

UK Introduces Covid Corporate Financing Facility

By Aidan Lawson

Original post [here](#).

On March 17, the UK government announced the creation of the [Covid Corporate Financing Facility \(CCFF\)](#) to purchase commercial paper from issuers that “make a material contribution to the UK economy.” Eligible issuers will broadly include all UK-incorporated companies, including those with foreign parents. The program will not purchase commercial paper issued by banks or their affiliates, or by leveraged investment vehicles.

The facility will purchase commercial paper between 10:00 and 11:00 each morning in both primary and secondary markets. In primary market purchases, the facility will purchase commercial paper through just one dealer each day. Issuers wishing to sell their commercial paper will have to coordinate to ensure that only one dealer sells to the facility each day. The Bank of England will publish aggregate data weekly but will not identify issuers or securities.

The facility will purchase investment-grade commercial paper with maturities ranging from one week to 12 months. Securities must have a face value of at least £1 million and cannot include features such as subordination or extendibility.

While the facility will be open for a minimum of 12 months, the Bank of England and HM Treasury said that it would be operational “for as long as needed to relieve cash flow.” The Bank of England pledged to provide six months’ notice before closing the facility. Current details can be found [here](#). The Bank of England will release more details, including terms and conditions and a pricing schedule, on March 23.

The Bank of England operated two similar facilities during the Global Financial Crisis. The Commercial Paper Facility (CPF) began operating in February 2009. Similar to the CCFF, it purchased investment-grade commercial paper from stressed nonfinancial companies. The Bank of England closed the facility in November 2011 after purchasing £2.4 billion in commercial paper. Most of its purchases occurred in early 2009.

The Secured Commercial Paper Facility (SCPF) began operating later in 2009. It was similar to the CPF. However, it purchased asset-backed commercial paper, and its eligibility criteria were much narrower. The SCPF only purchased CP from one institution while it was active. Monthly issuance peaked at about £30 million, and the facility was terminated in August 2016.

Despite the modest usage of both programs, market observers argued that the presence of these facilities showed that there would be a backstop should the market require one, restoring confidence.