



InnoFinTech

Funding guideline for young innovative companies and start-ups in the FinTech sector

Valid from March 22, 2022 to December 31, 2022 (application deadline November 30, 2022).

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1.	Purpose of the grant	3
2.	Subject of the grant	4
3.	Eligible applicants	4
4.	Conditions for grant provision	4
4.1.	General requirements	4
4.2.	Specific requirements.....	5
5.	Type, scope and amount of funding	5
5.1.	Project funding	5
5.2.	Modular funding components.....	6
5.3.	Non-subsidised types of expenses	7
6.	Procedure	7
6.1.	Application procedure	7
6.2.	Approval procedure.....	8
6.3.	Disbursement.....	9
6.4.	Reporting Duties & Audit Rights	9
6.5.	Proof of use.....	10
6.6.	Other provisions/regulations	10
6.7.	Repayment of funds	11
7.	Legal basis	11
7.1.	State aid	11
7.2.	Further legal bases	12
8.	Validity and term	12

1. Purpose of the grant

The InnoFinTech grant program is designed to make it easier for innovative start-ups and young innovative companies (which are generally no more than five years old) from the FinTech and InsurTech sectors and related segments (e.g. LegalTech and PropTech) to implement innovative projects and to help them grow and establish themselves on the market.

Innovation is understood to be the entrepreneurial development and realization (in the sense of implementation or exploitation) of novel applications, products and services, methods or processes - across the entire process from idea to exploitation. One focus of the funding program is on innovative startups that also have the United Nations' sustainability goals (e.g. climate protection, resource conservation and inclusion) in mind.

The program is an immediate measure for the financial sector, which was particularly challenged during the Corona crisis, and an important step towards implementing the Hamburg Financial Center Master Plan.

The grant program has the following objectives:

- Strengthening Hamburg as a financial center at the exit of the COVID19 crisis by promoting innovative ideas and the emergence/development of innovative companies in the field of FinTech and InsurTech as well as adjacent segments (e.g., LegalTech and PropTech)
- Improving the start-up climate, especially for FinTech and InsurTech companies Hamburg.
- Support Hamburg's contribution to achieving the United Nations Sustainable Development Goals (SDGs)
- Increasing value creation and creating new competitive and future-proof jobs and training positions in Hamburg
- Increasing the competitiveness, attractiveness and innovative strength of Hamburg as a business location
- Increasing the performance and competitiveness of young innovative companies from the areas of FinTech and InsurTech as well as adjacent segments (e.g. LegalTech and PropTech)

How and who awards?

The funding is approved by Hamburgische Investitions- und Förderbank (IFB Hamburg for short) on the basis of a recommendation by the awarding body of the InnoFinTech program. The awarding body is composed of one representative each from the Hamburg Chamber of Commerce, Finanzplatz Hamburg e.V. and the Ministry of Finance, as well as up to two external persons with relevant expertise in the funding area. IFB Innovationsstarter GmbH supports the recommendation decision of the awarding body with a preliminary evaluation of the applications received.

There is no legal claim to funding on the part of the applicants. Rather, the awarding body decides on the basis of its dutiful discretion within the framework of the available budget funds.

2. Subject of the grant

Funding is provided for innovative projects that are part of a company start-up or company expansion. Funding is generally provided without restriction to economic sectors¹ as far as startups from the areas of FinTech and InsurTech as well as related segments (e.g. LegalTech and PropTech) are concerned, and can relate to innovative projects involving technologies, products, services or processes.

Eligible expenses include:

- Development of market studies/execution of feasibility studies
- Strategy development/business plan, market development and growth strategy
- Search for partners/start-up teams/employees/staff recruiting
- Qualification/training
- Product development and testing/implementation incl. production facilities
- Securing rights/patent development/patenting
- Marketing activities incl. establishment of sales structures

3. Eligible applicants

Eligible to apply are:

- Natural persons and
- Legal entities if they have generally been in existence for less than five years, employ fewer than 50 people and their annual turnover or annual balance sheet does not exceed €10 million².

4. Conditions for grant provision

4.1. General requirements

In order to be eligible for funding, the project must

- the project must not have been started at the time of application,
- the project must be carried out mainly in Hamburg and the planned or existing company headquarters must be in Hamburg,
- the implementation of the project would be endangered or impossible without the funding and the company's own financial resources would be insufficient
- the overall financing of the project, including the requested financial assistance, must be convincingly demonstrated.

Excluded from funding are all innovation, transfer and consulting services already funded or promised by other EU, federal or state subsidies as individual measures or within complex projects.

¹ Companies from the sectors of agriculture, fishery, farming and export according to Art. 1 of the de minimis regulation are excluded from the support.

² Definition of small and medium-sized enterprises (SMEs) according to Annex I of Commission Regulation (EU) No. 651/2014 of 17.06.2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (so-called General Block Exemption Regulation - GBER), printed in the Official Journal of the European Union L187/1 of 26.06.2014.

4.2. Specific requirements

In addition to the general requirements, **at least one** of the following three requirements must be met in order for a project to be approved for funding:

- The innovative technological products, processes or technologies underlying the project have been developed by the applicants, are patentable or have been developed by the applicants at universities or research institutions, as documented by recognized scientific publications.
- The technological products or innovative services to be developed are new or the innovative business idea stands out from the competition.
- There is a technological development risk. In particular, it is possible that key development goals of the innovative project will not be achieved.

In addition, there are the following mandatory cumulative requirements:

- The project is characterized by a sophisticated innovative content and has a recognizable market potential that should exceed the funding volume.
- The project is expected to make a foreseeable contribution to job creation, to increasing economic performance in the Free and Hanseatic City of Hamburg, and possibly also to achieving the United Nations' sustainability goals.
- The project is associated with positive effects for the location (indirect creation of jobs/establishment of further companies and possibly impact on sustainability goals, network effects, knowledge/technology transfer, cooperation effects, etc.).

5. Type, scope and amount of funding

5.1. Project funding

The funding is granted as a non-repayable grant (partial financing) within the framework of project funding. The funding rate in relation to the eligible expenses is a maximum of 90%.

A maximum of € 200,000.00 can be funded per project. If the recipient is entitled to deduct input tax, net amounts are decisive, otherwise gross amounts. The transfer of funding from a natural person to a legal entity is possible³.

Funding is generally provided for up to three stages in accordance with an individual schedule specified in the notice of approval, taking into account funding tranches and milestones specified therein. The number of stages is determined by the funding volume applied for (1 stage if the funding volume is a maximum of €75,000.00; 2 stages if the funding volume is between €75,000.00 and €150,000.00; 3 stages if the funding volume is greater than €150,000.00). At the end of each stage, a decision is made on the continuation or discontinuation of the funding in the form of a review of the proof of milestones. In justified exceptional cases with a limited funding period, payment in one funding tranche is also possible in individual cases.

³ In the case of a business start-up, industrial property rights (including rights of use of patents) that have already arisen or been purchased during the pre-start-up phase within the framework of the subsidy are to be transferred to the new company without consideration..

5.2. Modular funding components

The eligible expenses of a project comprise those funds that are required to carry out the innovative project in an economic and economical manner. The applicant can select individually from the following modular funding components and combine them:

- Own contribution (before foundation)
- Personnel expenses (after foundation)
- Cost of materials, investment costs/depreciation
- Qualification/training
- Marketing
- External services (e.g. consulting, contract research and IT development)
- Patents
- Travel expenses
- Occupancy costs/infrastructure

Procurement law requirements of ANBest-P (see Section 7.2) must be observed.

Description of the modular funding components:

Own contribution (before foundation)

- Own contribution is defined as follows: Personally rendered (unpaid) work performance, to be specified in the application, for the establishment of a business/as part of the performance of business activities according to business purpose in the pre-establishment phase.
- Own work can only be funded for the applicants and key persons named in the application.
- Funding in the form of remuneration for personal contributions by natural persons for a maximum of six months with two options for extension for a maximum of six additional months each time. The personal contribution can be subsidized with 10.00 €/hour up to a maximum amount of 1,500.00 €/month per person. If there is an entitlement to benefits from the employment agency, these can be topped up to the maximum amount as part of the support for personal contributions.

Requirements:

- There must be no dependent employment.
- Concrete description of the estimated time required for the personal contribution to be made. The activity must be assessable in terms of content and time. The activity must be directly related to the funded innovation project. The appropriateness and necessity of these activities in the project to be funded must be demonstrated.
- Proof of hours and activities must be provided for the personal contribution.

Personnel expenses (after foundation/at existing companies)

- Personnel expenses for engineers, researchers, technicians and other staff, insofar as they are involved in the funded project. Personnel expenses are only eligible for funding if they are based on a legal foundation, are justified and appropriate, are based on actual expenses and are proven by appropriate documentation.
- The personnel expenses to be funded may amount to a maximum of € 2,000.00/month per founder/key person, provided that full-time work is done for the project. If less work is required, less will be paid on a pro rata basis.
- Funding for existing staff is only permissible if the existing staff is relieved of its original duties to the extent that it performs new duties within the scope of the funded project.
- The „Besserstellungsverbot“ applies.

Material expenses

- Material expenses include expenditure on raw materials and supplies (e.g. material costs) during the funding period, insofar and as long as they are used exclusively for the project.

Investments, depreciations

- Investment costs are costs for instruments and equipment, provided they are used for the project. Only depreciation or the equivalent value of depreciation in the funding period can be claimed.
- The acquisition expenses are to be distributed on a straight-line basis over the useful life according to full months. The depreciation attributable to the funding period is defined as eligible expenditure. Acquisition costs for low-value assets up to € 800.00 net can be deducted in full at the time of acquisition. Assets with acquisition or production costs of more than € 800.00 net are to be depreciated in accordance with the provisions of tax law.
- Leasing instalments for machinery are only eligible if the maximum eligible share of a leasing instalment corresponds to the monthly straight-line depreciation of the net trade value of the asset over the corresponding useful life. The lessee must always prove that leasing is the most economical method of achieving the project objective. Otherwise, the additional expenditure will be deducted.

Expenses for further modular funding components

- Marketing expenses max. 25 % of the total funding amount
- Expenses for rooms are usually limited to 500.00 €/month

5.3. Non-subsidised types of expenses

In particular, the following types of expenditure are not eligible (negative list):

- Hospitality
- Catering expenses (exception: per diems for business trips)
- Acquisition of land or buildings, even if connected with the project
- Contributed land, buildings, equipment or technical installations
- Acquisition or leasing of cars and sales vehicles
- Leases, ground rents, land transfer tax

6. Procedure

6.1. Application procedure

Application forms are available from IFB Innovationsstarter GmbH. The application forms must describe the project in text form using the following points:

- Description of the company (to be founded, if applicable) (including product/service, innovation, market, marketing, risks).
- Description of the entrepreneurial team/key persons
- Description of the project to be funded, including schedule and milestones.
- Description of the financial and personnel plan
- Description of the financing plan

Only application forms issued by IFB Innovationsstarter GmbH will be accepted.

Applications for funding must be submitted in the original and signed to

IFB Innovationsstarter GmbH

c/o IFB Hamburg
Besenbinderhof 31, 20097 Hamburg

If required, the application process can be supported by IFB Innovationsstarter GmbH.
(Tel. 040/657 98 05 - 90, www.innovationsstarter.com).

The following supplementary documents must be submitted with the funding application:

- Concept/Business Plan/Company Description
 - Description of the company (to be founded, if applicable) with proximity to implementation and technology used
 - Proof of market and innovation potential
 - Financial plan including financing plan
- Curricula vitae of applicant/entrepreneurial team
- In the case of legal entities, proof of the shareholder structure (excerpt from the commercial register)

Overall, the application documents must prove that the general and substantive requirements/prerequisites according to No. 4.1. and 4.2. are met.

Contents of a possible application for extension of own contribution payments::

- Updated business plan with financing plan and target/actual deviation
- Updated proof of market potential
- Justification for further demand/planned own work expenditure

IFB Hamburg and IFB Innovationsstarter GmbH may request further documents for review purposes.

6.2. Approval procedure

6.2.1. Preselection

IFB Innovationsstarter GmbH examines the incoming applications for funding and, if necessary, obtains further opinions from experts, whereby legitimate interests of the applicant to protect business secrets are taken into account when selecting external experts.

For all applications, IFB Innovationsstarter GmbH prepares a decision document regarding the eligibility of the applications. IFB Innovationsstarter GmbH selects suitable applications from the incoming funding applications in accordance with the requirements stated under No. 4. whose applicants are given the opportunity to present their project to the awarding body of the InnoFinTech funding program.

6.2.2. Approval

At the meeting of the awarding body, the eligibility of the projects applied for and the amount of funding to be granted are discussed and a recommendation for approval or rejection is made.

The basis for the approval recommendation is the funding application, the preliminary opinion of IFB Innovationsstarter GmbH and, if applicable, the applicant's presentation to the awarding body.

Taking into account the recommendation of the awarding body, IFB Hamburg decides on the basis of its dutiful discretion.

In the event of a positive funding decision, IFB Hamburg issues a notice of approval. In this notice, the milestones, including the targeted results, are defined or confirmed for the purpose of assessing progress.

Approval may be granted subject to conditions or requirements, which are to be specified in the notice of approval.

6.3. Disbursement

As soon as the notice of approval has become final, eligible expenses incurred can be claimed from IFB Hamburg's Innovation Agency depending on the progress made. Deductions are permissible. The grant may only be claimed if it is needed within two months of disbursement for payments due to fulfill the purpose of the grant.

Documents to be submitted for review and approval of the requested disbursement are:

- Copies of invoices (original documents remain with the applicant)
- List of receipts in the systematics of the approved financing plan with modular funding components

Disbursement will be made by IFB Hamburg after positive review and in the amount approved.

6.4. Reporting Duties & Audit Rights

The grant recipient reports periodically to IFB Innovationsstarter GmbH on the progress of the project. **Interim reports** are to be prepared annually on December 31 for the entire funding period and should be based on the following structure:

- Progress/significant results of the project (e.g. foundation, partners/contracts, etc.)
- Comparison of plan/actual with respect to work, time and expenditure planning/justification of any deviations from plan
- Use of funding (updated financing plan)
- List of income/expenditure incl. voucher list
- Summary + outlook (e.g. jobs created, patents applied for, etc.)

Within the framework of the individually determined **milestone targets** during the project term, reporting is made to IFB Innovationsstarter GmbH.

On the occasion of the documentation of the milestone targets, IFB Hamburg decides whether a project will continue to be funded or whether funding will be discontinued, taking into account the recommendations of IFB Innovationsstarter GmbH.

In order to ensure efficient and proper control as well as monitoring and evaluation of the funded project, the funding authority, IFB Innovationsstarter GmbH, IFB Hamburg and third parties commissioned by them are entitled to inspect original receipts, accounting and other business records, to conduct local surveys and to request all necessary information. The Court of Audit of the Free and Hanseatic City of Hamburg or third parties commissioned by them are also entitled to these rights. Furthermore, in the event that a scientific consulting institute is commissioned by the European Communities, the Federal Republic of Germany or the Authority for Economic Affairs and Innovation (BWI) for the purpose of scientific monitoring and

evaluation of the funding program, the Recipient shall be obliged to provide all information required for this purpose.

The rights of the Court of Audit of the Free and Hanseatic City of Hamburg arise from Section 84 and Section 81 (1) of the State Budget Code (Landeshaushaltsordnung, LHO) for the commissioned auditing bodies.

The recipient of the grant must keep the documents relevant to the project available for a period of six full fiscal years after completion of the project. The records of information on compliance with the requirements of the de minimis Regulation must be kept for ten years from the date of approval. Any longer retention obligations under tax law or other regulations remain unaffected.

6.5. Proof of use

After completion of the funding, a proof of use must be submitted to IFB Innovationsstarter GmbH within six months.

The proof of use consists of a factual report and a numerical proof:

Factual report („Sachbericht“):

- Use of the funding
- Course of the project
- Results achieved (including target/actual deviation)
- Contribution to the objectives according to No. 4. of the guideline

Numerical evidence („Zahlenmäßiger Nachweis“):

- List of income/expenditure in chronological order and separated from each other, according to the structure of the financing plan.
- List of receipts

Further obligations to provide proof and information result from the notice of approval.

As part of the evaluation of the funding program, the grantee must report a selection of defined key figures (such as the number of jobs created) to IFB Hamburg annually for a period of six full fiscal years after completion of the funded project.

Six full fiscal years after completion of the project, the final beneficiary must provide the granting agency with unsolicited evidence that the funded project existed in accordance with the provisions of the decision and has not undergone any significant changes.

6.6. Other provisions/regulations

The project to be funded may be started at the earliest on the start date of the project specified in the notice of approval. Exceptions are possible by written approval.

The funding must be used for the purpose of the funded project and in accordance with the financing plan as specified in the notification of approval.

In the case of a business start-up, property rights (including rights to use patents) that have already been created or purchased during the pre-start-up phase within the scope of the funding must be contributed to the new company without consideration. In the case of capital goods

acquired or produced with subsidies, this applies accordingly to the subsidized share (usually the depreciation amount).

If a company is not founded, it must be examined on a case-by-case basis whether the assets are to be transferred to the tax authority without consideration.

6.7. Repayment of funds

IFB Hamburg may demand repayment of the funds if the applicant violates material provisions of these guidelines or other requirements or conditions attached to the granting of funds in the execution of its project.

This applies in particular,

- if the person/enterprise receiving funding does not establish its registered office or a significant place of business in Hamburg or relocates from Hamburg during the funding period.
- if the company leaves Hamburg within six years after completion of the funded project.
- if the funded project undergoes significant changes within six full fiscal years after completion of the project that conflict with the purpose of the funding and the provisions of the grant notice.

7. Legal basis

7.1. State aid

The funding is provided as de minimis funding (pursuant to Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the EU to de minimis aid, Official Journal of the EU No L 352/1-8 of 24 December 2013, as last amended by Commission Regulation (EU) No 2020/972 of 2. July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments (Official Journal of the EU No L 215/3 of 07 July 2020), hereinafter the De minimis Regulation) and is subject to the restrictions of European State aid law.

The total amount of de minimis aid granted to a single company⁴ in a period of the current fiscal year as well as in the two preceding fiscal years may not exceed 200,000.00 (in the commercial

⁴ The European legal concept of "undertaking" is very broad and, in contrast to conventional usage or national laws, covers any entity engaged in an economic activity, regardless of its legal form and the way in which it is financed. An economic activity within the meaning of the competition rules is deemed to exist when goods and/or services are offered on a given market. The term "a single undertaking" for the purposes of the de minimis regulation refers to all undertakings that have at least one of the following relationships with each other:

- a) one enterprise holds the majority of the voting rights of the shareholders or partners of another enterprise;
- b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- c) an entity is entitled to exercise a controlling influence over another entity pursuant to a contract entered into with that entity or a clause in its articles of association;
- d) an entity that is a shareholder or partner of another entity exercises sole control over the majority of the voting rights of its shareholders or partners pursuant to an agreement entered into with other shareholders or partners of that other entity.

Also, entities that have one of the relationships referred to in subparagraphs (a) to (d) with each other through another entity or several other entities shall be considered as a single entity.

road transport sector, with the exception of the passenger road transport sector, up to €100,000.00 (see de minimis regulation).

In order to verify the maximum permissible amounts, the recipient of the grant is obliged to disclose all de minimis aid received within a period of three years prior to the grant being awarded. The maximum amount applies to aid regardless of its nature and purpose and regardless of whether the aid granted by the member state is financed in whole or in part from Community funds (e.g. state funds, federal funds, EU funds, loans, guarantees and other benefits from state funds).

De minimis aid may not be cumulated with other aid in respect of the same eligible expenditure (costs) if the aid intensity resulting from such cumulation would exceed that laid down in a block exemption regulation or decision adopted by the Commission regarding the specific features of each case (see Article 5 (2) of the de minimis Regulation).

7.2. Further legal bases

Hamburgische Investitions- und Förderbank grants subsidies in accordance with these subsidy guidelines and by applying Section 46 of the State Budget Code (LHO) mutatis mutandis. There is no legal entitlement to the grant.

The administrative regulations pertaining to Section 46 of the State Budget Code (LHO) and the Hamburg Administrative Procedure Act (Hamburgisches Verwaltungsverfahrensgesetz) shall apply mutatis mutandis to the approval, payment and accounting for the funding as well as to the proof and examination of the use and, if necessary, the revocation of the notice of approval and the reclaiming of the funding granted.

The "General Auxiliary Provisions for Grants for Project Promotion" (ANBest P) or corresponding auxiliary provisions of IFB Hamburg shall apply to the use of the funding as well as to the proof and audit of use as the basis for the obligations to be imposed on the funding recipient.

In the case of implementation by Hamburgische Investitions- und Förderbank, the law governing Hamburgische Investitions- und Förderbank applies.

In the case of this development program, no administrative fee shall be charged for the approval and official acts within the scope of the administration of the development funds pursuant to the Schedule of Fees for the Hamburgische Investitions- und Förderbank (No. 1 of the Annex to the Schedule of Fees). All other fees in the schedule of fees are charged.

This funding guideline is issued by the Finance Authority.

8. Validity and term

This funding guideline comes into force on 22.03.2022 and is valid until 31.12.2022. Applications can only be submitted until 30.11.2022.