



# Corporate Financing Facility

Responding to COVID-19

# Corporate Financing Facility

## COVID-19 Corporate Financing Facility

**1. COVID-19 Corporate Financing Facility:** Under the new Covid-19 Corporate Financing Facility, the Bank of England will buy short term debt from larger companies

- a. Eligibility:** All companies - and their finance subsidiaries - that make a material contribution to the UK economy can participate in the facility
- b. How to access:** If you would like to use the facility and have not issued commercial paper before, you should contact your bank. It is important to note that not all banks issue commercial paper. If your bank does not issue commercial paper, UK Finance has provided a list of those banks that are able to assist. If your commercial paper is eligible for the scheme, your bank will help you to issue it to the CCFF.

## Useful Links

[UK Government Website - COVID-19: Support for businesses](#)

[Bank Of England - CCFF](#)

[Technical detail - market report](#)

## More information

### 1. COVID-19 Corporate Financing Facility

Commercial paper is an unsecured, short-term debt instrument issued by a company.

The Facility will purchase sterling-denominated commercial paper, with the following characteristics:

- Maturity of one week to twelve months
- Where available, a 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.
- Issued directly into Euroclear and/or Clearstream

The Bank of England do not accept commercial paper with non-standard features such as extendibility or subordination, for example.

### How long?

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.

### How much?

The minimum size of an individual security that the Fund will purchase from an individual participant is £1 million nominal, offers are to be rounded to the closest £0.1 million.

### How is it priced?

For primary market purchases the Bank will purchase securities at a spread above a reference rate, based on the current sterling overnight index swap (OIS) rate. The respective reference OIS rate will be determined at 09:45 on the day of the operation.

For secondary market purchases the Bank will purchase CP 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 will apply an additional small fee (currently set at 5bps and subject to review) for use of the secondary facility, payable separately.

The respective spreads are subject to review, as at 23 March 2020 these are:

Rating	Spread to OIS
A1/P1	20 bps
A2/P2	40 bps
A3/P3	60 bps

#### **a. Eligibility**

In practice, firms that meet this requirement would normally be:

- UK incorporated companies, including those with foreign-incorporated parents and with a genuine business in the UK
- companies with significant employment in the UK
- firms with their headquarters in the UK

Factors also considered:

- Whether the company generates significant revenues in the UK
- Serves a large number of customers in the UK
- Has a number of operating sites in the UK

The facility is open to firms that can demonstrate they were in sound financial health prior to the shock, allowing sight of temporary impacts on firms' balance sheets and cash flows from the shock itself. The clearest way to demonstrate this test is to have, or acquire, a rating. For such firms, investment grade means a short-term rating of A3/P3/F3/R3 or above, or a long-term rating of BBB-/Baa3/BBB- or above by at least one of the major credit ratings agencies: S&P, Moody's, Fitch or DBRS Morningstar.

#### **b. How to access**

If you would like to use the facility and have not issued commercial paper before, you should contact your bank. If, after speaking with your bank, you believe you are eligible then you will need to complete the following documents.

[Issuer Eligibility Form \(XLS\)](#)

[Issuer Undertaking and Confidentiality Agreement \(DOCX\)](#)

You may need to provide a guarantee if: your commercial paper will be issued by an entity other than the primary entity in your group; and the issuer is not rated as investment grade by Fitch Ratings, Moody's or S&P.

If a guarantee has been provided as part of the CP programme, it will need to be English law governed and on market standard terms, accompanied by a legal opinion.

If a guarantee is required (but has not been provided as part of the CP programme), the Bank will accept an English law governed market standard guarantee and an accompanying legal opinion. The Bank has made available a pro forma guarantee and pro forma legal opinion to simplify the process for issuers:

[Standard form guarantee \(docx\)](#)

[Associated legal opinion from the primary entity in your group \(docx\)](#)

You will also need to provide evidence of authority to sign on behalf of your company.

Guidance on the type of evidence we need:

[Guidance for completing the Authorised Signatory Evidence form \(PDF\)](#)

Please send the completed documentation to [CCFF-Applications@bankofengland.co.uk](mailto:CCFF-Applications@bankofengland.co.uk)

Note: not all banks issue commercial paper, a list has been published of those banks able to assist.



**For more information contact us at:**

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