

Japanese giant Nomura prepares to back new digital bank

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Japanese financial services powerhouse Nomura has a new horse in Australia's SME lending sector.

Street Talk understands Nomura is set to bankroll Australian financier Cunnington & Co Group's new small business lending platform and could end up co-owning a proposed digital bank that would take on the big four, Judo Bank, Prosopa and the like.

The Japanese bank is understood to have committed \$40 million to Altitude Trust Services Pty Ltd, as trustee for Cunnington & Co's SME Finance Trust, and could increase its commitment to \$100 million in about one year.



The innovative deal means Nomura also has an option, at its discretion, to take a 40 per cent equity stake in SME Bank. **Bloomberg**

The finance was in the form of junior and senior loan notes via its principal investments team, sources said, and it would be used to set up the SME lending trust.

The trust would then offer credit products including invoice finance and other secured facilities to SME customers – and be a precursor to bigger plans for a neobank.

It is understood Cunnington & Co, which has operated in Australian SME finance for 25 years, is also applying for a full Authorised Deposit-taking Institution (ADI) banking licence with the regulator.

The digital challenger bank, dubbed SME Bank, would target small business clients who had slipped through the domestic banking system's cracks or could no longer get money out of the big four in a timely manner.

[It's the same sort of pitch that has seen Judo Bank start-up rocket into Australian capital markets.](#)

And it is understood that Nomura has an option to take a 40 per cent equity stake in the proposed SME Bank.

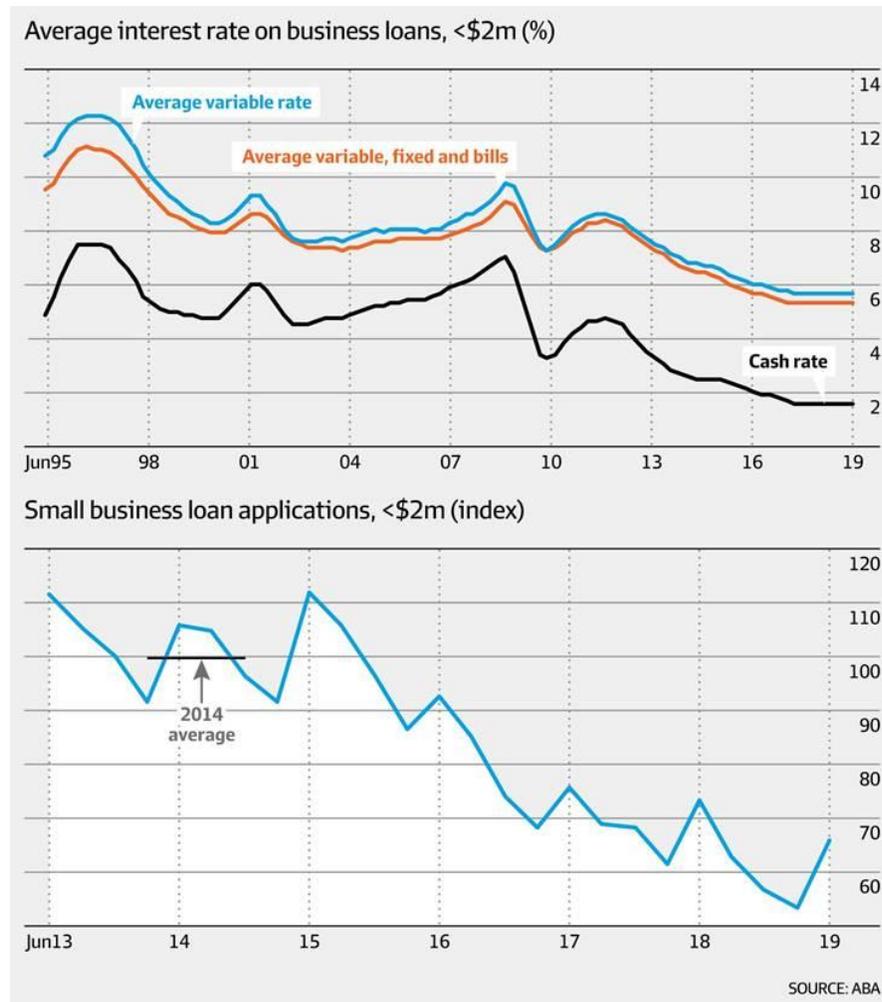
Nomura's emergence in the SME lending sector – and particularly as a potential equity investor in a digital challenger bank – has been the talk of the Australian financial services sector since the Cunnington & Co deal was signed earlier this month.

The Japanese bank has a whopper balance sheet and has never really put its back into Australia's SME lending. Sources said Nomura's loans and principal investments team led by Stephen Allan locally and Aadit Seshasayee regionally, did the deal.

Nomura declined to comment.

Interestingly, Cunnington also wholly owns what it calls the "SME Bank in a Box" technology platform that provides digital origination, credit underwriting and servicing to SME loans managed by SME Finance Trust and other lenders.

That platform is being offered to other banks for a fee, for which Cunnington will also generate fee income.



Link: <https://www.afr.com/street-talk/japanese-giant-nomura-prepares-to-back-new-digital-bank-20191124-p53djj>