



BRIEFING NOTE

The Bank Devoted to Entrepreneurs: Business Development Bank of Canada

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Executive Summary:

The Business Development Bank of Canada (BDC) was officially established on July 13, 1995. BDC is a federal bank exclusively focusing on Canadian entrepreneurs. BDC is a Crown corporation, owned by the Government of Canada. BDC Capital is a subsidiary of BDC, and is focused on offering specialized financing and funding, including venture capital and growth equity. A Board of directors governs BDC and various committees assist the Board with its oversight responsibilities.

Recently, it is becoming more difficult for BDC to keep up with other venture capitalist firms, especially American ones. Many entrepreneurs are pointing out that it is easier to access funding and financial loans from other companies now.

Historical Overview

Since its establishment in 1944, the Business Development Bank of Canada (BDC) has been listed under several different names and mandates, including Industrial Development Bank (IDB), Federal Business Development Bank (FBDB), and finally what Canadians know it as today, Business Development Bank of Canada (BDC). On September 30, 1944, the Canadian Parliament announced IDB was created, until 1975 when the Federal Business Development Bank succeeded IDB on October 2, 1975.¹ After its creation, a Management Services division was officially created and FBDB became a venture capital investor.²

On July 13, 1995, the BDC that we know today, was officially established by the Parliament of Canada when the Business Development Bank of Canada Act was passed, refining and updating the structure and mandate of FBDB.³

BDC Capital is a subsidiary of BDC, which offers specialized financing, including venture capital, growth and business transition capital and growth equity.⁴ BDC does not receive government funding for the money offered in loans, the funds are borrowed on the money market like other commercial banks.⁵ An independent Board of directors governs BDC, and various committees assist the Board with its oversight responsibilities, such as the Audit Committee and Board Investment Committee. Additionally, the Board has established a list of governance practices to help the Board members perform their duties.⁶

BDC is a Crown corporation that is owned by the Government of Canada, and offers a number of financial services such as financing, advisory services, and wholesale financing, entirely devoted to Canadian entrepreneurs. BDC claims that every dollar in their portfolio is used to support Canadian entrepreneurs, and they do not provide grants, interest-free loans, lines of credit, personal loans, bank accounts, credit cards, and term deposits.

Current Issues

In 2017, it became clear that the Government of Canada had spent of \$2.2 million on “talent fees”, which included things like actors, models and photography fees, for the past two years, which BDC accounting for approximately 29 percent of that total. Documents obtained dating back to Jan. 1, 2016 show that BDC spent \$647,968 on talent fees over two years; according to a BDC spokesperson, “The total of \$647,968 is accurate and represents fees associated with the hiring and use of talent, according to the terms of ACTRA/UDA [Canadian labor union representing actors], for two ad campaigns and other initiatives over a two-year period.”⁷

In 2016, BDC loaned \$6.6 B to entrepreneurs, but many have noted that access to funding lags behind the US.⁸ As of 2017, BDC has more than \$1 B in venture capital invested in 700 tech businesses, but recently it’s venture capital investments have dropped from \$253.1 M in 2016 to \$160.8 M in 2017.⁹ Many entrepreneurs have noted that more money is available to entrepreneurs these days, and that American venture-path companies are better funded than similar companies in Canada.¹⁰ According to BDC’s CEO Michael Denham, “I think we are in a situation where the access to financing for entrepreneurs is better than it has been”.¹¹

Quick Statistics

From the BDC's 2017 Annual Report:¹²

- Employs 900,000 Canadians
- Generates \$251 B in annual revenues
- 16 percent of BDC's clients are exporters
- Financed 49,000 entrepreneurs
- 118 business centres across Canada
- More than \$1 B invested in 700 innovative high-tech businesses

Endnotes

1. BDC. "About Us". <https://www.bdc.ca/en/about/who-we-are/pages/history.aspx> (accessed April 24, 2018).
2. Ibid.
3. Ibid.
4. BDC. "What We Do". <https://www.bdc.ca/en/about/what-we-do/pages/default.aspx> (accessed April 24, 2018).
5. BDC. "About Us". <https://www.bdc.ca/en/about/what-we-do/pages/faq.aspx> (accessed April 24, 2018).
6. BDC. "Corporate Governance". https://www.bdc.ca/en/about/corporate_governance/pages/default.aspx (accessed April 24, 2018).
7. Global News. "Federal government 'talent' costs have exceeded \$2.2 million: documents". <https://globalnews.ca/news/3898370/federal-government-talent-costs-have-exceeded-2-2-million-documents/> (accessed April 25, 2018).
8. The Financial Post. "BDC gave out \$6.6 billion in loans, but entrepreneurs say funding still lags the U.S." <http://business.financialpost.com/entrepreneur/money/bdc-gave-out-6-6-billion-in-loans-but-entrepreneurs-say-funding-still-lags-the-u-s> (accessed April 25, 2018).
9. Ibid.
10. Ibid.
11. Ibid.
12. BDC. "BDC 2017 Annual Report". <https://www.bdc.ca/EN/Documents/annualreport/bdc-annual-report-2017.pdf> (accessed April 24, 2018).

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