British Business Bank

Coronavirus Business Interruption Loan Scheme

(CBILS)

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

Dated 24 September 2020

Following an announcement on 24 September 2020 by the Chancellor of the Exchequer and the Secretary of State for Business, Energy and Industrial Strategy, the Coronavirus Business Interruption Loan Scheme has been extended to 30 November 2020. References to the Scheme Period should be construed accordingly.

Contents

1. Introduction

1.1 The Coronavirus Business Interruption Loan Scheme

The Coronavirus Business Interruption Loan Scheme (the "CBIL Scheme" or "CBILS") temporarily replaces the Enterprise Finance Guarantee Programme ("EFG").

Announced by the Chancellor at Budget 2020, the CBIL Scheme opened on 23 March 2020. The aim of the CBIL Scheme is to support smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow.

The CBIL Scheme will run until 30 September 2020 (the "**Scheme Period**"). 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 CBIL 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 CBILS -Opportunity for New Lenders to Join as Accredited Lenders

The CBILS Lender accreditation process is open and to UK incorporated and UK branches of overseas resident finance providers active in smaller business lending are invited to apply, as detailed further in Sections 3 and 4 below.

2. How can CBILS be used by Accredited Lenders?

CBILS is a risk-sharing partnership between Government, Lender and the SME borrower, to enable lending which would not otherwise be possible.

Viability of the SME borrower

CBILS can be used when the SME has a viable business proposition assessed according to a Lender's underwriting policies in place from time to time, without any regard to any concerns over its short-to-medium term business performance due to the uncertainty and impact of Coronavirus (COVID-19).

(The "**Borrower Viability Test**").

Secured and unsecured lending

CBILS may be used for both secured and unsecured lending. To be eligible, the SME must have been affected by the Coronavirus (COVID-19), have passed the Borrower Viability Test and satisfy the other scheme criteria. For facilities of £250,000 and under, the CBIL Scheme may be used for unsecured lending at the Lender's discretion. For facilities over £250,000, if an applicant has available security, then a Lender is expected to take security, however this does not impact the applicant's eligibility for the scheme. The assessment should be made according to the Lenders credit and security assessment policies.

CBILS is versatile and can be used with four types of debt product - term loans, invoice finance facilities, asset finance facilities and overdrafts/revolving credit facilities (committed and uncommitted).

Business Interruption Payments

A Borrower under the CBIL Scheme is entitled to a "**Business Interruption Payment**" or "**BIP"** up to a capped amount[1] to cover payments of the interest on (or interest equivalent for invoice finance and asset finance) and other Lender levied fees associated with the granting and maintenance of the facility for a period of 12 months. A Lender administers this payment on behalf of the borrower and the Guarantor.

The interest rate at which the Lender is prepared to lend at, and any associated fees, should be based on a Lender's normal pricing framework. However a Lender's CBILS Facility pricing must take into account the existence of the CBILS guarantee and pass the full economic benefit of the existence of this guarantee to the borrower through lower pricing than it may otherwise have had without the benefit of the guarantee.

[1] Subject to a cap of EUR800,000 for undertakings in all sectors other than those in fishery and aquaculture sector where the limit is EUR120,000 per undertaking and in the primary production of agricultural products where the limit is EUR 100 000 per undertaking. These caps apply per borrower (or borrower group) and are the maximum benefit a borrower can receive across all of its CBIL Facilities. If a Borrower receives any other direct grants, repayable advances, tax or payments advantages under the Temporary Framework, these also must be deducted from the total.

BBB aims to keep the operation of CBILS as straightforward as possible for participating Lenders. The credit 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 CBILS which includes using a bespoke web portal provided by BBB.

However, personal guarantees cannot be taken by a Lender for CBIL Facilities of £250,000 or less. If a CBIL 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 CBIL Facility or apply any proceeds from such a guarantee to the CBIL Facility.

Personal guarantees may be used for CBIL Facilities of over £250,000, at a Lender's discretion. If a personal guarantee is used in relation to such a CBIL 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 it has realised all other collateral that is available to support such CBIL Facility. This includes collateral that is available to both the CBIL 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 CBIL Facility, it may only do so for a maximum amount equal to 20% of the amount of such CBIL 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 CBIL backed facility.

In keeping with that delegation of decision-making, no borrower has an automatic entitlement to receive a CBILS-backed facility or a BIP. 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.

CBILS operates under 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

- SMEs carrying on business in the UK with turnover of up to £45 million including those with more than 250 employees
- Most industrial sectors are eligible[2]
- Must have passed the Borrower Viability Test

[2] Some activities/sectors are excluded– these include the state funded education sector, entities providing insurance (other than insurance brokers), deposit taking banks and others and, for facilities under £30k export related activities, as set out in the legal agreement which the Lender will sign as part of the accreditation process.

- Must not be a "business in difficulty" as at 31 December 2019[3]
- Must not have exhausted State aid limits.
- Must have been impacted by the Coronavirus (COVID-19).

2.1.2 Eligible Debt Instruments

- CBILS can be used to facilitate new lending and to a limited extent, to refinance existing debt (refinancing of existing debt with the same Lender is generally limited to a maximum 20% of a Lender's annual portfolio of CBILS-supported lending).
- CBILS can be used to support term loans, overdrafts/revolving credit facilities and asset finance facilities and invoice finance facilities.
- CBILS-supported facilities can range between £50,001 and £5 million for term loans and overdrafts/revolving credit facilities, and between £1,000 and £5 million for asset finance and invoice finance facilities. The amount of the facility must not be more than:
  - Double the annual wage bill 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 applicant in 2019, or
  - The applicant's liquidity needs for the next 18 months for SMEs and 12 months for large enterprises (this may be self-certified by the applicant)
- Facility terms can range between three months and six years, with a three year limit for overdrafts and invoice finance.

[3] 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 CBILS. In practice this means that certain fast growth businesses may not be eligible for CBILS. The State aid framework CBILS 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.

- Terms and pricing are commercial matters for each Lender, subject to the requirement to pass on the economic benefit of the CBILS Guarantee and subject to a maximum annual all in rate of 14.99%.

- No guarantee fee is charged to the borrower.

- 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 CBIL Scheme is based on the balance[4] of the facility multiplied by the applicable margin set out in the table below and a day count fraction. The margin applicable to the term of lending is set out below:

Type of recipient	CBIL Facilities with a maturity of 1 year or less	CBIL Facilities with a maturity of greater than 1 but less than or equal to 3 years	CBIL Facilities with a maturity of greater than 3 but less than or equal to 6 years
SMEs	25bps	50bps	100bps
Large Enterprises	50bps	100bps	200bps

The definition of SME under CBILS is based on turnover (up to £45m), an enterprise may be eligible for CBILS if their turnover is below this threshold, however, if they have in excess of 250 employees, they will be classed as a "Large Enterprise" for the purposes of determining the Scheme Lender Fee.

2.1.3 Terms between the Accredited CBILS Lender and BBB

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

- The CBIL guarantee is to the Lender, not the Borrower. For asset finance, the CBIL 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 a lending limit which applies during the Scheme Period for CBILS transactions. Lenders cannot exceed this lending limit without agreement in writing from BBB.

- 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 an CBILS-supported transaction than for a normal commercial transaction.

[4] This is the principal amount outstanding for asset finance and terms loans, the facility limit for overdrafts and the facility limit for invoice finance facilities.

- The Lender records all eligible transactions on the CBILS web portal. The CBILS 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 CBILS-supported facilities. Lenders must use the web portal provided by BBB to enter and update CBILS facility details in a timely and accurate manner in accordance with the guidance issued. For Lenders who are anticipated to originate over c.500 CBILS- supported facilities per month, the BBB may grant a temporary waiver of the requirement to input certain information into the CBILS web portal for a limited period of time whilst an API is activated. While work is being done to activate the API, the Lender will need to provide on a daily basis: number of application in progress, the number and value of applications approved, number and value of facilities offered, the number and value of drawdowns and on a weekly basis: the breakdown of the portfolio by two digit SIC code and region. This daily reporting must be in the form of the templates provided by the BBB.

- In the event of a borrower defaulting, the Lender may claim up to 80% of the outstanding principal (net of any recoveries) from the Guarantor while bearing the remaining 20% of the loss.

- 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).

- Lenders must ensure relevant customer-facing and back office staff in their organisation (e.g. Relationship Managers, Credit Sanctioners etc.) and any intermediaries (for example, brokers), are trained to appropriately apply and administer CBILS, 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 CBILS use, in order to market the CBILS programme appropriately.

- Lenders undergo periodic audits (including for new lenders, an audit shortly after commencing lending on the scheme). Audits include, inter alia, analysis of a sample of transactions to check that scheme eligibility rules and processes have been followed, including whether the economic benefits of the CBILS 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** CBILS legal agreement, and BBB provides Lenders with guidance materials.

- All accredited scheme Lenders will invoice the BBB on a quarterly basis the aggregate amount of the BIP.

- 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 CBILS 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 CBILS programme.

- **Formal Proposal:** detailed submission, providing detailed information on the applicant's organisation and its intended use of CBILS.

- **Due Diligence and Accreditation Award (subject to satisfaction of conditions precedent):** due diligence will look at the applicant's business, financial status, corporate group structure, governance, risk management and compliance frameworks, ownership structure, sources of funding and cost of funding. The applicant will be required to evidence that the full economic benefit of the CBILS guarantee is passed on to borrowers through lower pricing than it may otherwise have had without the benefit of the guarantee. 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 CBILS 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 CBILS lending they would like to become accredited for: term loans, overdrafts/revolving credit facilities, asset finance facilities and invoice finance facilities. 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 CBILS 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 CBILS Lenders, weaknesses in quality of proposals, business models, financial status, corporate structures and/or funding structures which do not fit within the principles of CBILS 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 CBILS Lender.

Applicants considered unsuitable to become CBILS 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 SME finance market. Assessment will be based upon our judgement of the applicant's ability to deploy CBILS 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 cbilsaccreditation@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 cbilsaccreditation@british-business-bank.co.uk) in order to help them ascertain whether participation in CBILS 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 CBILS.

BBB may invite applicant representatives to meet to discuss the applicant's existing and proposed future operations relevant to CBILS. 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, financial status, corporate group structure, governance, risk management and compliance frameworks, ownership structure, sources of funding, track record and proposed lending strategy. BBB will also review the proposed pricing for CBILS facilities to ensure that the existence of the CBILS guarantee and pass the full economic benefit of the existence of this guarantee to the borrower has been taken into account through lower pricing than it may otherwise have had without the benefit of the guarantee. Lending structures will also be reviewed to ensure that the principles of the CBIL Scheme are adhered to in particular risk retention and alignment of interests. 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 CBILS 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 CBILS 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 CBILS process requirements.

The BBB may invite the Lender to an Operational Review before lending can commence, to ensure the new Lender's internal CBILS 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 CBIL 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 Exceptions

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 Delivery of Expressions of Interest and Formal Proposals

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

3.4 Accreditation

If you are accredited as lender under CBILS, your accreditation will last for the duration of the CBIL Scheme and our rights under the standard legal agreement. Your accreditation under CBILS will not automatically result in your accreditation for the EFG Programme or any successor scheme when the CBIL Scheme comes to an end.

4. Requirements

This section details the requirements for accreditation as an CBILS Lender. Applicants must be able to address all points to the full and absolute satisfaction of BBB in order to progress through the CBILS 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 SMEs trading in the UK

Lenders should be able to demonstrate a clear track record in the provision of finance for those instruments for which it seeks accreditation (term loans, invoice finance facilities, asset finance facilities and overdrafts/revolving credit facilities (committed and uncommitted))to CBILS-eligible UK SMEs, ideally to the value of minimum £10m. Where a track record of less than this level is evident, applicants will need to demonstrate other contributing factors as to why the application should be supported for accreditation.

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 CBILS to support a minimum of £3,000,000 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 and taking into account the number of SMEs that will benefit. In exceptional circumstances, for example, when the applicant is providing lending to SMEs in regions outside of London & the South East or where the applicant is a Responsible Finance Provider, lending of minimum £1,000,000 during the scheme period will be considered.

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 CBILS are reasonable and based on a Lender's normal pricing framework. They must also demonstrate that their pricing for CBILS borrowers will pass through the full economic benefit provided by the CBIL guarantee. Each applicant must provide the British Business Bank with a schedule setting out the lender levied fees and interest, which they will typically charge for CBILS facilities and demonstrate how the government guarantee is reflected in that pricing through lower pricing than it may otherwise have charged.

CBILS accredited lenders will be permitted to charge no higher than 14.99% annually for a CBILS-supported facility, inclusive of interest rate and all other lender levied fees. The full amount of any upfront fees will be included in the calculation of the interest rate for the first year for the purpose of testing compliance.

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 smaller business lending both with and without CBILS support.

Where the availability of or freedom to deploy that capital is subject to conditions which may affect its ability to be used for CBILS-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. The CBILS guarantee cannot be assigned without consent from the BBB (either by legal transfer or by way of security or otherwise) to third party funders. Applicants should make their funders aware of this restriction as it may impact the availability of capital. Where the credit risk for the CBILS lending is not predominantly with the applicant, BBB will wish to see a lending structure showing how loans and the guarantee will be granted given the restrictions on the assignment of the guarantee. If further funding is required, evidence of committed funds or evidence of tangible progress towards fund raising will be required. Funding from retail and/or individual investors is not permitted.

Where use of capital from public sources is involved, a maximum of 70% of the total proposed lending amount may come from sources under Government control* and the balance (minimum 30%) must be sourced from institutional investors from within the private sector. The private sector can include the European Investment Bank and European Investment Fund.

*'Under Government control' is defined as capital sourced from UK central government, Devolved Administrations, Local Authorities, ERDF, ERDF legacy and other public sector legacy.

4.5 Financial Status, Operations, Management Team and Track Record

Applicants must demonstrate a viable business model, satisfactory financial status and robust operations and systems. It must be able to demonstrate it has sufficient skills, experience and resources to enable it to deliver the proposed CBILs lending. Also, if the applicant's business is loss-making, BBB will wish to see adequate cash resources, a clear strategy of how the applicant plans to reach profitable status over time and how a CBILS portfolio could be safeguarded in the event of the applicant ceasing trading, for example, via the establishment of an arrangement with a back-up service provider.

Applicants must demonstrate that robust and tested systems and processes are in place for making and managing the proposed CBILS 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 CBILS-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 an applicant is proposing as part of its CBILS application to offer a product which is capable of being supported by CBILS but is a new market for the applicant to move into , applicants are expected to clearly demonstrate access to sufficient resources, skills and competencies required to execute the proposed 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 CBILS accreditation but obtaining the relevant approvals will be a condition precedent for progression through the accreditation process.

Applicants (including other entities in their corporate structure) 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 British Business Bank 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 CBILS – 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 CBILS-backed lending is undertaken by the same legal entity as the named Lender (the "lender of record") who contracts with the underlying borrower. CBILS can also accommodate corporate groups where there are multiple named Lenders under one legal agreement who share in the same CBILS 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 CBILS backed loans or facilities originated under the legal agreement
- the Lender originates the CBILS backed lending and is the primary entity responsible for servicing the CBILS backed lending and administering the BIP
- the Lender acts in accordance with its standard policies when originating and administering the CBILS-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 CBILS-backed lending, this will be treated as an exception - the general principle is that the third party must be CBILS 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 (including your corporate structure and funding structure) that does not fit the CBILS 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 CBILS (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 through the investment of its own funds) and your ability to deploy. The proportion of its own capital an originator will need to invest may vary from case to case but will need to be proportionate and sufficient to provide a meaningful alignment of interest with the UK government.

Where an applicant is a venture debt provider (or receives any part of its return by way of equity instruments such as shares, options, warrants or convertibles), the applicant will be required to limit any equity investment held in an SME to which it provides a CBILS facility to no more than 20%; the majority of support to the SME must be by way of debt instruments; and during the first 12 months following drawdown of the CBILS facility, any equity holding in the SME cannot be withdrawn nor will dividends, bonuses or advisory fees be permitted. 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 business 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 or marketplace lender 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 CBILS 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 CBILS 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 CBILS, as detailed above. Alignment of interest and risk retention principles may need to be demonstrated by ensuring relevant parties in the lending structure commit to the guarantee undertakings (including the most creditworthy member of the group if that is not the lender of record)

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/

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 cbilsaccreditation@british-business-bank.co.uk

Annex 1 - Coronavirus Business Interruption Loan Scheme: Expression of Interest to become an accredited CBILS 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 CBILS: a) Term lending b) Revolving facilities c) Invoice Finance d) Asset Finance If the type of lending is not listed above or if the type of lending is a hybrid or non-standard product, please indicate this and provide further details.
5	a) What are the key statutes and regulatory requirements with which you must comply (or will have to comply with, in the case of 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.
6	Who would be responsible for the management of CBILS in the applicant organisation?
Information on how you meet the CBILS 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 lender entering a new market segment, demonstrate your intention and strategy for UK SME lending. Please confirm whether you are active in issuing secured lending or unsecured lending (or both) to smaller businesses, or planning to be, and in which types of lending products together with a detailed description of the lending products.
B	**Criterion B:** Interest and Fees: Please provide give a high-level indication of your pricing for CBILS borrowers and demonstrate how it will take into account the economic benefit provided by the CBIL guarantee.
C	**Criterion C**: Critical Mass. Please provide us with a forecast on how much CBILS-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-CBILS 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 £3,000,000 of lending that is CBILS-backed during the Scheme Period, we may consider accrediting lenders who forecast being able to originate minimum £1,000,000 during the Scheme Period.
D	**Criterion D**: Availability of Capital. Please demonstrate that you have or will have sufficient capital available to meet your lending forecast, covering secured SME lending both with and without CBILS support. Please highlight at this stage if some of your sources of capital come with conditions that may restrict the ability for CBILS-backed lending or if you have yet to raise funding to support your proposed CBILS lending. Note that the guarantee and CBILS loans are not assignable without BBB consent. Third party funders and investors should be made aware of this as it may restrict the availability of capital to fund the CBILS facilities
E	**Criterion E**: Financial Status, Operations, Management Team and Track Record. Please set out at a high level (and without supporting documentation) your financial status and that robust and tested systems and processes are in place for making and managing CBILS-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 CBILS-backed lending. BBB will test all of these requirements in more detail during Stage 2.
F	**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.
G	**Criterion G: Legal Structure.** Please outline your legal structure, to include a group structure diagram where there is more than one company together with details of shareholders/ownership and with sources of funding clearly indicated. 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 CBILS 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