

COVID-19: Update to the Covid Corporate Financing Facility

May 20, 2020

Following our [initial post](#) and [subsequent update](#) on the Bank of England's (the "Bank") Covid Corporate Financing Facility ("CCFF"), on 19 May 2020 the Bank issued a [press release](#) announcing the publication of a [consolidated market notice](#) that incorporates revisions to the operation of the CCFF, including with respect to (i) restraint on the payment of dividends and other capital distributions by issuers; (ii) early repayment of drawings under the CCFF; and (iii) publicly disclosing access to the CCFF.

First, issuers participating in the CCFF may be required to commit to showing restraint on the payment of dividends, other capital distributions and on senior pay. Issuers will be required to provide a letter of commitment to HM Treasury in relation to these matters if:

- an increase in an issuer's CCFF limit, over and above that suggested by the issuer's investment rating, is requested and approved; or
- a CCFF transaction is entered which involves commercial paper maturing on or after 19 May 2021.

HM Treasury reserves the right to publish the letter of commitment, should HM Treasury become aware that the terms of the letter have not been complied with. These commitments are intended to create incentives for, and promote the ability of, issuers to repay their borrowings from the CCFF where they mature after the facility is expected to close.

Second, all issuers that have drawn under the CCFF are now able to repay their drawings early if they choose to do so. The Bank will provide a standing offer, on request, to sell back commercial paper to the original issuer of such commercial paper in advance of its maturity date, usually subject to a fee. The fee will be deducted from the yield offered in the re-sale transaction. This fee will not be applied to re-sale transactions entered into on or before 30 June 2020. This is intended to give issuers flexibility to exit the CCFF in an orderly way where they are able to access alternative sources of funding, for example in the capital markets.

Third, with effect from 4 June 2020, the Bank and HM Treasury have agreed that the Bank will publish additional firm-level data each Thursday at 15:00 (GMT). This will consist of:

- the names of those businesses who have outstanding commercial paper issued into the CCFF (reported on a settlement date basis); and
- the amount of commercial paper each business has outstanding under the CCFF (reported on a settlement date basis).

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your usual Davis Polk contact.

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