Bank of England CCFF

Extending a lifeline to UK businesses

Standing alongside Prime Minister Boris Johnson at a Downing Street press conference on 17 March, Chancellor Rishi Sunak pledged to do everything in his power to help businesses and workers through the coronavirus crisis.

As the PM promised his administration ‘would act like a wartime government’ in supporting the UK economy, Mr Sunak announced that hundreds of billions of pounds would be extended to businesses through a combination of tax breaks, grants and loans.

One of the key elements of this unprecedented package of measures is the COVID Corporate Financing Facility (CCFF), which buys short-term debt from large UK-headquartered companies and subsidiaries of foreign businesses that make a significant contribution to the UK economy.

The CCFF is administered by the Bank of England through a new subsidiary, with HM Treasury assuming the risk on the loans. Freshfields advised the Bank on all legal aspects of the facility, which began buying commercial paper less than a week after the Chancellor’s announcement.

Our work included setting up the new subsidiary from scratch (a process complicated by the fact that many staff at the registration agency, Companies House, were working from home) and preparing the terms on which corporate issuers would sell commercial paper to the Bank, negotiating all the legal agreements between the Bank and the Treasury, and assisting with the Bank’s internal documentation.

The CCFF is based on a similar asset purchase facility established by the Bank in the aftermath of the financial crisis, although the backdrop of COVID-19 created its own challenges. These included the practicalities of holding a board meeting of the subsidiary and arranging for senior Bank officials to execute documents electronically on a Sunday evening.

In parallel we have also been helping companies access liquidity through the CCFF. For those that have not previously sold corporate debt, this has required drawing up the issuing documentation against the clock; the CCFF’s eligibility criteria state that the Bank will buy commercial paper only if it is substantially in the form of market standard documentation.

Our team