

How BCR Monitors Capability and Innovation Fund (CIF) Awardees

This note provides a generalised overview and is not a legal document. For further details please use the links embedded and the standard agreements provided on the BCR website.

Banking Competition Remedies Ltd (BCR)

BCR was set up as an independent entity under the Alternative Remedies Package (ARP) agreed between the Treasury (HMT), the European Commission and Royal Bank of Scotland (RBS).

The ARP set the criteria for any awards along with relevant timelines for decision making and disbursements of funds.

There are now 24 awards to be monitored across 5 Pools following the return of funds by 2 awardees in early 2020.

BCR's monitoring obligations

In its role as an independent body, BCR is required to:

- monitor and assess the compliance by the awardees with their Capability and Innovation Fund Agreements and consider whether any awardees are or are likely to become in material breach of their terms; and
- consider if it has any grounds to exercise its audit rights; and
- where it becomes aware of a material breach, require the relevant awardee to remedy such breach if it is capable of remedy and consider if it is appropriate to exercise its clawback rights.

The above responsibilities are covered in more detail below.

Public Commitments

BCR seeks to support appropriate transparency as part of ongoing reporting. BCR therefore agreed with all applicants that their applications would include Public Commitments to be published should their application be successful, and with awardees thereafter regularly reporting progress against them.

All awardees can thus be held publicly accountable for delivery.

The awardees' Public Commitments can be found [here](#).

Regular Reporting

Awardees are required to report quarterly to BCR all or some (depending on the Pool) of the information outlined below.

- details of how the Funding Amount (amount given to awardees) has been utilised including the total amount spent from the Funding Amount;
- a brief account of the developments in any relevant business, products or services and how these relate to the business case the awardee submitted;
- an overview and quantification of investments made;

- details of the awardees' SME business volumes, including: customer numbers, business current account numbers, lending and deposit balances, plus other items that the awardee considers relevant;
- confirmation that spending of the Funding Amount during the relevant Assessment Period has been used for Permitted Purposes only and in accordance with the Overarching Principles of CIF. Further details of these can be found [here](#);
- any additional information requested by BCR which is, in the opinion of BCR, necessary or desirable in order for BCR to assess the awardee's compliance with the terms of the CIF Agreement.

BCR and the awardees have also agreed that BCR will be provided with certain additional information necessary to ensure that awardees are able to demonstrate progress against the Business Case and Public Commitments included in their application as well as their compliance with the terms of the CIF Agreement. Where possible awardees have incorporated much of the above in their Public Commitments, but it should be noted that some information is commercially sensitive and, while monitored by BCR, is not placed in the public domain.

The specific requirements per Pool can be found [here](#).

The timelines for regular progress updates for 2020/2021 are listed [here](#). These now incorporate Pool E timelines.

BCR Monitoring process

1. Quarterly reports:

When the reports are received, BCR initially checks them for completeness and accuracy and, where required, will ask an awardee to resubmit their report.

Once a complete report has been received, BCR:

- evaluates the report against the progress the awardee anticipated for the quarterly assessment period;
- ensures that the awardees have not only used the funds for Permitted Purposes but also that they are in accordance with their Business Case; and
- challenges as appropriate, including meeting with awardees, to ensure BCR has a complete overview of the awardee's delivery, progress and any challenges that it is facing.

Baringa, the company that assisted BCR in the evaluation process, is supporting BCR in the reporting and monitoring process for Pool A and B awardees.

All reports are then discussed by the BCR executive team. If approved, each report will be formally signed off by BCR for the assessment period. If a report is not approved, BCR may ask the awardee to resubmit making required changes or BCR may take action as below.

2. Public Commitments updates:

As part of their reporting, awardees provide Public Commitment updates.

BCR reviews the Public Commitment updates to assess whether they are transparent on both progress and any challenges that awardees are facing. If BCR is satisfied on these points, the updates are published on the BCR website alongside the original Public Commitments. Some awardees also provide Public Commitment updates directly on their websites.

3. Updates to an awardee's Business Case:

BCR aims to meet with awardees on a regular basis, and there is a contractual requirement to meet with awardees as soon as is reasonably practical 6 months after signing the CIF Agreement - known as a "Review Meeting". The purpose of this meeting is to report on and discuss the Business Case and to consider any changes that may be necessary or desirable.

If an awardee wishes to propose changes to the Business Case at the Review Meeting, BCR has an Updated Business Case process to accommodate this. All Review meetings have now completed for Pool A, B, C and D Bodies. Pool E Bodies will take place in early 2021.

Awardees may at any other time submit a proposed change to their Business Case. This follows a similar submission and approval process but is known as a Revised Business Case. In both instances, BCR will consider and assess the Updated Business Case or Revised Business Case taking into consideration the requirements set out in the Terms and Conditions which can be found [here](#). Where an Updated or Revised Business Case is approved and it results in changes to the Public Commitments, these will be highlighted on the BCR website [here](#).

If BCR does not approve an Updated or Revised Business case, then the awardee may continue to use the Funding Amount in accordance with the original/previous Business Case. If the awardee feels that this is no longer achievable, BCR may request repayment (in full or in part) of the Funding Amount. In this situation, the CIF Agreement, which can be found [here](#), sets out the terms for repayment.

4. When BCR has concerns

The CIF Agreement sets out the terms under which BCR can take formal action if it is not comfortable with an awardee's use of funds or with the information it is providing.

BCR has the right to audit awardees in the following circumstances:

- verifying whether the Funding Amount has been used for Permitted Purposes (and not for Prohibited Purposes) and in accordance with the Business Case;
- assessing whether the awardee has complied with its obligations under the CIF Agreement; and/or
- verifying the Assessment Information.

BCR's right to audit awardees only arises if it believes that:

- the Funding Amount has not been used for Permitted Purposes or in accordance with the Business Case or has been used for Prohibited Purposes;
- the awardee has not complied with its obligations under the CIF Agreement; or
- the Assessment Information is not true, accurate and complete or is misleading.

BCR's Right to Clawback Funds

If BCR feels that there has been a material breach (whether or not an audit has taken place) of the CIF Agreement and it can be addressed, BCR may ask the awardee to take action to remedy the breach.

If it is not capable of remedy or remedy cannot be achieved within a period specified by BCR, then BCR can require repayment in full or in part of the Funding Amount. This is covered in more detail in the CIF Agreement which can be found [here](#).