



**TREASURY
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Joint HM Treasury and Bank of England COVID-19 Corporate Financing Facility (CCFF)

Market Notice 18 March 2020

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1. High level summary

1. Can only be accessed via a bank (see Appendix D for details of authorised institutions)
2. The minimum issue size is £1m
3. Settlement is T+2
4. The rate applied is based on sterling overnight index swap (OIS) and an adjustment based on the rating of the issuer
5. Can be for any period between one week and 12 months



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2. Eligibility

Eligibility criteria

- Companies and their finance subsidiaries that make a material contribution to the UK economy
- Can demonstrate they were in sound financial health prior to the shock and had a short or long-term rating of investment grade, as at 1 March 2020, or equivalent
- Do not need to have previously issued commercial paper

Exclusions

- Banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority
- Leveraged investment vehicles or from companies within groups which are predominantly active in businesses subject to financial sector regulation
- Rated firms if one of their ratings agencies considers them below investment grade



3. Getting a credit rating

You must contact one of the major credit rating agencies to seek a rating in a form that can be shared with the Bank of England and HM Treasury, noting that you are doing so because you wish to use the CCFF.

Evidence of investment grade credit quality includes:

- Moody's Investor Services:
 - Long and short term public corporate credit ratings
 - (Private) 'Indicative ratings' at a recent point-in-time (for those contacting CRAs for the first time)
- Standard & Poor's Ratings Services:
 - Long and short term public corporate credit ratings
 - 'Credit Assessments' (CAs) at a recent point-in-time (for those contacting CRAs for the first time)
- Fitch
 - Long and short term public corporate credit ratings
 - (Private) Credit opinion at a recent point-in-time (for those approaching CRAs for the first time). A form of Fitch 'credit opinion' incorporating a rating rationale would be preferred, if available



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4. Additional considerations

Companies participating in the CCFF will need to consider a number of factors including:

- Is this permissible under existing borrowing facilities
- Do you have sufficient internal authorities
- How will this rank alongside existing loans
- Will this have an impact on covenants and negatives pledges
- Do you need accounting and tax advice before you start to issue under the programme
- How will you record the debt issuance in your ERP and treasury systems
- Which entity is it best to borrow under – a trading company, a holding company, etc.



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5. Getting started

- Contact your bank as you will need to apply through them
- Ensure you discuss this with your existing lenders and investors as they may be willing to waive restrictions or provide additional complementary support
- Ensure you have the appropriate internal governance in place including suitable board minutes, etc. (see Appendix C and the additional guidance from the Bank for more details of what it will require)
- Complete the necessary forms (see Appendix B)
- Complete a commercial template (available from your bank or use the ICMA templates made available to all non-members of ICMA and included as one of the links in Appendix G)



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Appendices



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A. Details - Financing

- Minimum size of issue is £1m
- Only issued in GBP
- Term from 1 week to 12 months and can be rolled
- Minimum credit rating of issuer of A-3 / P-3 / F-3 prior to the crisis (long term rating may potentially be used)
- Issued directly into Euroclear and/or Clearstream
- CP will be priced at a spread above a reference rate, based on the current sterling overnight index swap (OIS) curve
- CP purchased in the primary market will be discounted using a rate based on the maturity-matched OIS rate, set by the Bank on the day of purchase
- Money market yield conventions will be applied
- The spread to the OIS rate will vary according to the credit rating of the issuer



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B. Documentary requirements (1/2)

Issuer eligibility form

- (i) The completed Issuer Undertaking and Confidentiality Agreement, together with evidence of the signatory's authority to sign on behalf of the Issuing Entity (see guidance on authorised signatory evidence)
- (ii) Full documentation for the CP programme, together with rating agency letters in respect of the Issuing Entity (where such entity is rated), and the most recent rating agency reports;
- (iii) The most recent Annual Report and Accounts for both the Issuing Entity and the Group;
- (iv) An organogram of the Issuing Entity's group, including all main holding companies and subsidiaries.

<https://www.bankofengland.co.uk/-/media/boe/files/news/2020/march/ccff-issuer-eligibility-form.xls?la=en&hash=505AC0D9D008A6D8F6D96C2D6736B91F0682F71D>



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B. Documentary requirements (2/2)

Issuer Undertaking and Confidentiality Agreement

- 4-page agreement with various undertakings, representations and warranties by the issuer

<https://www.bankofengland.co.uk/-/media/boe/files/news/2020/march/ccff-issuer-undertaking-and-confidentiality-agreement.docx?la=en&hash=EDCFEBC4498C18EA4842AFA7DEE7488B0D171CA7>

Guarantee (if required)

- 14-page agreement from the guarantor of the issuer to the Bank of England

<https://www.bankofengland.co.uk/-/media/boe/files/news/2020/march/ccff-proforma-guarantee.docx?la=en&hash=57B6161282C16C96CCD8489916AC55D7156179FC>

- .. and external legal opinion on the status of the guarantor

<https://www.bankofengland.co.uk/-/media/boe/files/news/2020/march/ccff-proforma-legal-opinion-on-the-guarantee.docx?la=en&hash=D29661AD1821470579290744703042E249D63BF6>

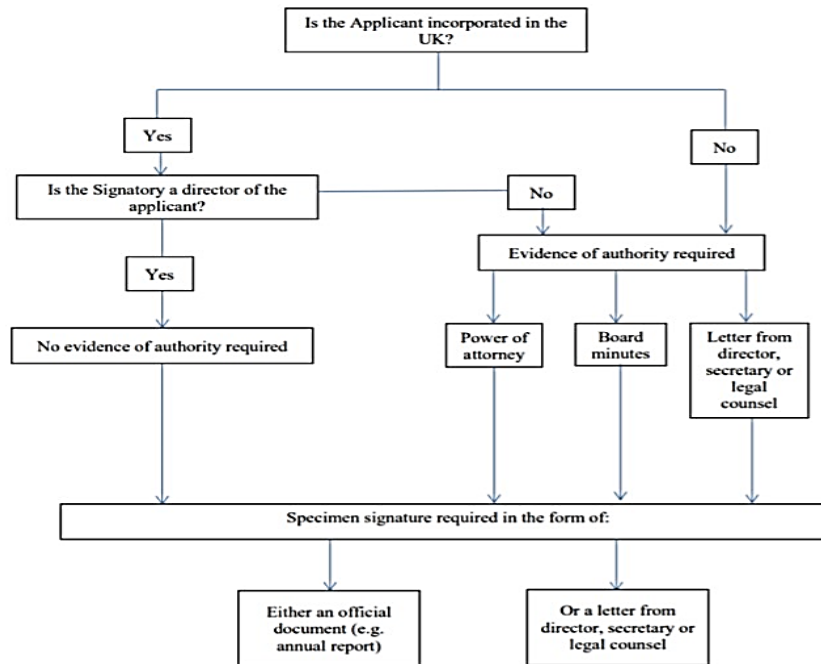


C. Governance requirements

GUIDANCE ON DOCUMENTARY EVIDENCE TO SUPPORT THE AUTHORISED SIGNATORY EVIDENCE FORM

FLOWCHART

This flowchart is to be read together with the guidance on documentary evidence to support the authorised signatory evidence form.



More details can be found at: <https://www.bankofengland.co.uk/-/media/boe/files/markets/sterling-monetary-framework/authorised-signatory-evidence-form-guidance.pdf?la=en&hash=397167F6AF58CF86167BD69ACC0B689D027F8CCB>



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D. List of authorised banks

Bank
Barclays Bank
HSBC
Lloyds Bank
NatWest
Bank of America
Citi
Goldman Sachs
JP Morgan
Morgan Stanley
Standard Chartered

Names and numbers of contacts can be found at:
<https://www.ukfinance.org.uk/covid-19-commercial-financing-facilities>



E. Overview of commercial paper (CP) *

CP is a short-term unsecured promissory note issued by corporates in many major international financial markets. A promissory note is an unconditional promise by the note issuer to pay, at a specified future time, a certain amount of money to a designated person or to the bearer of the note.

CP is issued as a discount instrument, which means it has a (usually round sum) face value repayable at its maturity, and the borrower receives a lower amount on issue.

A potential issuer of CP will put a programme in place that acts as an umbrella under which individual issues are made. A CP programme of issuance may continue for as long as the issuer wishes (subject to demand).

For both borrowers and investors there is an administrative cost of recording CP issued and invested in.

Although originally a paper instrument (hence the name), CP is now issued electronically and the notes are held in accounts on a central electronic register.

* source: [ACT Certificate in Treasury](#), Unit 2.



F. Costs of a commercial paper programme (1/2) *

- The costs of setting up a commercial paper programme include legal fees, printing costs, any amendments to the treasury management systems, presentation costs, etc. These costs are usually significant. Other costs include:
- The annual cost of having the CP programme rated by an appropriate credit rating agency: CP programmes are always rated and the market rate of return payable is based substantially on the credit rating.
- The rate of return payable on the paper issued: borrowers with stronger credit ratings are able to issue CP at lower rates of return, close to or even below interbank rates in some cases

* source: [ACT Certificate in Treasury](#), Unit 2.



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F. Costs of a commercial paper programme (2/2) *

- The commitment fee on the committed back-up (standby) facilities.
- Dealers' fees.
- The cost of maintaining a reputation in the market: this may sometimes involve issuing CP primarily to support the medium- and longer-term reputation rather than for current cash management reasons. However, the all-in cost to issuers can still be attractive. Returns to investors compare favourably with bank deposit rates.

* source: [ACT Certificate in Treasury](#), Unit 2.



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G. Links to more information

- <https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility>
- <https://www.bankofengland.co.uk/-/media/boe/files/markets/sterling-monetary-framework/authorised-signatory-evidence-form-guidance.pdf?la=en&hash=397167F6AF58CF86167BD69ACC0B689D027F8CCB>
- <https://www.ukfinance.org.uk/covid-19-commercial-financing-facilities>
- <https://www.icmagroup.org/News/news-in-brief/icma-euro-commercial-paper-ecp-materials-to-be-made-available-to-the-wider-market/>



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www.treasurers.org/hub/blog

E: enquiries@treasurers.org

T: +44 (0)20 7847 2540

W: treasurers.org

treasurers.org