



Joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF) - Market Notice 18 March 2020

HM Treasury and the Bank are coordinating closely in order to ensure that our Covid-19 initiatives are complementary and that they will, collectively, have maximum impact, consistent with the Bank and HM Treasury's independent responsibilities

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Although the magnitude of the economic shock from Covid-19 is highly uncertain, activity is likely to weaken materially in the United Kingdom over the coming months. Temporary, but significant, disruptions to supply chains and weaker activity could challenge cash flows and increase demand for working capital from companies.

The Covid Corporate Financing Facility (CCFF, the Facility) will provide funding to businesses by purchasing commercial paper of up to one-year maturity, issued by firms making a material contribution to the UK economy. It will help businesses across a range of sectors to pay wages and suppliers, even while experiencing severe disruption to cashflows.

The facility will offer financing on terms comparable to those prevailing in markets in the period before the Covid-19 economic shock, and will be open to firms that can demonstrate they were in sound financial health prior to the shock. The facility will look through temporary impacts on firms' balance sheets and cash flows by basing eligibility on firms' credit ratings prior to the Covid-19 shock. Businesses do not need to have previously issued commercial paper in order to participate.

The scheme will operate for as long as steps are needed to relieve cash flow pressures on firms that make a material contribution to the UK economy. The Bank will implement the facility on behalf of HM Treasury.

Operation of the Facility

The Covid Corporate Financing Facility Limited (the Fund) will purchase Commercial Paper (CP) during a defined period each business day.

The Fund, operated by the Bank, on behalf of HM Treasury, will purchase, at a minimum spread over reference rates, newly issued CP in the primary market via dealers and after issuance from eligible counterparties in the secondary market.

Length of Facility

The Bank's intention is for the Facility to operate for an initial period of 12 months, to help businesses bridge through Covid 19-related disruption to their cash flows. The Bank will provide 6 months' notice of the withdrawal of the Facility.

Offers to sell CP to the Fund must be received and accepted by 31 December 2020. In any event, firms are encouraged to apply as early as cash flow pressures arise.

Further details of the Facility, including application forms, terms and conditions and operating procedures will be published on the Bank's website on Monday 23 March 2020.

Final documentation for the scheme including a pricing schedule will be published on 23 March, when the facility will be open for drawings.

Financing of Facility

Purchases under the Facility will be financed by central bank reserves.



Eligible issuers

The Fund will purchase CP issued by companies (including their finance subsidiaries) that make a material contribution to economic activity in the United Kingdom, subject to the restrictions set out below.

UK incorporated companies, including those with foreign-incorporated parents and with a genuine business in the UK, will normally be regarded as meeting this requirement. Eligibility decisions will be made by our risk management staff, taking into account a number of different factors. Companies with significant employment in the UK or with their headquarters in the UK will normally be regarded as meeting this requirement. We will also consider whether the company generates significant revenues in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK. Publically owned entities and partially owned entities will not be eligible.

CP issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority will not be eligible. CP will also not be eligible if issued by leveraged investment vehicles or from companies within groups which are predominantly active in businesses subject to financial sector regulation.

Companies that do not currently issue CP but are capable of doing so will in principle be eligible to utilise the CP Facility, provided they meet the eligible securities criteria outlined below.

The Bank will require issuers whose CP will be offered to the Fund in the primary market to contact the Bank directly, to discuss its eligibility and to provide the necessary documentation. Issuers should contact the Bank at CCFF-applications@bankofengland.co.uk.

The Bank will require such issuers to sign a confidentiality agreement.

The Bank recognises that some corporates who may wish to use this scheme are not regular counterparties of the Bank. To make usage as easy as possible we have made a webpage with further information available [here](#).

Eligible securities

The Fund will be operated by the Bank under an agreement with HM Treasury. The Bank and HMT will keep under review whether to propose any extensions or variations of the Facility in the future.

The Fund will purchase the sterling-denominated CP of eligible issuers, with the following characteristics:

- A maturity of one week to 12 months if issued to the Bank at issue via a dealer. Drawings can be rolled while the CCFF is open, subject to eligibility.
- Where available, a minimum short-term credit rating of A-3 / P-3 / F-3 / R3 from at least one of Standard & Poor's, Moody's, Fitch and DBRS morningstar as at 1 March 2020. This reference point is deliberately set prior to the possible impact of Covid-19 on firms' short-term credit ratings. Issuers with split ratings where one or more rating is below the minimum are not eligible. The Bank and HMT will consider the eligibility of issuers at the lowest rating that were on negative watch or negative outlook as at 1 March.
- Where a short-term credit rating is not available the Bank will consider whether a long-term credit rating can be used to assess eligibility and pricing, or whether the Bank can assess that the issuer is of equivalent financial strength.
- Issued directly into Euroclear and/or Clearstream.

If an issuer is downgraded after 1 March 2020 below the minimum credit ratings set out above, the issuer will remain eligible for primary and secondary market purchase in the Facility, subject to HM Treasury approval.

The Bank may not approve as eligible any CP which has certain non-standard features (eg extendibility, subordination etc).



Securities issued by a finance subsidiary should be guaranteed by their parent company in a form acceptable to the Bank.

Eligible counterparties that wish to offer CP to the Bank in the secondary market must confirm the eligibility of specific securities with the Bank prior to offering them for sale, using the template that will be published on the [information for applicants webpage](#). Eligible counterparties should contact the Bank at CCFF-applications@bankofengland.co.uk.

Confirmation of eligibility will be provided bilaterally to the counterparty submitting the request. When the Bank confirms their eligibility before 16:00, securities will be eligible for sale to the Fund from the following business day.

The names of issuers and securities purchased or eligible will not be disclosed publicly.

The Bank, the Fund and HM Treasury reserves the right at its sole discretion to deem any security ineligible for any reason, and to deem ineligible securities it has previously purchased and vice versa.

Limits on the Bank's holdings

Purchases of CP in the primary markets may be limited by issuer. Any such limits applying to individual issuers will be made available, on request, to the issuer only.

Where two or more issuers are part of the same Group, an aggregate limit may be applied within which any limits applying to the individual issuers are wholly or partly fungible.

Eligible counterparties

The Fund will purchase CP that meets the eligible securities criteria outlined above and that has been in the primary market from dealers acting as principal and will also purchase CP in the secondary market from eligible institutions. Counterparties must, inter alia, be appropriately authorised for the purposes of the Financial Services and Markets Act 2000 (FSMA).

Prices

The Fund will purchase securities at a spread above a reference rate, based on the current sterling overnight index swap (OIS) curve. Spreads will be set such that pricing is close to the market spreads prevailing before the economic shock from Covid-19. The Bank will keep its pricing under review in light of market conditions and its experience in operating the facility.

CP purchased in the primary market will be discounted using a rate based on the maturity-matched overnight index swap (OIS) rate, as determined by the Bank on the day of purchase. Money market yield conventions will be applied. The spread to the OIS rate at which the Bank will purchase CP will vary according to the credit rating of the issuer. Details of the approach will be published on the Bank's website.

CP purchased in the secondary market will be purchased at the lower of amortised cost from the issue price and the price as given by the method used for primary market purchases as set out above. The Bank plans to apply an additional small fee for use of the secondary facility, payable separately, the details of which will be published on the Bank's website.

Where an issuer has a split rating, the spread will be that derived from the lowest rating.

Further detail with regards to pricing can be found [here](#).

Submission of offers

Offers to sell CP to the Fund should be submitted by phone to the Bank's Sterling dealing desk (or as advised on the Bank's wire services page) as set out in the operating procedures, between 10.00am and 11.00am.

For primary market sales, counterparties must provide details of the issuing entity and the nominal amount offered. Maturity dates will follow the "modified following" convention. For secondary market sales, counterparties must provide the ISIN/ticker of the security; the money market yield on an amortised cost basis; the maturity date; and the nominal offered.

The minimum size of an individual security that the Fund will purchase from an individual participant is £1 million nominal. The offer amount should be expressed in increments of £0.1 million nominal.

The Bank's sterling dealers will confirm as soon as possible by return phone, or other appropriate means, whether an offer has been accepted and will confirm the cash amount and, for primary market sales, maturity date.

In its primary market purchases, the Fund will purchase the CP of a particular issuer from one dealer only each day. In that case, the Bank would accordingly require issuers seeking to sell CP to the Fund in the primary market via a number of dealers to ensure that only one such dealer seeks to sell its CP to the Fund on any particular day.

Settlement arrangements

The Bank will send a written electronic confirmation of each transaction on the day of purchase.

The Fund's purchases of CP will normally settle on a T+2 basis.

Counterparties must comply with the [Bank's Settlement Procedures](#).

Published information

The Bank plans to publish each Thursday at 3.00pm information on the use of this Facility as follows: (i) the total amount of CP purchased that week up until the previous day, in terms of the amount paid to the sellers; and (ii) the sum of CP purchased, less redemptions, to date.

Applications to participate

Applications to participate as counterparties in the Facility can be made from Monday 23 March 2020. Application forms can be found [here](#).

The terms and conditions and operating procedures for the Facility can be found [here](#).

The Bank reserves the right to reject applications without explanation.

Companies that do not currently issue CP but are capable of doing so, and of meeting the Fund's eligibility criteria, will be able to utilise the Facility if they so choose. The Bank will discuss with potential issuers their eligibility and access to the Facility.

