

MSDUK's Certification Programme for Ethnic Minority Controlled Businesses

MSDUK would like to reiterate over here that our certification process based on 51% ownership, operation and control by ethnic minority individuals will still remain our CORE programme and this initiative of certifying 'minority controlled' businesses will be done under special circumstances, based on fulfilling all selection criteria, submission of documentary evidence, site visits and approval by the MSDUK Certification Committee and Board of Directors.

1. To qualify for MSDUK CORE certification, an Ethnic Minority Business (EMB) is a for-profit enterprise, regardless of size, physically located in the United Kingdom, which is owned, operated and controlled by ethnic minority group members. "Ethnic Minority group members" are United Kingdom citizens or permanent residents in the United Kingdom (with indefinite leave to remain in the UK status) who are Asian, Black African, Black Caribbean, Black others, Mixed-race or Chinese. Ownership by ethnic minority individuals means the business is at least 51% owned by such individuals. Further, the management and daily operations are controlled by those ethnic minority group members. This will not change.
2. Minority-Controlled Business Certification initiative affects only the following two categories:
 - Those MSDUK-certified EMBs that have an opportunity to accept equity capital from professional institutional investors through the creation of a new class of non-voting stock.
 - Those businesses that can provide evidence that the business had majority ownership at the time of its formation and has attracted equity capital from professional institutional investors, through the creation of a new class of non-voting stock.
3. Any exceptions to the 51% ownership policy would be made on a case-by-case basis; EMBs approved for this special certification will be tracked separately.
4. In these cases, an EMB may be certified as a ethnic minority controlled business enterprise if the ethnic minority owners own at least 30% of the economic equity* of the firm. This occurs when non-minority investors contribute a majority of the firm's risk capital (equity). Under this special circumstance, a business may be certified as an EMB firm if the following criteria are met:
 - Ethnic minority management/owners control the day-to-day operations of the firm.
 - Ethnic minority management/owners retain a majority (no less than 51%) of the firm's "voting equity."
 - Ethnic minority owner/s operationally control the board of directors (i.e., must appoint a majority of the board of directors).
5. In order to become certified as an EMB under the framework outlined in Section 4 above, the EMB's non-minority investor must be a "professional institutional investor". We define the term professional institutional investor to mean a firm that (a) is in the business of making equity investments (not managing businesses), and (b) manages more than \$25 million in capital.

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6. Given the complexity of the issues involved and the need for consistency in certification decisions, firms will be certified by the certification committee in conjunction with the MSDUK Board of Directors.

* The current requirement of 51% minority control severely restrains minority firms from expanding, by limiting non-minority secured financial investments to EMBs. To address this issue, there is a distinction made between “economic equity” and “voting equity”. Economic equity refers to equity that gives the holder a residual claim on the firm’s economic assets (i.e., it entitles the holder to a portion of the economic returns generated by the firm). Voting equity refers to the equity that gives the holder a vote for purposes of selecting a firm’s board of directors.

Ethnic Minority Controlled Business Documentation:

The following document will be used to assess those cases where a business was majority owned, managed and controlled by ethnic minorities, however in order to grow their business they had to get investors on board diluting their ownership percentage to below 51% but still retaining the management and control of the business.

The onus will be on the applicant(s) to prove the following to MSDUK and the Certification Committee:

1. The applicant needs to prove that when the business was first established it was more than 51% owned, managed and controlled by an ethnic minority.
2. The applicant must provide evidence for the following:
 - The timeline of introduction of the professional institutional investor.
 - Percentage of shares owned by each shareholders
 - Voting rights.
 - Control of day to day management of the business.
3. If the ethnic minority business owner(s) have less than 30% ownership and or less than 50% of the voting rights the application will be declined.

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