



Joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF) – Consolidated Market Notice 9 October 2020

i This Consolidated Market Notice describes the operation of HM Treasury and the Bank’s CCFF. It updates the currently effective provisions of previous Market Notices in relation to the CCFF and so replaces all previous Market Notices relevant to the facility.



Published on 9 October 2020

Note: This Market Notice was originally published on 19 May 2020 and was updated on 26 May 2020, 22 June 2020, 3 August 2020 and 9 October to provide further clarity of existing policy.

There are three further Market Notices for the CCFF that should be read in conjunction with this Market Notice:

- ↻ Update on the Covid Corporate Financing Facility (CCFF) - Market Notice 22 September 2020
- ↻ Update on the Covid Corporate Financing Facility (CCFF) - Market Notice 9 October 2020
- ↻ Update on the Covid Corporate Financing Facility (CCFF) - Market Notice 11 March 2021

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 businesses.

The Covid Corporate Financing Facility (CCFF) provides 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 CCFF offers financing on terms comparable to those prevailing in markets in the period before the Covid-19 economic shock, and is open to firms that can demonstrate they were in sound financial health prior to the shock. The CCFF looks through temporary impacts on firms' balance sheets and cash flows by basing eligibility on firms' credit ratings as at 1st March, prior to the Covid-19 shock. Businesses do not need to have previously issued commercial paper in order to participate.

The CCFF 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 CCFF is operated by the Bank of England (the Bank) on behalf of HM Treasury.

Operation of the Facility

The Covid Corporate Financing Facility Limited (the Fund) will purchase, via the CCFF, eligible 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 eligible counterparties and after issuance from eligible counterparties in the secondary market.

The Bank will also provide a standing offer, on request, to sell back CP held by the Fund to the original issuer of such CP in advance of its maturity date, usually subject to a fee. Sales will be offered at the price calculated in accordance with the details set out in this Market Notice and subject to such other terms and conditions as the Bank may specify in its absolute discretion. Please refer to the CCFF Operating Procedures for more information.

In light of the changes to the CCFF announced by HM Treasury on 19 May 2020, requests for early repayment before 30 June 2020 will not be subject to the usual additional fee.

Further information on the CCFF pricing schedule can be found on the [Covid Corporate Financing Facility](#) page.



Length of Facility

The Bank's intention is for the CCFF to operate for an initial period of 12 months, to help eligible businesses bridge

Covid 19-related disruption to their cash flows. The Bank will provide 6 months' notice of the withdrawal of the Facility.

Unless otherwise stated, the CCFF will close to new counterparties and issuers on 31 December 2020. Eligible issuers that are already signed up to the CCFF at this time will continue to be able to issue new CP until the closure of the CCFF. In any event, firms are encouraged to apply as early as cash flow pressures arise.

Likewise, unless otherwise stated, the Bank intends to close the CCFF to new purchases on 23 March 2021. The Bank will purchase CP with a maturity date beyond 23 March 2021 on any day up to and including 22 March 2021.

Further details of the CCFF, including application forms, [Terms and Conditions](#)  and [Operating Procedures](#)  are available on the [Covid Corporate Financing Facility](#)

Financing of the CCFF

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

Eligible issuers

The Fund will purchase CP issued by companies or limited liability partnerships (“LLPs”) (in each case, including their finance subsidiaries) that (i) make a material contribution to economic activity in the United Kingdom (UK) and (ii) with a credit quality that is considered investment grade as at 1 March 2020.

Material contribution to economic activity in the UK

UK incorporated companies and LLPs, including those with foreign-incorporated parents and with a genuine business in the UK, will normally be regarded as meeting this requirement.

In addition, companies and LLPs with significant employment in the UK or with their headquarters in the UK will normally be regarded as meeting this requirement. Decisions will also take into consideration whether the company or LLP 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.

Minimum credit quality

- Where available, a minimum short-term credit rating of A-3 / P-3 / F-3 / R3 or above, or a long-term rating of BBB-/Baa3/BBB-/BBB (Low) or above 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.
- Where an issuer does not have a public investment grade rating, there are two further options for applicants to consider.
- Firstly, the Bank accepts **banks' internal ratings of issuers** to assess credit status. Firms will ordinarily be required to have at least three investment grade bank ratings and no speculative grade bank ratings as at 1 March 2020. To avoid a single bank's credit view unduly affecting the overall assessment, we will generally not exclude firms with speculative grade ratings provided the average of bank ratings available is at least BBB/Baa2/BBB/BBB. And we will only accept two bank ratings as sufficient proof of investment grade status where both view the firm as strongly investment grade i.e. BBB+/Baa1/BBB+/BBB(High) or above. Where applicants submit confirmations of their banks' ratings to the Bank directly, they are asked to do so in a form that clearly evidences that they derive from the bank rather than the applicant. The Bank will also ask the issuer to attest that they have disclosed all bank ratings related to their principal direct on-balance sheet borrowings.



- A second route is to **seek an assessment of credit quality from one of the major credit rating agencies**. The credit assessment should be as at 1 March 2020 in a form that can be shared privately with the Bank of England and HM Treasury. More information on the rating products viewed as suitable evidence of credit status can be found on the [Covid Corporate Financing Facility](#) page.

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 purchases in the CCFF, subject to HM Treasury approval.

Eligibility decisions will be made by the Bank and HM Treasury's respective risk management staff. Each of the Bank and HM Treasury reserves the right, in its sole discretion, to deem any issuer ineligible for any reason after taking into account the information available to it.

CP issued by public bodies or authorities, entities governed by public law or public undertakings will not be eligible. This may include entities which are partially owned by a public body or authority. For these purposes, a 'public undertaking' refers to an undertaking over which a State, or other regional or local authorities of a State, may directly or indirectly exercise a dominant influence by virtue of their ownership of it, their financial participation therein or the rules which govern it.

CP issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank or the Financial Conduct Authority will not be eligible. CP will also not be eligible if issued by:

1. leveraged investment vehicles; or
2. companies within groups or LLPs within groups (including their affiliates), in each case which are predominantly active in businesses subject to financial sector regulation.

Companies and LLPs that do not currently issue CP but are capable of doing so, and of meeting the CCFF eligibility requirements, will in principle be eligible to access the CCFF.

Further information on the eligibility criteria can be found on the [Covid Corporate Financing Facility](#) page.

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. The Bank will require issuers to sign a confidentiality agreement. Issuers should contact the Bank at [✉ CCFF-applications@bankofengland.co.uk](mailto:CCFF-applications@bankofengland.co.uk).

The Bank recognises that some issuers who may wish to use the CCFF are not regular counterparties of the Bank. To make usage as easy as possible a webpage with further information can be found at the link below:

- 🔗 [Covid Corporate Financing Facility \(CCFF\): information for those seeking to participate in the scheme](#)

Conditions of use

On 19 May 2020, HM Treasury announced that issuers participating in the CCFF may be required to commit to restraint on their capital distributions and on senior pay.

Issuers will be required to provide a letter of commitment in relation to this if:

- an increase in an issuer's CCFF limit, over and above that suggested by the issuer's investment rating, is requested and approved; and/or
- a CCFF transaction is entered which involves CP maturing on or after 19 May 2021.

HM Treasury reserves the right to publish this letter should HM Treasury become aware that the terms of the letter have not been complied with. Further information can be found on the [Covid Corporate Financing Facility](#) page.



Eligible securities

The Fund will be operated by the Bank under an agreement with HM Treasury. The Bank and HM Treasury will keep under review whether to propose any extensions or variations of the CCFF 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.
- Governed by English law and subject to the jurisdiction of the English courts.
- Issued directly into Euroclear and/or Clearstream.

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

If requested by the Bank or if required to ensure that the securities rank in substance at least *pari passu* with the senior unsecured indebtedness of the issuer's group, the issuer must ensure that a guarantee is provided. The guarantee should be in a form and substance acceptable to the Bank and accompanied by legal opinion(s) in a form and substance acceptable to the Bank and on which the Bank, the Fund and HMT can each rely.

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 is available on the [Information for applicants page](#). Eligible counterparties should contact the Bank at [✉ CCFF-applications@bankofengland.co.uk](mailto:CCFF-applications@bankofengland.co.uk).

Confirmation of eligibility will be provided bilaterally to the counterparty submitting the request.

Each of the Bank, the Fund and HM Treasury reserves the right in its sole discretion to deem any security ineligible for any reason, and to deem ineligible securities the Fund has previously purchased and vice versa. Notwithstanding the foregoing, the Bank confirms that, whereas it reserves the right not to roll over at maturity and not to acquire any CP that is (or is deemed to be) ineligible, it does not have the right to and will not unilaterally:

1. Cancel any CP (whether or not it is ineligible or deemed to be so).
2. Require or make any variations to the terms of any issued CP acquired by the Fund.
3. Require any ineligible CP previously acquired by the Fund to be bought back by the issuer.

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. Issuers are free, should they wish, to share limits with the dealer(s) acting in principal on behalf of the issuer only. In addition, guidance on indicative limits is available on the [Covid Corporate Financing Facility page](#).

Where two or more issuers are part of the same group or are affiliates of each other, an aggregate limit may be applied within which any limits applying to the individual issuers are wholly or partly fungible at the Bank's discretion.

Eligible counterparties

The Fund will purchase CP that meets the eligible securities criteria outlined above and that has been issued in the primary market by eligible issuers 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.

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 CCFF.

CP purchased in the primary market will be discounted using a rate based on the maturity-matched overnight index swap (OIS) rate. The respective reference OIS rate will be determined by the Bank at 09:45 on the day of the operation. 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. These spreads are available on the [Information for participants page](#) or as advised by the Bank's Sterling dealing desk.

CP purchased in the secondary market will be purchased at the lower of (a) amortised cost from the issue price and (b) the price as given by the method used for primary market purchases as set out above. The Bank will apply an additional fee for use of the secondary facility, as published on the [Information for participants page](#). The fee is currently set at the equivalent of an additional 5bps on the yield on the transaction and will be kept under review.

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

Submission of offers

Offers to sell CP to the Fund should be submitted by email 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 dealing desk will confirm as soon as possible by return email or 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.

All counterparties must comply with the CCFF Operating Procedures, which provide more detail on the operational and settlement procedures.

The Bank retains discretion to make any amendments it sees fit in relation to the CCFF. Such amendments may be made in relation to an individual counterparty or issuer (as applicable) or a group of counterparties or issuers (as applicable).

Early repayment



Early repayment of funds borrowed via the CCFF will be permitted on request, by means of a standing offer to sell back CP held by the Fund to the original issuer.

Re-sales will be offered at a price determined by the Bank, based on the higher of either (a) the amortised cost from the price at which the Fund purchased the CP, or (b) the current price as given by the method used for primary market purchases of equivalent maturity from the same firm.

The Bank will usually charge an additional fee for early repayments, as published on the [Information for participants page](#). The fee is currently set at 5bps and will be kept under review. This fee will be deducted from the yield offered in the re-sale transaction, as described above, before calculating the final price and cash proceeds. In light of the changes to the CCFF outlined on 19 May, this fee will not be applied to re-sale transactions entered into on or before 30 June 2020.

The minimum size of an individual security that the Fund will sell back to an individual participant will be the lower of £1 million nominal, or the full amount held by the Fund. The amount requested should be expressed in increments of £0.1 million nominal.

Requests for early repayment should be submitted by email to the Bank's Sterling dealing desk (or as advised on the Bank's wire services page) as set out in the CCFF Operating Procedures. Such requests should be made with sufficient notice in advance of the requested re-sale date and, in any event, must be received by the Bank by at least 11am on the business day prior to the requested re-sale date. The Bank reserves the right, at any time prior to the transaction, to nominate an alternative re-sale date, if it considers it necessary to do so for operational or other reasons.

Settlement arrangements

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

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

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

Published information

The Bank will publish information on the use of this Facility each Thursday at 15:00. This includes information on the size of purchases made by the Facility and the number of companies and LLPs approved for CCFF issuance.

On 19 May 2020, the Bank and HMT updated a number of the terms and conditions of the CCFF. As part of these changes, the Bank will also publish at 15:00 (i) the names of those businesses who have outstanding CP issued under the CCFF; and (ii) the amount of CP each business has outstanding under the CCFF (reported on a settlement date basis).

Applications to participate

Potential issuers are encouraged to read the information available on the CCFF on the Bank's website. This includes information on how to apply and links to the necessary application forms:

- 🔗 Covid Corporate Financing Facility (CCFF): information for those seeking to participate in the scheme

The terms and conditions and operating procedures for the Facility are available on the information for participants page:

➤ Information for participants

The Bank reserves the right to reject applications without explanation.

