

Select Committee on the European Union

EU Financial Affairs Sub-Committee

Oral evidence

Brexit: the European Investment Bank

Wednesday 31 October 2018

10.20 am

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Members present: Baroness Falkner of Margravine (The Chairman); Lord Bruce of Bennachie; Lord Butler of Brockwell; Lord Cavendish of Furness; Lord Desai; Lord Giddens; Baroness Liddell of Coatdyke; Earl of Lindsay; Baroness Neville-Rolfe; Lord Thomas of Cwmgiedd; Lord Vaux of Harrowden.

Evidence Session No. 4

Heard in Public

Questions 42 - 54

Witnesses

I: Giles Derrington, Head of Policy, techUK; Tim Hames, Director General, British Private Equity and Venture Capital Association; Victoria Roberts, Head of Government Affairs and Policy, Innovate Finance.

Examination of witnesses

Giles Derrington, Tim Hames and Victoria Roberts.

Q42 **The Chairman:** Good morning and welcome to the Financial Affairs Sub-Committee's inquiry into Brexit and the European Investment Bank. I welcome Victoria Roberts from Innovate Finance, Tim Hames from the British Private Equity and Venture Capital Association, and Giles Derrington from techUK. You have before you a declaration of Members' interests. The session is being broadcast on parliamentlive.tv. A full transcript is being taken, which you will receive shortly, and you will be able to make corrections. Do you have any opening remarks?

Victoria Roberts: Perhaps I could explain what Innovate Finance is and what we do, and then I am happy to go straight into the questions. Innovate Finance is an independent membership association committed

to ensuring that the UK FinTech ecosystem is a world-leading place for business, investment and talent. We help and nurture the FinTech sector in the UK, promoting and sharing opportunities, identifying and mitigating barriers, and connecting people and ideas, be it start-up entrepreneurs, innovators in existing institutions or supportive experts in law and professional services.

We have about 250 members, ranging from international financial institutions looking to stay relevant in the future of finance, through to two-person tech start-ups with ambitions to disrupt the industry. Our members' interests range right across the financial sector and are things such as open banking, payment services, insuretech, regtech, peer to peer and beyond.

Tim Hames: In a similar spirit, I will say who we represent rather than offer an opening testimony. The British Private Equity and Venture Capital Association was founded in 1983. It has a very broad spectrum of membership, from extremely large, internationally focused private equity firms, which might have funds under management the size of a small country, through to growth capital and very bespoke venture capital funds that might, for example, have funds of a few million pounds under management and operate only in a dedicated geographical area. It is a very diverse range. As regards this subject, our interests are more at the smaller end of that membership spectrum and very much around the European Investment Fund rather than the European Investment Bank, in the sense that the EIB's infrastructure projects are really outside our scope.

Giles Derrington: I will do the same. techUK is the membership trade body for the UK tech industry. We have about 950 members, ranging from the largest multinationals, such as the Googles, Amazons or Facebooks, right the way through to small start-up and scale-up UK businesses. About two-thirds of our membership is small and medium size, so we represent a broad range of the sector. We also represent all forms of techs, running right the way through from FinTech to medtech, deep learning and defence industry tech. Again, there is quite a broad range of issues affecting the sector.

As to this inquiry, we have some interest in the European Investment Bank as an important infrastructure part of the picture; for example, broadband is incredibly important to the development of technologies, as is the development of new markets through some of the work that the EIB does. The European Investment Fund is incredibly important for housing VC in the UK, which is particularly important given the amount of runway that a lot of new tech businesses need. If you are doing AI, you need time before you get a minimally viable product, so that is where VC comes in.

Q43 **The Chairman:** Could each of you touch briefly on the current situation for access to finance? At the moment, what are your main sources of financing?

Tim Hames: Historically, over the last 10 to 15 years the European Investment Fund has probably been the largest single investor in the UK and European venture capital space. There is no question but that the referendum, never mind the actual date of Brexit, has already had a pretty fundamental impact. EIF investment in the UK fell by 91% between 2016 and 2017, which is a large enough number to make you suspect that it was not an accident or a coincidence of timing.

In fairness to the EIF, it has a legal mandate about where and how it can invest, which is difficult to reconcile with putting money into UK-only funds when the UK is going to leave the European Union. That dramatic collapse in funding occurred not at the moment the referendum result was known but at the moment Article 50 was triggered, because that was the point at which the EIF's legal advice was, "You now know these people are going, so you have to adjust yourself accordingly".

To give that some context, if it was going to occur at all, it would be a bit like saying, "When would you like to have a heavy cold?" It is better now than it would have been at other points. If history had been reversed slightly and a Conservative manifesto in 2010 had promised an in/out referendum if the Conservatives won a majority and they had won a majority, the referendum would have occurred in 2011, exit would have occurred in 2013, and the loss of the EIF to UK VC would have been close to terminal.

Back then, the combined various forms of government funding—supranational, national and regional—was getting on for 70% of all funding of an industry that had not really recovered from the combined impact of the dotcom boom and bust and then the financial crisis. To give a rounded picture, on the whole, the UK venture capital scene, especially in the tech space, is in considerably better financial and fundraising health now than it was five years ago, so there is considerable private sector investment coming in.

The Chairman: To press you briefly, if the Brexit effect has been 91% since Article 50 was triggered, do you believe that the actual fact of withdrawal at the end of March next year will dry up the remaining 9%?

Tim Hames: Theoretically, no, in the sense that my understanding of how the transition period arrangements will come to pass, assuming they do, is that UK-based funds could continue to apply for EIF funding, but, working on the assumption that the EIF would know that the next deadline was 31 December 2020, it is difficult to work out how you would get round that problem, unless somehow as a UK-based fund you can reconfigure your investment activities so that a much larger proportion is carried out within the part of the European Union that will still be in the European Union by 2021. You would have to undertake a pretty fundamental business model transformation if you wanted to chase EIF funding. Candidly, I think most people in that space have now decided that it is a rabbit not worth chasing and turned their attention to the role that the British Business Bank might play instead.

Giles Derrington: As Tim says, the broad picture for tech is pretty good on VC funding, because in the last few years there have been a number of high-profile exits from initial start-ups and scale-ups, which means that at the moment there are more people with larger pockets who can take a bit of impact and are looking a bit wider. The quality of the products being produced in the UK is very high. There is a lot of international interest in UK products, particularly around AI, deep learning and those kinds of issues, which are also where a lot of the international money is focused, as well as in FinTech, where the UK has excelled; it has been the home of that industry.

The broad picture has been relatively healthy. The impacts of Brexit more widely have certainly hit that. There is a lack of overall confidence within the sector and a holding back of funding as a result by both established companies looking at investment and angel investors. They are not sure whether, in the event of the final Brexit, we might see a currency crash. Do you want your money in the UK when that particular merry-go-round potentially stops turning? There are some questions around that.

There is also the wider regulatory piece in the way FinTech is viewed in the UK, which has changed over the past five or so years. We heard the announcements in the Budget on digital taxation. There is a lot of talk about regulation of things such as limitations of liability that is giving people pause because they are not sure about the regulatory picture as much as the funding picture. That is the overall approach. The EIF has an incredibly important part in funding some of the VCs that we need to do small-scale, angel seed-type investment or to be able to write very big cheques for the largest companies.

Q44 **Lord Vaux of Harrowden:** Can we explore in detail the role that the EIF plays, and the EIB, in your sectors? How does the EIF work and how important is it? Are there particular areas where, for example, lack of access to it would have an impact?

Victoria Roberts: I do not have an exact figure for the level of EIF funding that goes through to VCs and comes to UK FinTech, but the EIF has been a very substantial investor in VC funds across Europe. Between 2011 and 2015, about 37% of VC raised in the UK came from the EIF. As Tim has already noted, that dropped to around 8% in 2017. For FinTech, that is quite a significant predicament in a fast-growing sector.

I am keen to take a few minutes to talk you through the funding needs of the FinTech sector. I am conscious that it is quite nascent and has some slightly different characteristics from the wider tech sector. Is this an appropriate time?

The Chairman: Briefly, yes.

Victoria Roberts: There is a range of financing available to the FinTech sector. Equity comes through as the clearest and most appropriate funding, in particular patient capital. We have found that the characteristics of that type of investment are very important for FinTech.

FinTech differs slightly from the rest of the tech sector because the life cycle of companies is different. Financial services are very regulated. Quite often, you need to meet Know Your Customer and the compliance regimes before you even launch to consumers. We have found that having long-term investment that can help companies in the early stages when they have to spend a lot of cash without any revenue can be really important. That is why VC is important in this space, particularly patient capital.

Lord Vaux of Harrowden: Does the EIF play an important role in that respect?

Victoria Roberts: When we did our FinTech census last year, we found that 34% of FinTech firms in this country said that raising equity was the key challenge, and we know that EIF funds play a key part in VC investment in the UK.

Lord Vaux of Harrowden: My question is more to do with the extent to which it is providing genuine patient capital. A lot of VC is not terribly patient. Does the EIF provide a catalyst in that respect?

Victoria Roberts: It is helpful. Outside corporate investment, the feedback is that there are very few funds in the UK that have the capacity to invest in the mid-stages between about £5 million to £10 million, stages B to C, and that is particularly where EIF and BBB funding has been helpful to the UK sector.

Tim Hames: The EIF effect is more subtle than simply the lump sum of cash. Thinking about the likely realistic transition from EIF to BBB, I do not have sleepless nights because I do not think that the UK Government will fill in the money; they have a very strong political commitment to that. There has been a series of announcements, including one on Monday, indicating that the money will be "repatriated". I think that was the word used in the Conservative Party manifesto. To my mind, that is not per se the end of the issue; it is more subtle than that for three reasons.

First, there is a challenge for the BBB in scaling itself up fast enough to deal with the challenge. The BBB has been around for only three years. The Chancellor makes an announcement, such as the one in the last Budget, that there is a patient capital fund of £2.5 billion to be deployed over a decade. Understandably, if you are a fund manager, you say, "That's good news. Where's the queue?" Then you see that there is not yet a structure, or that there is now a structure but not a leadership team; or that there is a structure and a leadership team, but they are not quite sure they have nailed down the mandate and the mission precisely. The first element is how the BBB responds to the internal challenge.

The second is the external challenge of the BBB's relationship to other investors. The great thing about the EIF, although if you are a fund manager it could be a bit of a pain, is that it has a reputation for conducting due diligence, which at minimum is intense and at worst

intrusive. Because it is European taxpayers' money, nobody goes over an applicant like the EIF does. It is a full-blown body search. If you are a much smaller investor thinking about whether you should invest in fund X, and you see that the EIF has given it the full treatment and passed it, you are relatively relaxed and you think, "I don't need to do the same".

It is a bit like a new shopping centre. If I was a small retailer and discovered that Marks & Spencer or John Lewis were definitely in, I would say to myself, "They have much bigger resources and a much longer history of looking at whether or not shopping centres will be a success than I have. They've decided they're in; I can decide I'm in". Inevitably, the BBB, because it is three years old and not 24 years old, does not yet have that kind of helpful additional historical element.

The third question is whether the BBB will have the same elasticity of mandate as the EIF. The EIF has a very broad mandate as to where it can invest: venture capital, growth capital, expansion capital and low and mid-market private equity. The BBB currently has two of those three boxes ticked. I will be happy to explain what the differences are and why they are important, but the third box is not ticked. Although you might be replacing it and the money is the same, if the mandate is not the same, there will be a category of potential investors who are in scope as far as the EIF was concerned but not in scope yet as far as the BBB is concerned.

Giles Derrington: I completely agree with a lot of what Tim was saying, particularly about anchoring funds in the UK and being able to crowd in other money. One of the key challenges with the way the British Business Bank has approached this compared with the EIF is that the EIF has a crowding-in way of working. It says, "We are putting this amount of money into this fund. You can take our commitment to others and say, 'Look, they are going in; it is a green light for you to invest'", whereas the British Business Bank has a tendency to work as an investor of last resort, saying, "You go away and get the rest of the money, and then come to us if you have a gap and we will fill it", which means you need to try to fill it 100% effectively. That is a big challenge.

The importance of the EIF in general, and in how it supports VC, is that it is not just about the money, but the signal it sends about the market. Strong venture capital in the UK means that talent comes to the UK because you start your business where you think you can get the money. That means you drive the sector and spur it on. The EIF has been a particularly important funder of ICTs; about 34% of all its spending was on ICTs in 2017, and in the UK about 30% to 40% of UK VC funds rely on it. That means it is a green light for people to start in the UK because they will have the capacity to scale, and ultimately there will be people who can write the very big cheques when they get to rounds C and D, which is where the real gap is, not so much in round B.

Q45 **Baroness Liddell of Coatdyke:** To some extent Mr Hames has answered the question I wanted to ask about the extent to which the sector is focusing and what happens next. First, on money and construct,

did the Chancellor do enough on Monday to fill the gap? Secondly, and more specifically, you talked in the abstract about the problem that will exist when you do not have the lender of last resort doing due diligence and giving you credibility. Somebody will have to fill the gap in the short term, before the British Business Bank is up and functioning with all bells ringing.

How will the sector do that? Is private sector capital going to be enough? Will it fill the gap? Will it have the institutional structures that allow you to move forward in an area that many investors would perceive as high risk? What comes next to fill the gap?

Tim Hames: That is a very fair point. Indeed, the combined position of Giles and me is that in some ways the BBB, as currently mandated, is a bit of a challenge. It can be every bit as intrusive as the EIF in the due diligence it conducts, except that it does it last. You do not mind being beaten up first if you know that the prize is that a lot of people will come in after you and you can say, "We've got the EIF in". Coming in last and being beaten up is the worst of all worlds in some ways. We have to reorient that mission.

Different parts of the spectrum have responded, and will respond, in different ways. Partly because of some very high-profile successes and partly because of genuinely transformative tech, the relationship between universities and business in the UK has been transformed in the last 30 to 40 years. This is an area where the UK often beats itself up unfairly. When we look at some of the European counterparts, we have much better synergy than was true in the ancient history when I was a student, or even when I was an academic.

There are many areas where private capital, in particular family office capital, is in a sense, without knowing it, filling the gap. The greater challenge that I alluded to is where the mandates do not overlap. That is quite a challenge. If you are a low or mid-market private equity fund, you are slightly, to borrow a phrase used by a former Leader of the Opposition, at risk of being a squeezed middle. If you are small, beautiful and fashionable, quite a lot of capital comes looking at you, and if you are already big, with a very long-established track record, you can cash that in; but if you are stuck in the middle doing UK-only bread-and-butter-type deals in not wildly fashionable, sexy sectors, such as medium-end manufacturing, which none the less are still very important to the economy, the EIF used to be a very important port of call for you, and at the moment the BBB cannot be on your radar screen because of the way the mandate works.

Giles Derrington: On the question of whether the Chancellor has done enough, we were slightly disappointed to see nothing in the Chequers White Paper about how the Government will approach the position more broadly. We set out what we wanted to try to achieve in a number of other areas. For us, there was a big gap. In the Budget on Monday, the Red Book said that they continue to want to explore all options for a continued relationship.

The commitment to want to continue the relationship is great, but what are the options? What will inevitably happen is that if people do not see options for two years they will say, "We assume you can't solve the problem. We need to start looking at other ways of doing things", which is why some big funders have started to move to Luxembourg and other places. They are still in the port for the EIF, which is important for them.

When we leave, one of the big challenges is that funds that use EIF money will still be able to fund UK firms, but there are rules around the ratios; 80% of their money has to be spent within the EU, but we will then be part of the 20% that is not. That 20% is also competing with the US, Japan and elsewhere. At the moment, we are within the 80% and we are the obvious choice, with Germany a runner-up, I suspect. Around the rest of the world, Silicon Valley, Tokyo and other places are competing, so the level of ambition in the Government's response to tech more generally and their approach to the regulation of tech has to match the challenges we will face when competing with those countries.

The Chairman: You are saying that the articles of the fund prevent spending in non-EU members.

Giles Derrington: It is a ratio.

The Chairman: It is 80:20.

Giles Derrington: Exactly.

Q46 **Baroness Neville-Rolfe:** I am very passionate about finance for small firms, not only for financial services and tech firms but for the less fashionable, which have already been referred to. It would be very helpful to know the main benefits of working with the EIF. You have already referred to some of them, such as its broad mandate, but if you can run through what they are it will help us in our recommendations.

Victoria Roberts: A little earlier we touched on the way the EIF works with companies. Its advice and technical expertise is key. It has a strong track record over a significant time span. Linking to the previous question about whether there will be a need to divert some of the funding from the UK to the BBB, absolutely, but we also need to make sure that, along with the capital that is put in, the BBB is supported in resources and capabilities to manage those funds in the right way.

Tim Hames: It is mostly at that end. The irony is that both the EIF and the BBB are incredibly intrusive before they put the money in, but they rarely take board seats and are very rarely hands-on when they get there. They do not regard that as their expertise, so it is predominantly at the front end.

Giles Derrington: Ultimately, for us it is probably the two ends of the market that Tim was talking about. There are the big VC funders that need to be able to compete, particularly as money crowds in from financial industry more generally—Goldman, et cetera. How do we ensure that the VCs remain in the UK? The EIF is an important anchor for them.

There is particular value for the angel and seed capital rounds. One of the challenges touched on earlier is that angels want to spread their money as thinly as possible. At the moment, with Brexit uncertainty more generally, they are inevitably holding back, so the EIF has been a way of saying, "We can help and support you".

One of the big challenges in some ways is that in 2016 the EIF started looking actively at how it could do more to support seed and micro-funds, but because of the impact of Brexit and the drying up of EIF funding to the UK we have missed that, so the BBB has had to step in and do that as well as a whole range of other things, some of which are regional development and not real VC business support. It is following political dynamics rather than going where the value is and getting a commercial return.

Baroness Neville-Rolfe: We will come on to questions about how the BBB could be better. I was trying to get the learnings out of you. Does the EIF crowd in lots of investment, for example? Does it provide expertise, or is it just being a regulator and providing the assurance that was described?

Giles Derrington: That is absolutely right. We mentioned crowding-in funding. In some ways, we are one step back from the conversations that VCs have with the EIF. The other thing we hear is that, because it is a checklist process, it is open to everyone; everyone has to meet the criteria. That is different from some other ways of doing it. If it is an interview-based process, the people who know how to play the game end up getting the funding rather than the people with the best product to offer.

Lord Cavendish of Furness: Mr Derrington, you have said twice, perfectly reasonably, that the fact of Brexit and its uncertainty undermines confidence and may delay things. Of course, there are other factors that might delay investment. Do you recognise them? Could there be domestic factors in our tax structure, or whatever?

Giles Derrington: Absolutely. As I hinted, the UK's attitude to tech has changed over the last five or so years. Some of that is in response to legitimate public policy challenges that the tech sector faces. All countries are trying to address it, but the UK has shown quite a lot of leadership on that. Some of it is attitudinal and a question of messaging, and those things have an impact. From techUK's perspective, we are quite worried about the announcement of a digital service tax in the Chancellor's Budget on Monday and what that does to confidence in the UK as the obvious place to invest, as it always has been, after America, effectively. The challenge is that you could overcome any one of those issues and it would be part of a piece, but when everybody is saying, "We don't know what will happen in the next two or three years anyway", they are icing on the cake rather than necessarily things that would automatically drive it.

Across the range of our members, there are people who say that the UK is still a place where they will invest and that investment will grow in the UK, but whereas they might have put 100% of their investment in European work into the UK two or three years ago, now it may be 80% in the UK and 20% in Germany. That ratio is gradually shifting in a negative direction.

Tim Hames: I stress the importance of the people element rather than the money element. One of the reasons why in the past five to 10 years there has been such an extraordinary revival, almost resurrection, of UK venture capital is that the people are different. In the last five years, at least half of the people who have launched new funds and have become BPEVCA members were not born in the UK. The supply of fund managers has become much more international than it used to be. Frequently, the people they are backing, even though they are running UK businesses, have not been born in the UK. I meet a disproportionately large number of people who are Finnish, Portuguese or Estonian. Their home markets are very small compared with the UK, and the UK is seen as a logical place to try to launch themselves into the US market when those other markets might not be. Often, the people they need to hire in very high-tech businesses will not be born in the UK because we do not necessarily have all the skill sets we would like to have instantaneously to hand.

To my mind, if we get Brexit badly wrong, the greatest danger is sending the wrong cultural signals to individuals who are fund managers and entrepreneurs and who want to work for those businesses that the UK is not a terribly friendly and welcoming place. I fully understand that the Government have a million things to do with Brexit, but once the number is reduced from 1 million to 100,000, going out and showing some love would not be remiss.

Lord Vaux of Harrowden: Could you clarify for me the point about due diligence? I am slightly confused. My understanding was that the EIF invests in funds and the funds then invest in underlying companies. Mr Derrington mentioned angel investors, which tend to invest directly. Is the EIF doing due diligence into the underlying investee company, or is it into the fund? How does that work?

Tim Hames: Strictly speaking, it is through the fund, but nevertheless the fund's proposition includes the sorts of sectors and individual investment decisions it has taken, in particular if it is not a new fund but has some track record. In a sense, the due diligence process encapsulates that in a judgment call about the quality of the fund manager before choosing to go to the funds. You are not agnostic about where the money goes next, or about either the past track record or your view of the credibility of the proposition for where the money might go next.

Lord Vaux of Harrowden: How does that work with the angel investor point that Mr Derrington referred to?

Giles Derrington: That is a programme that the EIF has started to run and it is useful. Angels invest in particular types of companies and have expertise in particular types of businesses. It may be an angel because it has exited from a machine-learning company, and that is where its money has come from, so it will invest in machine learning. If it then says it will invest in bakeries, where is the expertise?

Lord Vaux of Harrowden: Where does the EIF get involved in that process?

Giles Derrington: The EIF has a developing programme to support and underpin angels, crowding in with them to support them. Effectively, it is match funding and those kinds of things. It is not saying, "This is entirely me; I can bring together some backers or create funds for angels".

Baroness Neville-Rolfe: Mr Hames, can you talk a little more about whether the EIF provides or enables money for less fashionable areas? We have talked about tech and FinTech, but there are lots of funding needs and opportunities, particularly with slightly different opportunities post Brexit. I would like to know whether the EIF is doing anything for other areas, because across Europe most firms are not techs or FinTechs. What are the keys to success?

Tim Hames: That is where the mandates are currently different and, therefore, where the potential pinch-point is between EIF funding and BBB funding. Let us take a fictional example. Williams Widgets of Wolverhampton has been around for 50 years; it employs about 80 people; it has revenue of £20 million and makes profits of £2 million, and it has been like that for two decades. Objectively, it could be a much bigger business if it had new people, an export strategy, which it has had no need for until now, and more capital behind it.

Let us say that a growth capital company, Giles Capital, takes minority stakes in companies such as Williams Widgets of Wolverhampton, which knows it could be bigger and wants to be bigger. Giles Capital is fine as far as the BBB is concerned. Victoria Capital is a low or mid-market private equity and its business model is seeking out the likes of Williams Widgets of Wolverhampton, which does not want to be bigger, thank you very much.

If Victoria Capital says, "Here's eight times EBITDA. Would you like to retire and we'll take it on?", the EIF will put money into it, but BBB will not because it "does not do buyouts". That is because of a view within sections of Her Majesty's Treasury, which may be perfectly legitimate, that it is inappropriate use of taxpayers' money, however indirectly, in effect, to send Mr Williams of Williams Widgets of Wolverhampton off into his comfortable retirement by buying him out entirely. If you are just buying 30% of him to put in some oomph for Williams Widgets of Wolverhampton because it would really like to be able to export to China, but does not know how, and Giles can tell him how to do it, as well as putting in the money, that is great according to both the BBB and the EIF. There is a group that will miss out on current mandates. It is the

Government's call; it is not primary legislation. It is over here, not over there.

The Chairman: That is very well illustrated.

Q47 **Lord Giddens:** I have two questions. First, how does the EIF's presence in the UK compare with other countries? You mentioned that Germany might be interested. Plainly, Germany is aiming for prime position not only in FinTech but in wider digital start-ups, I think. It has very active policies and supports them quite widely. You might like to take another major country in answering that question. Secondly, have you received any reassurances about what will happen during the transition period? Is there any kind of statement the EIF has made or back-up it has indicated it might provide?

Victoria Roberts: Given that the UK has previously been such a significant recipient of EIF funding, the amount by which it is decreasing compared with other countries is worrying, particularly when we look at the 2017 numbers. We represent companies rather than VCs, so we had no direct contact with the EIF on this issue, but we are aware of press reports in which the EIF said that additional due diligence is now being undertaken on UK funds.

As a convener of the FinTech ecosystem in the UK, we have the opportunity to talk to VCs looking particularly to invest in FinTech. The feedback we have been receiving is that for this channel, effectively, the ladder has been pulled up for UK investors in recent years. In the event that access to the EIF was available in some sort of transition period, it would be very welcome, but in many ways it seems that the cliff edge is already upon us, so perhaps we need to be thinking about how we fill that gap.

Tim Hames: In 2016, the UK received almost 35% of EIF funding overall. This was a relatively rare example where the UK as the second largest net contributor to the EU was manifestly a large beneficiary of a dedicated EU programme. That in itself is striking. It is certainly true, as Victoria said, that the EIF line is that it is only additional due diligence, but when there is a 91% fall between year A and year B, one suspects that the additional due diligence is to check every week, "Are they still British?" A 91% fall is a moratorium that dare not speak its name. You do not make it 100% because that would be too obvious.

The country positioning itself most vigorously is France. The French VC scene, which traditionally has been significantly weaker than the UK's for a number of tax and cultural reasons, has shown some signs of significant change. Only last week, the French Assembly changed the tax regime to make it much more competitive with the UK. France is the country that will move most vigorously in an attempt to take the money that is no longer heading in this direction, and it will probably have some success in that regard.

Lord Giddens: It has quite a vigorous leader who is committed to that

and has the right sort of background.

Tim Hames: He is a very good salesman for his project.

Giles Derrington: If you look at where funds have moved, Luxembourg is obviously one such place. The EIF is in Luxembourg. There is no surprise about that. Whether the physical funds have packed up or not, they may keep a stake in the UK, but they want to make absolutely certain they will be within the EIF because of the 80% rule. That is where they will be going. The EIF's survey of fund managers shows that over the past 12 months the UK has been very clearly the best prospect for investment; in the next 12 months, it says that Germany beats the UK, which is unusual, with France close behind, so that is the grouping.

On the Macron point, it is absolutely a question of ambition. It also goes back to the wider point about tone and regulatory approach. I speak to many tech businesses, from very large international companies to medium-size companies. France still has some very difficult challenges with employment law, but, even if the regulation has not changed, there is conversation, and the openness of the French Government to say, "What do you need? What can we do and how do we talk about you as a sector?" They are far more willing to have an honest broker conversation than the UK.

It is the conversation we were having in 2010, 2011 and 2012. We have stopped doing it somewhat and they have started to do it. We know the lessons; we could get back to it, but it is fair to say there is a different tone. In some ways, it is fairly classic British thinking: "We've done so well that it is now baked in and it will be ours for ever, and we can move on to doing other things". In tech, which is constantly evolving, you need to keep going; it drops off very quickly if you stop.

- Q48 **Lord Thomas of Cwmgiedd:** From your answers one can assume that you would like us to continue to have access to the EIF. Is that in any way practical? How high should it be in the Government's list of priorities, bearing in mind that there is a large fund that will go elsewhere and take a lot of money with it? Looking at ecosystems, it is not merely the provision of capital; it is also capital going more readily elsewhere.

Tim Hames: Should we distinguish theory and practice?

Lord Thomas of Cwmgiedd: It is the practice that matters.

Tim Hames: Theoretically, if the UK were, on a permanent basis, part of the EFTA pillar of the EEA, it would qualify for EIF funding in the same manner as anyone else who is either in the EU or in that pillar, but I am not betting the store on that one turning up. Again, in theory, there are examples such as Turkey where you could have some sort of negotiated arrangement; you could have partial or associate membership. There are one or two people in our sector who are enthusiasts for that because of their particular long-term relationship with the EIF.

To be blunt, can I conceive of a world in which the UK, in those sorts of circumstances, would be a 35% recipient of the overall fund? No; it just will not happen. Is it worth going through convoluted arrangements in which we are going to end up putting in more money than we will probably get out? Probably not. It is probably better to focus on the challenges of ensuring that the BBB is as quickly as possible not merely the financial heir to the EIF but has the broader market influences to which we have referred.

Lord Thomas of Cwmgiedd: Do you agree or disagree?

Victoria Roberts: I agree. I am sure that economically there would be mutual interest in an ongoing relationship between the UK and the EIF. The UK is a significant driver of strong returns for the EIF, which I am sure will not have gone unnoticed by it, and the EIF is a significant driver of innovation and growth in the UK. In a vacuum, it is a relationship that, as we have detailed, works well, but given the changes we have already talked about, and the fact that it has already dropped off before we leave, we may find that the political challenges to be overcome in resurrecting that relationship and flow may be too great to achieve.

Giles Derrington: As others have suggested, it depends a bit on the overall relationship. In the Budget, the Chancellor said that the Government were exploring all relationships for the European Investment Bank investment group. What those options are, who knows? They are not explored in the Chequers White Paper at any great length. If one were to go towards an association-style agreement, as set out in Chequers, there might be a move away from just goods into services, which may include some elements of financial services, but maybe not all.

If that is the way the future relationship ultimately pans out, it is something that potentially is up for negotiation, particularly because from the EIF's point of view losing the UK is a big headache. It is effectively a private enterprise; it relies on returns, and at the moment the best companies in Europe to invest in are in the UK. It would like to see a solution, but, as with so many other parts of EU institutions, it will be very much bound by the legal rules under which it has to operate. If we do not find a way of opening the door to being part of those legal rules, there is a challenge.

Tim Hames: My sense of the Treasury's take is more at the EIB end than the EIF end. How do you untangle some of the infrastructure commitments, past and present? If we have paid 18% for some motorway in Poland, what do we do with it? How does that work as we exit? As we have seen, because of the evidence from 2016 and 2017, the EIF has had more of an on-off switch, in that infrastructure is a more complicated beast.

Lord Thomas of Cwmgiedd: Where has the funding that used to come here actually gone?

Giles Derrington: If I may touch on one final point on the previous question about the option of buying shares, Turkey's tech development and infrastructure development bank has, I think, 5% or 6% individual stakes in the European Investment Fund. We think that is worth looking at for the BBB, so that it has some tie-in to enable it to engage with the European Investment Fund in the longer term. At the moment, private institutions do that; Barclays has a stake in the EIF. What can we do to allow a mechanism so that it is not just, "Door shut. On your way"? What can we do to support a range of different institutions to engage?

As to where the money has gone, I stress that a lot of money still stays here. We are still the best place to invest for a lot of companies because of the nature of the companies, but we are seeing it drift away. In particular, when the 80:20 rule comes into effect, those with EIF funding will say, "You no longer count as part of our 80%, so we will have to look at you in a very different light and judge you by a different set of criteria, against Silicon Valley and Tokyo companies". That is where you may see a sudden change. At the moment, funds may be moving, but their investments are still in the UK.

Q49 **Lord Bruce of Bennachie:** You have identified that if it is leaving, something else needs to come in to replace it. Are there any existing UK government funds that are in a position to be expanded reasonably rapidly? If so, what would they have to do to make the difference? For a start, one assumes that at the moment it would be costlier without the AAA rating that the EIB and EIF have. Is there anything the Government could do with existing funds, possibly with additional contributions to the cost of borrowing, as well as access, that might help to fill the gap?

Giles Derrington: The British Business Bank is the obvious choice, but it depends a bit on what you are trying to do. Are you trying to replicate the whole of what the EIF does plus what the British Business Bank does currently?

Lord Bruce of Bennachie: I think there is another question specifically on the British Business Bank. Existing euro funds such as COSME and InnovFin are accessible at the moment but would not be. Are there any equivalents that the UK has, or should have, so that companies that access those could say there was a British version coming down the track?

Giles Derrington: For our sector, it is probably not the right area. There is a huge role for some of those types of replication in other parts of industry. It is important for the tech sector because of knock-on consequences. If you are supporting non-digital small businesses to digitise and boost their productivity by adopting new technologies, it grows the UK market and that is preferential, but it would not necessarily directly benefit UK tech firms in quite the same way.

There are a couple of other things we would need to replicate—for example, Horizon 2020. We have a guarantee of funding to 2020, but it is in the academic role, particularly for advanced industries such as AI and,

to a certain extent, distributed ledger technology and cyber, that you will need properly to replicate the support that the EU provides, because the academic knowledge is still being developed, and that is what passes down to other parts of the ecosystem.

Tim Hames: In a curious way, the BBB is one of the winners from Brexit, in that Brexit has given it a clear intellectual and economic purpose, which was not immediately obvious. The BBB, in all candour, was born as an uneasy compromise between one of your former compatriots, Vince Cable, who as Business Secretary envisaged it very much as a bank in the style of a German institution, where investment would go directly to individual companies rather than through funds, and the Treasury under the then Chancellor, who probably had limited enthusiasm for the concept. In the early years, it was not entirely clear what the BBB was for. It was an odd mixture of existing programmes and ambition for new ones, and some people with a commercial background and some who had been career civil servants. It now has a purpose in life, almost accidentally, because there is a clear need for an actor that is not the EIF.

The Chairman: We are moving on to the BBB. Ms Roberts, is there anything that you want to say directly in response on InnovFin or COSME?

Victoria Roberts: I echo Giles's point. InnovFin is not used widely in the UK, particularly not in financial services innovation. For those types of schemes, it is right that we are looking at the EIF as where the most benefits are. We should not forget some of the domestic innovations that have also been very successful, such as EIS and SEIS, which have been helpful on the seed and start-up side.

Q50 **Lord Desai:** If the BBB is to replace what will be gone, what does it hope to do? Does it hope to acquire equity? You seem to imply that it is for the approval of the fund to say, "Okay, you are a good company and we will invest in you". That is what crowds in investment. Would the BBB help to acquire that kind of reputation, or would the company need an amount of resources? What would it have to do to replace the institutions that will be gone? The EIB and the EIF will be gone.

Tim Hames: Tracing back to what I said 25 minutes ago, I think the challenges are more cultural and structural than to do with monetary resource. The top-tier leadership of the BBB has been very impressive and has pivoted around the place in tricky political circumstances with some skill, but it is not the top tier that will make the day-to-day funding decisions, and far more people will apply for BBB funding than either will or should receive it.

The EIF had a tricky launch. It took probably the best part of a decade for the EIF to establish its role in the way it now has. The challenge is the people point—finding the individuals who are qualified to make the sorts of judgments about fund managers that are particularly challenging in the space that Giles and Victoria work in, when you are dealing with funds

with new technologies for which there is in a sense no benchmark. People just did not do cybersecurity-only venture capital 10 years ago, so what are you measuring against? To a degree, you are making a judgment call about individual human beings and their capacity to spot tech that is not merely genuinely fascinating as tech but has commercial viability, too. The two things are not necessarily the same. The things that impress techies as techies and the things that impress techies as businesspeople are not necessarily identical.

Giles Derrington: There are probably three things worth touching on. The first is the ability to write the very big cheques when needed, which the EIF has and at the moment the British Business Bank does not have. That is a money thing, but it relates to the type of things it is doing. If it is trying to do an awful lot of different things—a bit of this, a bit of that and everything—its ability to go to a couple of the very large funders and say, “We can do £250 million and not have to couch other things”, would make a substantive difference. At the moment, there is not that capacity.

Secondly, the BBB does some very good things at the higher scale, but its focus, and the way it talks about itself and positions itself in the wider public imagination and in the market, is as a sort of semi-regional development support rather than a cold, hard funder of things that are going to succeed. You need to talk about it differently. When it launches a very big fund—it has launched a couple of big funds—that needs to be the thing that it is pushing, not necessarily, “We’re doing some nice things for very small slow-growth businesses”, if that is the market it wants to play in. There is an important role for the other thing as well, but they are two different metrics.

Thirdly, in addition, it needs to ensure that it does not have the political constraints that I am not necessarily sure it has, but that it certainly perceives. It says, “We need to look at how we support regional funding”, rather than, “We need to support sector funding”. It could look through the Government’s industrial strategy and say, “Okay, we actually want an AI fund or we want a cyber fund”, and do those kinds of funds.

If you are a high-growth potential tech business in Derby, you do not care if the funds are in Derby or in Cambridge as long as they are looking around. You care that they understand your tech and they know how to build and grow you. At the moment, there is a bit too much, “Well, we need a fund in this region because otherwise we are leaving this region out”. If you are operating under those constraints, you are not following the money or where the growth really is.

Q51 Lord Cavendish of Furness: Being quite old I have had the opportunity to notice that nearly all new institutions take about a decade to come of age and become effective. I have also noticed an instinct on the part of Governments to destroy that coming-of-age moment and postpone it, by another decade very often.

In reality, how long do you think it would take for the British Business Bank to achieve the necessary scale and expertise to replace the EIF?

Would that produce a financing gap, and is it a given that we need an institution of that sort or could it be replaced in a rather British way by myriad smaller, agile enterprises?

Giles Derrington: To answer the latter point first, you need something that can write the large cheques and be a green light to others: "Okay, if they're in, then I should be looking at this seriously as a prospect as well". You cannot do that through lots of little piecemeal approaches.

In terms of the change and churn, you are absolutely right. If we are honest, there is a wider government problem that expertise goes too quickly and is moved around too quickly both in the Civil Service and in bodies such as the British Business Bank. We need stability. People who have been there for five years would be a starter.

Tim is probably right; it will be about 10 years before it can do well. The other crucial thing, which is hard to judge, is that it needs to be making some big decisions. It needs to be in the pack of having returns that are on a par with others. If it makes bad decisions, it will not be a green-light funder and people will think that its judgment is wrong. You cannot really determine how long that will take or whether there will be setbacks. That is going to be about getting high-quality people into it—some are already there—who can drive it and make sure that we are seen as a player and not as something else.

One of the big challenges, even for the BBB as its own institution, is that the EIF will still be across the channel as another place where a VC can look to put its money in a fund. It is not just that it has to replicate; it has to compete, and that is going to be quite a challenge as well.

The Chairman: Mr Hames, could you particularly address the financing gap?

Tim Hames: I am quite happy to buy the 10-year rule. The BBB was launched in November 2014. That would imply it will be the middle of the next decade before it is absolutely blasting on all cylinders. That does not mean that it will not be putting money out into the market. If you have money and there is a market, you can get the two to meet. It is more whether it can remould itself and put the money in at the right moment. Will it be sufficiently attractive to other investors to have the sort of magnet effect that the EIF has? Will it have the depth of teams that it ideally wants to cover everything we ideally want it to do?

That will take that period of time. It is not so much a funding gap, but more a skills and reputations shortfall, if I might put it that way round. What might smooth the path a bit is that I think there will be a natural distinction between venture capital businesses located in the UK but that have always been genuinely pan-European in their investment strategy. There are a significant number, particularly in London, that will naturally retain the gravitation of the EIF and will tick its boxes, because 80% of their investments are in the EU 27. That is not because of some manipulation or to meet a rule. It is just the nature of what they do.

Equally, pretty quickly, if not already, people whose business models are overwhelmingly or exclusively UK-focused but might previously have had a relationship with the EIF will say, "It's unfortunate that's gone, but now show me a way to navigate through this BBB thing, please". The challenge for the BBB is to make the process of navigation less complicated rather than more complicated.

The Chairman: Ms Roberts, do you want to add anything?

Victoria Roberts: It would be great to think about ways that the BBB might accelerate learning and acquisition of expertise, perhaps working closely with the industry in being open and inclusive and bringing in people who have private sector experience, and teaching them the framework of the public sector institution. Perhaps more sharing of talent between the two sectors might be a way to speed up some of those things.

Lord Cavendish of Furness: Although people obsess about the negative effect of regulation, and I accept that it might be overdone, I heard David Davis say last night that the existing regulation is irrelevant in your sector. It is the regulation that happens in the next 10 years that will matter, and that is one of the reasons why confidence is lost.

Giles Derrington: I would not say the existing regulations were irrelevant from our point of view. For example, the e-commerce directive, which sorts out limitations liability, is incredibly important for the way the internet works. You are absolutely right that there is a building block. There is an opportunity more widely than maybe this conversation for the UK to lead. For example, if we think of the last five or 10 years in tech being about privacy, the next 10 years will be about data ethics and how we deal with AI and those kinds of things, where the UK is genuinely taking a leadership role. The Centre for Data Ethics and Innovation is a really good innovation, and we can lead. The challenge is obviously going to be that in leaving Europe you then have to persuade others to adopt your regulation rather than do their own thing. That is harder when you are not part of the community.

Q52 **Lord Butler of Brockwell:** Is there any advantage in allowing an institution that supports SMEs to fund itself on the capital markets rather than through a grant from the Treasury—for example, getting its lending out of the UK's net debt?

Tim Hames: To be honest, it is not a model with which I am familiar. I would need to explore that in considerably more detail to give you a coherent answer.

Giles Derrington: My broad instinct is that you are then competing with others, so is it an addition that helps to green-light others to go in or are you just one of the pack? That has genuine implications for how you operate, which is concerning. Although we think that the British Business Bank, if it is to take on that role, has to be free from political constraints, it should be able to have a very good relationship with the Government.

If you are going to have an industrial strategy, what is the conversation going to be about the types of funds and the types of things you are supporting? You can get that if you are part of a government structure, but not if you are a purely private enterprise.

There will obviously be benefits from how quickly you can generate capital, but there are challenges the other way. I am not sure about this, and I would have to explore it properly, but when a similar thing happened to the Green Investment Bank there were significant challenges: is it retaining the same purpose, or have you effectively state-aid-supported the creation of an institution that is then leveraging additional money? You may get into some technical complications. I am not a state aid lawyer, so I could not identify them, but I seem to remember there being some significant challenges, which one would expect to have potential knock-on consequences.

Victoria Roberts: I echo the principle that anything that maximises available funding and makes an institution more sustainable could very well be worth exploring. My point about the mandate would be very similar to Giles; you would want to make sure that the public policy interventions you were trying to make through the BBB were not then altered by the inclusion of private investors.

There might be a model in the EIF that we could replicate. My understanding is that investors in the EIF have the returns, but only the members, which are the member states, are able to direct the mandate. That dual approach may be applicable in the future in the UK.

Lord Butler of Brockwell: I suppose there may be a middle way of raising money on the private capital markets but with government guarantee.

Giles Derrington: I guess the question would then be that, if you are getting good returns, the returns are not coming into the Exchequer. The aim of the EIF, and the BBB ultimately, should be to get good returns. If it works well, it is overall a beneficiary to the Exchequer and not a deficit. That requires you to get things right, and there is a risk that, if you are just providing the guarantee, you are taking the downside but not necessarily keeping the upside.

Lord Butler of Brockwell: Except that there may be an interest rate advantage.

Giles Derrington: That is true.

Q53 **The Earl of Lindsay:** I want to ask two very broad questions about the architecture of the landscape post Brexit and post access to the EIB and the EIF. We have touched on one of them, but for clarity I would like to make sure that we understand exactly what your view is.

Some witnesses we have seen felt very strongly that we should have a single state institution that is multi-purpose and multi-mission. It pools expertise, experience, due diligence, capabilities and admin, et cetera.

They see that as the most efficient way of delivering, whereas others felt very uncomfortable about that and wanted a series of institutions or bodies specifically focused on particular needs. Where do you stand on that choice?

Tim Hames: Closer to the former than the latter.

The Earl of Lindsay: The single entity.

Tim Hames: The single entity serving as a bit of a holding company around other activities.

The Chairman: Do either of you want to elaborate on that?

Giles Derrington: I broadly agree that there are lots of different things you need to be doing, and they need to be kept effectively separate, but having a one-stop shop to take in some of the early low-knowledge-type people who may approach an institution such as the British Business Bank is helpful, not least because you will have projects you can signpost them to and you can triage what they are doing. Having it all together makes sense in that regard.

What would not make sense would be to have one pot and one type of management trying to serve very different needs—for example, the small one-man business looking to set up a fairly normal business process such as plumbing or painting and decorating. You cannot put them into the same pot, and through the same process, as a highly advanced cyber company looking for C-round funding for the next 10 years, with growth projections of billions and billions.

Victoria Roberts: I agree. Is it helpful to have an entity that signposts business support that people know they can go to? Absolutely, yes. Are there a lot of interventions at the moment that are helpful, such as BBB and the work of Tech Nation? Yes. You would not want to create a distraction by bringing them together, but if there was a benefit to be had it would be an advantage.

Giles Derrington: The big advantage, to be clear, is that there are so many things. Bear in mind that a lot of tech businesses are small but highly profitable, with four or five people, most of whom are coders and not business people or managers. We can talk for ever about the challenges of scale-up and educating people in management expertise, but if you are a small business you do not have time to go to hundreds of different groups and figure out which one is right for you. Actually having somewhere to go where at the very least they will tell you, “You want to go to this part”, is helpful and makes things quicker. It means that businesses get to the right door at the right time.

The Earl of Lindsay: You would not want a dedicated SME or a stand-alone support institute as a front.

Giles Derrington: I do not think you would necessarily want that as a front. As the BBB does at the moment to a certain extent, you would

have that within the institution, but the door to knock on at the start would still be broadly the same.

Tim Hames: We have some experience from the last 20 or 25 years. There was a phase when the then Government moved to having very separate dedicated regional venture capital funds that were deliberately siloed from each other. They were not a wild success.

The Earl of Lindsay: In that post-Brexit, post-EIB landscape, would you use the BBB model and continue to develop and ramp it up as a state investment entity, or is there any merit in starting again with a completely different type of institution, perhaps one that was further from government, more stand-alone, more self-governing and perhaps more capable of setting its own mission?

Victoria Roberts: Personally, I would say that we have the BBB, and we are already seeing a lack of funding from the EIF. Let us enhance the expertise and capital available to it to get the fund out to growing businesses.

Tim Hames: Because I am a willing purchaser of the 10-year rule, I think that at least we are four years in with the BBB, so there are only six to go. It is easier to take an existing institution and ask ourselves questions such as, "Should it be earlier rather than later in the funding stage?", and, "Should the mandate be closer to that of the EIF rather than further away?" At a practical level, that is more doable than saying, "Let's create something else to do that role".

Giles Derrington: I agree. As a brand, people have begun to hear of the BBB. If you start again with something else, it will take people a long time to figure out that it is a thing.

Q54 **Baroness Liddell of Coatdyke:** This is on the SME point. Everything that you have said has been absolutely fascinating, but the one area that troubles me is that the guy looking for £250 million will find it an awful lot easier than the guy looking for £5 million. How do you fill that start-up gap? Any ideas, other than angels?

Giles Derrington: You can have different funds that are intended to do different things. That is the way to tackle it. You can take them all under the same broad umbrella of where you are going.

It goes back to the criteria point. Many people find the way the EIF runs with very strict criteria very frustrating, but it means that there is a level playing field and everyone knows what they are going through. In the past, the BBB has had a bit too much of a constant interview process and a cycle of talking to people. If people know how to play that, and they are already an insider, it is much easier to do because they are known, but it means that you are at risk, at least, of excluding others. Taking out some of those processes would help with that.

You can have different funds within the institution but you cannot try to do everything in one big bite. If you want the biggest companies and if

you want to grow UK tech giants, there is a real need for a place where the £250 million person can go. Equally, you need the rest of the sector and the rest of the whole of the economy, so you need something else. If you try to fracture them and split them all off, and have them in different structures and different types of institutions, with different management and different relationships with the Government, the whole thing will begin to fall apart.

Tim Hames: I will take the spirit of your question and go back to the mandate point. Five years ago, almost literally, I was testifying before a different House of Lords Committee. The issue then was concern about start-up funding. Things have moved on quite a lot in a positive sense there. The question is now much more about scale-up funding than it was then.

Lord Vaux of Harrowden: We are a couple of years into this process and 91% of EIF funding has vanished. We have talked a bit about the future of the BBB, but has it actually stepped in to fill any of that gap so far? How much is invested in UK venture capital funds, for example?

Tim Hames: Yes, it has, in the actual deployment of cash; indeed, the Government tweaked the rules to allow the BBB to be a larger proportionate stakeholder. It used to be that it could be only one-third of a fund; it can now be up to 50% of a fund. They did that directly in response to what they perceived to be the likely direction of travel from the EIF, so there has been a partial response. Because the BBB is a relatively young institution, the speed at which it can deploy capital wisely is still not what either it or I would ideally like to see.

Baroness Neville-Rolfe: It is good to hear that. It links to my question. You mentioned that the BBB does not lend direct. My experience of talking to people who are running small firms and trying to get money is that at the end of the day you always end up with the banks, and the banks always want you to put your house on the line or have an asset sitting on their balance sheets. What can we do about that? How can we change the BBB, other than by expanding funds presumably? That would be the answer to Lord Vaux. How can we change it so that it becomes a really good vehicle on the basis that evolution might be a good idea because of the 10-year rule?

Tim Hames: This has probably not filtered down to the very smallest businesses yet, and that is where the challenge is. For a medium-sized business looking to expand via debt finance, the alternatives to banks as debt providers are now actually much wider than they were five years ago, either through bespoke challenger banks or through various forms of debt funds that were very familiar territory in the United States but not in the UK until maybe five years ago.

Victoria Roberts: Or peer-to-peer lending.

Tim Hames: And peer-to-peer lending. There is a box of tricks out there. It is probably fair to say that you have to be quite a sophisticated player

to realise the full extent of the box of tricks. That is probably the way to go, rather than bolting debt on to the BBB, which is essentially an equity institution. That might risk making it a bit top-heavy, and it might fall over, with the number of things it is being asked to do.

The Chairman: Ms Roberts, do you have any closing thoughts?

Victoria Roberts: No, other than to thank you for your attention to this very important subject. It is a real area of concern for the FinTech sector. We feel that with Brexit there is such potential for the UK FinTech sector to thrive. It is thriving, but there are some decisions we could make now that could help it exponentially in the future. We want to get those right.

The Chairman: Thank you very much. Thank you all for your time. You have been very generous as we have gone over a bit. This public evidence session is now ended and the Committee will resume its private session.