

June 5, 2020

U.K. Covid Corporate Financing Facility

U.K. Government Updates Terms of Covid Corporate Financing Facility

SUMMARY

This is an update to our memorandum of April 7, 2020, a copy of which is available [here](#).

On May 19, 2020, HM Treasury (the “**Treasury**”) and the Bank of England (the “**BoE**”) announced several changes to the terms of the Covid Corporate Financing Facility (“**CCFF**”). The CCFF was initially introduced on March 23, 2020 to provide short-term liquidity for eligible companies. As at June 3, 2020, a total of £16.186bn of commercial paper, issued by 53 companies, had been purchased under the CCFF and remained outstanding. The recent changes to the CCFF aim to create incentives for, and promote the ability of, companies participating in the CCFF to repay their borrowings after the CCFF is closed to new participants in March 2021. In addition, the Treasury and the BoE intend to disclose the names of the companies that have outstanding commercial paper under the CCFF and the aggregate amount of commercial paper under the CCFF issued by each of those companies.

UPDATES TO THE CCFF

1. *Restraint by companies on capital distributions and senior pay.*

Companies participating in the CCFF that either (a) enter into a transaction under the CCFF that involves the issue of commercial paper which matures on or after May 19, 2021 or (b) wish to increase their CCFF limit above that suggested by their credit rating are required to commit to restraint on their capital distributions and senior executive pay by providing a letter of commitment to the BoE and the Treasury. A template letter of commitment is available on the BoE’s website [here](#).

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The Treasury reserves the right to publish a letter of commitment in the event that the relevant company does not comply with the terms of such letter.

The BoE has stated that this measure is intended to create an incentive for, and promote the ability of, companies to repay their outstanding commercial paper under the CCFF.

2. Early repayment of commercial paper issued under the CCFF.

Companies that have issued commercial paper under the CCFF will be able to repay their outstanding commercial paper under the CCFF early on request. This measure aims to afford greater flexibility to companies that wish to exit the facility in an orderly way where they are able to seek alternative sources of funding, for example in capital markets.

Early repayment will be made by a standing offer to sell back the commercial paper held by the BoE to the company which issued it. The price of the re-sale will be determined by the BoE, and will be based on the higher of either (a) the amortised cost from the price at which the commercial paper was originally purchased by the BoE under the CCFF or (b) the current price as given by the method used for primary market purchases of commercial paper of equivalent maturity issued by that company. The minimum repayment that the BoE will permit will be the lower of £1 million nominal or the full amount originally purchased under the CCFF.

Early repayment typically carries a fee of 5bp; however, the BoE has stated that repayments on or before June 30, 2020 will not be subject to this additional fee.

3. Publication of the names of companies which have issued commercial paper under the CCFF and the amounts issued by those companies.

When the CCFF was introduced, the BoE stated that it would not publicly identify companies that were participating in the CCFF. However, the BoE has now announced that it will publish the names of participating companies and the amount of commercial paper each company has outstanding under the CCFF. This will apply to any issuers with commercial paper outstanding, irrespective of whether they issued the commercial paper before May 19, 2020.

These details will be published by the BoE on a weekly basis on Thursday of each week. The initial publication by the BoE on June 4, 2020, is available [here](#). The change is intended to make the CCFF more transparent and enable participating companies to demonstrate their access to the CCFF.

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