



18 February 2020

Committee Secretary
Senate Standing Committee on Economics
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

By email: seniorclerk.committees.sen@aph.gov.au
economics.sen@aph.gov.au

Dear Sir / Madam,

HSBC Bank Australia Limited
Submission re Australian Business Growth Fund Bill 2019

HSBC Bank Australia Limited (**HSBC**) is pleased to provide this submission in support of the Australian Business Growth Fund (**ABGF**). HSBC has expressed its intent to become a founding shareholder in the ABGF and believes it will provide an additional finance option for small and medium enterprises (**SMEs**) to consider with respect to funding the growth aspirations of their businesses.

In Australia, the HSBC Group offers an extensive range of financial services through a network of 45 branches and offices. These services include retail and commercial banking, trade finance, treasury and financial markets, payments and cash management and securities custody. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London and is one of the world's largest banking and financial services organisations.

Our support is based on the success of the UK's BGF (**BGF UK**) which was launched by a number of major UK banks, including HSBC, in 2011. The BGF UK has a well-established operating model and track record which has assisted in setting base expectations for the ABGF, taking into account the particularities of the Australian market and participants. BGF UK makes investments, typically of £2m to £10m for shareholdings of up to 40% in growing companies in the UK and Ireland. It has a staff of over 170 working in 14 offices across the UK and Ireland. To date, it has invested over £2.1bn in over 300 companies. These firms are broadly situated across the UK economy and, collectively, these firms have a turnover of over £4bn, employing more than 50,000 people. A key to the success of the BGF UK has been its strategy to invest in companies by offering financial packages which are attractive to entrepreneurs. This investment is then supplemented with additional support from its extensive talent and mentoring network of over 5,000 potential non-executive directors. As the most active investor in the UK and Europe by volume, it has developed a very efficient and effective approach to investment and portfolio management, with over 70% of investments outside of London. With a diverse portfolio, BGF UK is able to manage its overall risks and take a long-term approach to investing.

Such has been BGF UK's success that a similar Canadian fund was launched in 2018 with a number of major Canadian banks as shareholders, including HSBC Canada.

Our interest in contributing to and assisting with the development of the ABGF arises from HSBC Group's role in the business growth funds in the UK and Canada. We have seen the value the more established BGF UK has brought to the SME sector and the contribution it has made to employment growth across the businesses which it has supported. HSBC sees no reason why the success of the established BGF UK cannot be replicated in the Australian market. Whilst HSBC does not have a focus on providing products and services to the SME segment at this time, we nonetheless see this initiative as an opportunity to provide our support to this important market sector by sharing our past learnings with other like-minded founding shareholders. Additionally, our experience in the UK illustrates that, with time, this business model can be commercially viable and produce acceptable returns over a mid- to longer-term time horizon.

Should you have any questions or require further information please contact our Regulatory Affairs team via phone [REDACTED] or email [REDACTED]

Yours sincerely,

[REDACTED]

Noel McNamara
Interim Chief Executive Officer
HSBC Bank Australia Limited