



Update on the Covid Corporate Financing Facility (CCFF) – Market Notice 9 October 2020

- i** This Market Notice provides an update on how CCFF issuers' credit quality will be monitored and reviewed in advance of the closure of the CCFF. It supplements, and should be read in conjunction with, the consolidated Market Notice dated 9 October 2020 and the Market Notice confirming the closure of the CCFF dated 22 September 2020.

Published on 28 January 2021

Note: This Market Notice was originally published on 9 October 2020 and was updated on 28 January 2021 to provide further clarity of existing policy.

Closure of the CCFF

The CCFF, which was launched in March 2020, has helped eligible businesses bridge Covid-19 related temporary disruption to their cash flows.

CCFF usage has reduced in recent months. As at close of business on 7 October, the outstanding stock of Commercial Paper (CP) held by the CCFF was £15,849mn, its lowest level since April; and lower than its peak of £20,498mn in May. Total weekly purchases have averaged £184mn since the start of September; much lower than an average of £2,028mn over the period 23 March to 24 June. The pipeline of new applications to the CCFF has also tailed off.

Consistent with this reduction in usage, on 22 September 2020 the Bank and HM Treasury confirmed that the CCFF will close for new purchases of CP with effect from 23 March 2021. This is in line with the initial Market Notice of 18 March 2020, and consistent with current improved market conditions.

Firms deemed to be investment grade equivalent as at 1 March 2020, and who make a material contribution to the UK economy, remain eligible in principle to apply to participate in the CCFF. As announced on 22 September, new applications to participate in the CCFF will be accepted until 31 December 2020, subject to the enhanced credit quality review process described below.

Credit quality review for new issuance into the CCFF

To support orderly repayment of CP the credit quality of eligible issuers in the CCFF is reviewed on an ongoing basis. (Eligible issuers here refers to all firms eligible for the CCFF, irrespective of whether those firms have outstanding drawings under the CCFF)

With effect from 9 October 2020 this process will be enhanced. Any eligible issuer wanting to issue new CP into the CCFF after that date will be subject to a review to consider whether that issuance remains in line with the purpose of the facility. ('New CP' includes an issuer's first issue of CP and any subsequent issue of CP, for instance in order to replace maturing CP)

Where an issuer wanting to issue CP into the CCFF after 9 October has a current credit rating (or equivalent) of investment grade (that is, at or above a short-term rating of A3/P3/F3/R3 or equivalent, or a long-term rating of BBB-/Baa3/BBB-/BBB low or equivalent), it can expect to be able to proceed to issue CP into the CCFF, subject to (i) providing supporting evidence as detailed below and (ii) the issuer's approved drawing limit.

In cases where an issuer's credit rating (or equivalent) has fallen below levels deemed equivalent to investment grade, the issuer will have the option to pursue a review on which HM Treasury, as the ultimate risk-owner of the CCFF, will take the final decision. The review will consider whether the issuer's use of the CCFF remains within the purpose of the facility, which has always been to provide short term liquidity support to fundamentally strong businesses.

Process for new issuance into the CCFF



In order to support the revised credit quality requirements, eligible issuers should notify the Bank ([✉ ccff-applications@bankofengland.co.uk](mailto:ccff-applications@bankofengland.co.uk)) of their intention to sell new CP into the CCFF no later than 11am five Business Days prior to their requested sale date. The Bank will endeavor to confirm within that timeframe whether the transaction can proceed on that requested sale date.

The notification should include the issuer's recent credit rating or equivalent evidence of investment grade credit quality, to a comparable standard to the evidence submitted to establish initial eligibility for the CCFF.

Where a 'point in time' rating is obtained from a Credit Rating Agency, evidence of current investment grade status must date from no longer than eight weeks before the proposed date of issuance.

As part of any review, supporting information will be requested from issuers. The outcome of this review – a decision on whether the issuer can issue new CP into the CCFF - will be communicated to the issuer once the review is complete. The review should be expected to take at least six weeks to complete, which may mean that issuance cannot take place on the issuer's requested date.

In light of the changes to the CCFF outlined in this Market Notice, where appropriate HM Treasury as the ultimate risk-owner of the CCFF may, in its sole discretion, allow an issuer to issue new CP into the CCFF while the review process is undertaken. This will be decided on a case-by-case basis on request by the issuer.

An update on drawing limits

In addition to the enhanced review process described above, from 9 October any firm whose long-term credit rating falls to, or below, BBB-/Baa3/BBB (low) or equivalent after 1 March 2020 will have their aggregate drawing limit capped at a maximum of £300 million.

This will not affect outstanding drawings if already in excess of £300 million.

Maintaining current drawings

The changes set out above do not affect outstanding issuance of CP which the CCFF will continue to hold until maturity unless, under the existing terms of the scheme, outstanding CP is repurchased early by the issuer.

Further information

HM Treasury retains the right, in its sole discretion, to vary the terms of access for any firm at any time, including, but not limited to, drawing limits. Each of the Bank and HM Treasury reserves the right, in its sole discretion, to deem any firm ineligible for any reason after taking into account the information available to it.

Other than as amended by this Market Notice, the consolidated Market Notice published on 3 August 2020 and later updated on 9 October 2020 and the Market Notice published on 22 September 2020, the Terms and Conditions and Operating Procedures for participation in the CCFF will apply to transactions under this Facility.

