terms and conditions including 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) reserves 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 application process, including personal information (if any), 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/>

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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 clbilsaccreditation@british-business-bank.co.uk

Annex 1 - Coronavirus Large Business Interruption Loan Scheme: Expression of Interest to become an accredited CLBILS 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 large businesses, and what are the key terms of these? What is the strategy for UK large 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 CLBILS: <ul style="list-style-type: none"> a) Term lending b) Revolving facilities c) Invoice Finance d) Asset Finance e) Larger Scheme Facilities
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 intend to address these areas. c) If you intend to use CLBILS for Larger Scheme Facilities, please confirm if you have permission to use the Internal Ratings Based approach approved for corporate lending at this scale.

6	Who would be responsible for the management of CBLILS in the applicant organisation?
Information on how you meet the CLBILS accreditation criteria	
A	<p>Criterion A: Lending to large businesses trading in the UK. Please provide high level evidence of your track record in the provision of lending to the UK large 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 large business lending.</p> <p>Please confirm whether you are active in issuing secured lending or unsecured lending (or both) to large businesses, or planning to be, and in which types of lending products.</p>
B	<p>Criterion B: Interest and Fees: Please provide give a high-level indication of your pricing for CLBILS borrowers and demonstrate how it will take into account the economic benefit provided by the CLBIL guarantee.</p>
C	<p>Criterion C: Critical Mass. Please provide us with a forecast on how much CLBILS-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-CLBILS large 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 £10,000,000 of lending that is CLBILS-backed during the Scheme Period, we may consider accrediting lenders who forecast being able to originate less than £10,000,000 during the Scheme Period. If you intend to use CLBILS for Larger Scheme Facilities, we aim to work with lenders who will be able originate around £100,000,000 of lending.</p>
D	<p>Criterion D: 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 large business lending both with and without CLBILS support. Please highlight at this stage if some of your sources of capital come with conditions that may restrict the ability for CLBILS-backed lending.</p>
E	<p>Criterion E: 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 CLBILS-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 CLBILS-backed lending. BBB will test all of these requirements in more detail during Stage 2.</p>
F	<p>Criterion F: Regulation and Tax Domicile. Please set out where you are domiciled for tax purposes and confirm that you hold the necessary regulatory approvals.</p>
G	<p>Criterion G: Legal Structure. Please outline your legal structure, to include a group structure diagram where there is more than one company.</p> <p>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).</p>

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 CLBILS 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