



IPAC

INTELLECTUAL PROPERTY ASSETS COALITION
Bridging the Knowledge Assets Gap

DRAFT FOR DISCUSSION

A FINANCE-PARTNER PROPOSAL

Lending against evidenced **knowledge** assets

The British Business Bank IP-lending opportunity –
and why DNA fits a data-led approach to credit.

PREPARED BY

IP-Advisors Ltd (DNA Practice) with
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AUDIENCE

For a lender's risk & strategy
audience

STATUS

Draft for discussion
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CONTEXT

01 The opportunity, as it stands

A British Business Bank enabling arrangement for IP-supported lending is anticipated, with a facility understood to be in the order of £500m. On our current reading of the programme it is open in an important way: rather than issuing a fixed standard, it appears to invite each lender to present its own IP risk-profiling plan, with the enablers then agreeing a support offer against that proposal – precisely because there is no precedent to price against yet. The terms are not yet published, and at least one lender is already moving – NatWest, working with Inngot – to secure them.

Two things follow. First, because support is agreed against the plan a lender brings, the risk process is not a box to tick after the fact – it is the very thing being priced, and the lender that brings a rigorous one is negotiating from strength. Second, with no precedent set, the lenders who engage early will help define what “acceptable” comes to mean across the market rather than inherit it later.

SCOPE

02 What we are proposing – and what we are not

It is worth being precise about the shape of this, because IP-backed lending is easily mis-heard. This is not a proposal to lend unsecured against intellectual property, and it makes no claim to regulatory capital relief. Prudentially, IP has no realisable value in stress – so the capital work is done by the Business Bank support, with lending underwritten on cash flow, exactly as a risk team would expect.

THE PROPOSITION IN ONE PARAGRAPH

DNA's role is narrow and purely evidential: it identifies, independently values and makes recoverable the intellectual property behind a borrower, which lowers the defensible loss-given-default (LGD) that the Business Bank support is priced against. Better-evidenced LGD, better support pricing – and nothing about how your bank holds capital. Everything below follows from that single, deliberately modest claim.

FIT

03 Why this fits a data-led lender

This opportunity rewards lenders that do credit forward-looking and data-driven, rather than lending dictated by backward-looking, tangible collateral. The businesses at the centre of it are exactly the ones whose real worth sits in intangibles the balance sheet does not show; and the Business Bank arrangement asks for a rigorous, evidence-based risk process of the kind a modern credit function is well equipped to build.

DNA is not asking a lender to act against type. It supplies the missing evidence layer for an asset class a data-led model is unusually well suited to underwrite – turning IP from something a conventional lender discounts to zero into something you can assess, price and, if needed, recover, on data. The lender that pairs analytical strength with a first-mover position on the emerging standard is well placed to lead this market rather than follow it.

RISK

04 Where the risk actually sits – PD versus LGD

Framed in the lender's own language: probability of default (PD) is a question about the borrower, and nothing in this proposal touches it. Loss-given-default (LGD) is where IP collateral lives – and today it is priced almost entirely on assumption, because there is no data and no repeatable recovery process for intangible assets.

That assumption is conservative for a good reason: in stress, unregistered IP has had no demonstrable realisable value. The problem is not that the caution is wrong; it is that there has been nothing to replace the assumption with. This proposal is about supplying that missing evidence – the raw material a data-led lender turns into a better-priced decision.

METHODOLOGY

05 What DNA provides

DNA (Digital Novel Assets) is a methodology that takes the development a business can already evidence and turns it into a validated, independently valued, durably preserved asset record. For a lender, the relevant output is not a balance-sheet number – it is a defensible answer to four questions an underwriter needs and a registry normally supplies:

THE FOUR FACTS

HOW DNA SUPPLIES THEM

Existence	A structured, validated record of the knowledge asset and the development behind it.
Ownership	A fixed provenance and ownership chain, with legal standing under the Property (Digital Assets etc.) Act 2025.
Timing	A tamper-proof, time-stamped record (minting), preserved write-once in 5D optical crystal.
Reasonable steps	Documented evidence of the protective steps taken over the know-how.

INDEPENDENCE IS THE PRODUCT

Any value figure is set by an independent RICS valuer, on a recovery basis that never drifts toward going-concern value – not by the party that originates the asset. A validation the originator mints, values and operates would be a closed loop, and a risk function would rightly discount it. The separation of origination and control from valuation, custody and disposal is deliberate, and it is what makes the evidence usable by a credit team.

RECOVERY

06 The recovery layer

On top of validation sits a recovery framework: the mechanics by which IP collateral can actually be identified, controlled, custodied and – in a default – realised, with each step evidenced in advance. Its purpose is twofold: to make the collateral genuinely recoverable rather than nominal, and to generate, over time, a real recovery dataset. That dataset is what allows LGD to migrate from assumption to observation – a proprietary, compounding data edge in an asset class few competitors can underwrite.

Design principles carried throughout: independence (as above); conservatism (the claim is recoverability, not headline value); and evidence-first (the system exists to build a defensible recovery record). A secondary trading venue for IP is explicitly out of scope – recoverability does not depend on manufacturing a market.

ECONOMICS

07 What this does for your economics

The chain is short and it is all in the lender's own terms:

- ◉ **A validated asset and an evidenced recovery process** lower the defensible LGD on IP-supported exposures.
- ◉ **A lower, evidenced LGD** improves the Business Bank support pricing you can secure.
- ◉ **Better support pricing** can be passed through as cheaper, or deeper, lending to exactly the innovative businesses you already compete to bank.
- ◉ **First-mover influence.** In a sandbox where the standard is not yet set, a lender that brings a rigorous process early both prices better and helps shape what the enabler comes to treat as acceptable.

The evidence that the market is moving is already visible: an enabling facility of this scale being prepared, and a first-mover lender working with a specialist to secure terms ahead of publication. The question is not whether this area opens up, but who helps define how it is underwritten.

PROTECTION

08 An adjacent layer – asset protection

Separately, and kept strictly distinct from the capital question, we have begun work with WTW on an insurance layer built on the same DNA evidence chain – and WTW has offered to introduce us to Lloyd's Lab, the Lloyd's of London innovation accelerator, to develop a bespoke product for this market. It is relevant to a lender as borrower-resilience and collateral-protection, not as capital treatment. Two elements are in view:

- Knowledge-asset business interruption.** Conventional BI responds to physical damage and lapses on insolvency; it does not protect a business whose value is know-how, data and models. A DNA-evidenced product can keep the underlying knowledge asset alive and earning through disruption – supporting continuity of the very cash flows a facility is underwritten against.
- IP infringement protection, both ways.** Cover on both sides of an infringement – defending the business when it is accused, and enabling it to enforce its own rights against an infringer – for the unregistered know-how layer that is effectively uninsurable today, made underwritable by DNA's evidence chain.

THE HONEST BOUNDARY ON INSURANCE

This layer is early-stage and requires an authorised broker, a binding underwriter and regulatory sign-off before it is offered. It is presented here as asset protection and resilience only. It does not, and is not intended to, provide regulatory capital relief for lending – the prudential position is that the capital work is done by the Business Bank support, with lending underwritten on cash flow. We say assets may be eligible for cover; eligibility and underwriting are the insurer's call.

PROPOSAL

09 The proposal

A narrow, honest pilot: adopt DNA as your IP validation-and-recovery layer inside a Business-Bank-supported IP offer. You get the risk process the enabler prices against, the beginnings of a proprietary LGD dataset in an asset class few competitors can underwrite, and first-mover influence on the emerging standard. We get a real-world deployment of the methodology with a serious lending counterparty. Neither side over-claims: the pilot is designed to discover what the support turns out to be, together.

NEXT STEPS

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What we would want to establish together

Because this is written for a risk audience, the discipline is part of the offer. Before anything is relied upon, we would jointly nail down:

- The actual terms of the Business Bank enabling arrangement, cited from the programme itself – and, since support is agreed against a lender's own plan, your risk-profiling plan, for which this pack is the opening argument.
- Perfectible security – the charge-and-assignment mechanics tested by counsel, not asserted – so the collateral is genuinely realisable.
- A recovery-basis valuation discipline agreed with the independent valuer, so the number is defensible and never drifts toward going-concern value.
- The governance separating origination and control from valuation, custody and disposal – independence evidenced, not asserted.
- Clear boundaries: no capital-relief claim, and strict labelling of what is actual versus illustrative throughout.

Draft for discussion, prepared by IP-Advisors Ltd with R&D Advisors. Illustrative throughout and subject to specialist legal, valuation and regulatory sign-off before use. The Business Bank facility described is anticipated; its terms are not yet published. Nothing here is financial, legal or regulatory advice, or an offer of insurance or credit.