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From: Brown, Diane
Sent: Tuesday, 23 April 2019 5:53 PM
To: Venus, Chris (NAB - Unclassified); Crabb, Ben
Subject: RE: NAB comment - Business Growth Fund announcement [SEC=UNCLASSIFIED]

Chris

Thanks for your email.

As you note, we are in caretaker but appreciate you sharing your thoughts.

Regards

Diane

Diane Brown
Division Head
Financial System Division
The Treasury, Langton Crescent, Parkes, ACT 2600

s22

From: Chris M Venus
Sent: Tuesday, 23 April 2019 4:04 PM
To: Brown, Diane ; Crabb, Ben
Subject: NAB comment - Business Growth Fund announcement

Hi Diane and Ben,

Hope you are both well. Conscious you are in caretaker mode, but following the Coalition’s announcement on the Business Growth Fund today, below is the statement we have been providing to the media who have asked for NAB’s view on it.

Thought it might be helpful for incoming Government briefs etc.

Let me know if you need anything else.

Kind Regards
Chris

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- As the country's biggest small business bank, NAB today welcomes the Federal Government’s announcement of funding to help establish at Business Growth Fund in Australia if re-elected.
- Since December 2018, NAB has been chairing an industry working group to further progress this opportunity. We recognise it’s important that small businesses have access to a range of funding options that are suitable for their circumstances.
- This fund will provide a new way for Australian SMEs to receive long-term equity capital to grow their businesses, invest in new technology and create more jobs. We take confidence from the United Kingdom and Canadian Business Growth Funds having operated successfully for several years.
- We encourage other financial institutions who have not participated in the working group to join and further the work on establishing a Business Growth Fund in Australia.

- We look forward to working with whoever forms Government after the election on the establishment of this important initiative.

Chris Venus

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Government Affairs & Public Policy
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ATTACHMENT B – ANNOTATED AGENDA

1. Opening Remarks

Introductions and apologies

- Thank you all for joining myself and Senator Cash today for this roundtable to discuss the establishment of an Australian Business Growth Fund.
- Around the table we have senior representatives from the major banks, AustralianSuper, the Australian Small Business and Family Enterprise Ombudsman, the Australian Bankers Association and the Council of Small Business of Australia.
- I am particularly grateful to James Chew who has flown all the way from London to join us today.
- We are also joined by the Governor of the Reserve Bank, key regulators, and of course my own department.
- I would like to start by saying that I see this roundtable as an opportunity to gauge interests, raise concerns and agree on the next steps for establishing the BGF in Australia.

Role of Business Growth Fund

- As you know, on 14 November I announced that the Government was endorsing the creation of an Australian Business Growth Fund to provide equity finance to SMEs.
- There are over 2.2 million SMEs in Australia, accounting for around two-thirds of private sector employment and creating a substantial proportion of new jobs
- Ensuring that these businesses have access to finance is important for their growth and the creation of jobs in the economy.
- Overall, SME conditions and confidence continue to be strong and a significant majority of SMEs are able to access suitable finance, particularly when using property as security.
- However, there are ongoing concerns and gaps about the price of that finance. The proportion of small businesses that perceive it to be relatively easy to access finance has recently declined.
- Equity is an alternative to debt finance and may well be more suitable for businesses without access to collateral looking to scale up, but SMEs find it difficult to access equity beyond family and friends.

- While private equity and venture capital financing is sometimes available, its supply is limited, terms can be restrictive and control of the business can be lost.
- To help SMEs accessing equity finance, we are encouraging the establishment of the private sector-owned Australian Business Growth Fund.
- The creation of the Australian BGF follows the establishment of a BGF in the UK in 2011 and more recently in Canada this year.
- These Funds are making a real difference – with the UK BGF having a financing capacity of around 4.5 billion Australian dollars and the Canadian BGF on track to grow to over 1 billion Australian dollars.
- I have convened this roundtable today so we could all work together to reach agreement with the banks and regulators to progress the development of a similar Fund in Australia.
- Of course, I accept that this is a very complicated proposal and there will be a number of issues to sort through.
- What I am looking for at the conclusion of this meeting is a clear way forward, where this group can develop a proposal that draws on all the experience in this room and delivers real results for Australian small businesses.

2. Update on small business lending conditions

- I would now like to invite Dr Phil Lowe, the Governor of the RBA to give a brief update on small business lending conditions in the Australian economy.

5 minute presentation

- Thank you Dr Lowe for that update. It is clear that small businesses' perception of their ability to access finance has declined in recent years and the Government sees the Business Growth Fund as a vehicle to improve the flow of finance to those businesses.
- I should at this point acknowledge the excellent work of Kate Carnell who also identified the BGF as a key priority in her June 2018 report *Affordable capital for SME Growth*.

3. Update on Regulatory issues

- For the BGF to succeed, the Government recognises the importance of the involvement of the major banks. Their participation in the fund will deliver a

strong flow of referrals, generating scale, keeping costs down and reducing risk via diversification.

- We recognise that the regulatory treatment of banks' equity investment into the fund is critical to their commercial consideration to participate.
- I would like to invite Mr John Lonsdale, Deputy Chair of APRA to provide us with APRA's views on the capital treatment of the fund and the conditions needed to enable a concessional capital treatment.

5 minute presentation

- Thank you Mr Lonsdale for that update. We look forward to working with APRA to accommodate this concessional regulatory treatment.

4. Update on international experience

- I now would like to invite Mr James Chew, Global Head of Regulatory at HSBC to share his experience of the BGF in the UK and Canada.

5 minute presentation

- Thank you Mr Chew. We appreciate you flying to Australia to share your experience with us. It is clear that the BGF has been successful in the UK and Canada and I look forward to similar success in Australia.

5. Questions on BGF and international experience

- I now open the roundtable for general discussion and questions on the international versions of the BGF.

Allow 10 minutes for open discussion

6. Views on an Australian BGF

- Thank you for that insightful discussion. I would like to go around the room now and seek everyone's views and concerns regarding the development of the Australian BGF. [Note: You may wish to ask Ms Leigh O'Neill from NAB to speak first, given NAB have indicated informally that they would be prepared to lead a working group to develop a proposal for an Australian BGF.]

Allow 10 minutes for participants to share their views

7. Next steps

- Thank you all for your views on the development of the Australian BGF. It is clear to me that there is a lot of support for this idea and that there are a range of issues that needed to be ironed out before we can establish the BGF in Australia.
- [As suggested by NAB] I would like to propose the establishment of a Working Group to take this idea forward. I think NAB are in a great position to lead the Working Group, and of course my department can provide assistance as needed.
- It's probably best if the Working Group includes the private sector members to begin with, noting that the regulators are available to meet with the Working Group as required.
- I would like to suggest that this group reconvenes in the sitting weeks in February to discuss the progress that has been made.
- I now open the roundtable to seek views on this proposal.

Allow 10 minutes for discussion

8. Closing remarks

- I would like to thank you all for your attendance and participation in the roundtable today. The discussion was insightful and comprehensive.
- I want to reiterate the Government's endorsement of the Fund. We see the Fund as a vehicle to improve the provision of finance to SMEs that will benefit the Australian economy more broadly.
- I look forward to meeting with you to discuss progress with the implementation strategy of the Working Group in the new year.

AUSTRALIAN BUSINESS GROWTH FUND – AGENDA AND ATTENDEES

Stakeholder Meeting Agenda

Date: Thursday 6 December 2018

Time: 10:30 – 11.30am

Location: MG.63, Parliament House

Item	Agenda item	Report by	Format	Time
1.	Opening remarks	Treasurer	Verbal	10:30am
1.1	Introductions and apologies			
1.2	Role of a Business Growth Fund in improving access to finance for Australian businesses			
2.	Update on small business lending conditions	RBA Governor	Verbal	10:40am
3.	Update on regulatory issues - APRA representative on capital treatment of equity investments into an Australian BGF	APRA	Verbal	10:45am
4.	Update on international experience - experience with the BGF in the UK and Canada	HSBC	Verbal/Slides	10:50am
5.	Questions on BGF and international experience	All	Verbal	10:55am
6.	Views on an Australian BGF	All	Verbal	11:05am
7.	Next steps	All	Verbal	11:15am
8.	Closing remarks	Treasurer	Verbal	11:25am

Roundtable Attendees

The Hon Josh Frydenberg MP	Treasurer	
Senator the Hon Michaela Cash	Minister for Small and Family Business, Skills, and Vocational Education	
Dr Philip Lowe	Governor	RBA
Ms Leigh O'Neill	Customer Executive, Small Business and Business Direct	NAB
Mr David Lindberg	Chief Executive Officer, Business Bank	Westpac
Mr Adam Bennett	Group Executive, Business and Private Bank	CBA
Mr Dean Firth	Head of Business Banking	Macquarie Bank
Mr James Chew	Global Head, Regulatory Strategy	HSBC
Mr Noel McNamara	Chief Risk Officer	HSBC Australia
Mr Stuart Wilson	Portfolio Manager	AustralianSuper
Mr John Lonsdale	Deputy Chair	APRA
Ms Lisa Ayres	General Manager, Executive and Governance	ACCC
Ms Diane Brown	Deputy Secretary, Markets Group	Treasury
Ms Kate Carnell	Ombudsman	ASBFEO
Ms Anna Bligh	Chief Executive Officer	ABA
Mr Peter Strong	Chief Executive Officer	COSBOA

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From: Wilson, Stuart <SWilson@australiansuper.com>
Sent: Tuesday, 11 June 2019 4:48 PM
To: Crabb, Ben s22
Subject: RE: Business Growth Fund [SEC=UNCLASSIFIED]

Thanks Ben. Appreciated.

Regards,

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From: Crabb, Ben s22
Sent: Tuesday, 11 June 2019 4:46 PM
To: Wilson, Stuart
Subject: Business Growth Fund [SEC=UNCLASSIFIED]

Hi Stuart,

Good to talk again.

As discussed, pls see below for info on the Government's BGF election commitment and some info on the Government's Biomedical Translation Fund. Attached is the press release on the Victorian Government's BGF.

BGF Election commitment

- During the election campaign, the Government made a commitment to provide \$100 million towards the capital of an Australian BGF. Further information on this commitment can be found here: <https://www.liberal.org.au/our-plan-back-small-business>.

Biomedical Translation Fund

- For info, here is some material on the Government's Biomedical Translation Fund (<https://www.business.gov.au/assistance/venture-capital/biomedical-translation-fund>), which is an example of a program that combines government and private funds to support equity investments. The incentive the Government uses in this case is a disproportionate share of the distributions from the investments going to private investors (see below for more details).

Distributions

The Governing Documents will include provisions on the distribution of earnings or realisation of investments of the fund, including provisions to the effect that:

- a. the Commonwealth has no priority as to distributions
- b. an amount equivalent to capital (whether committed or contributed capital, as set out in the Governing Documents) will be returned on a pro-rata basis to all investors plus interest at the Long Term Bond Rate, and
- c. any further available distribution is to be divided between the Commonwealth, the private investors, and the Fund Manager in accordance with paragraph (d) below, without any party having priority over the others to receive its proportion of the relevant distribution, and
- d. for any further available distribution, the Fund Manager will receive an agreed proportion of that distribution as set out in the Governing Documents, and the balance of the relevant distribution will be split between the Commonwealth and the private investors on a 40:60 basis.

Warm regards

Ben

Ben Crabb

Senior Adviser

Financial System Division, Markets Group

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