

The Covid Corporate Financing Facility (CCFF)

CCFF Operating Procedures

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11 March 2021

1 Introduction

- 1.1 These Covid Corporate Financing Facility (**CCFF**) Operating Procedures govern participation in the CCFF and explain the operational procedures involved. Covid Corporate Financing Facility Limited (the **Fund**) is a wholly-owned subsidiary of the Bank of England (the **Bank**) and operated by the Bank on behalf of HM Treasury (**HMT**). The Bank acts as agent for the Fund.
- 1.2 All capitalised terms have the meaning defined in the CCFF Terms and Conditions.
- 1.3 These CCFF Operating Procedures should be read together with the other parts of the legal CCFF Documentation – comprising the Terms and Conditions for counterparties in the CCFF, the Admission Letter, the Application Form, any Market Notice and any other documentation or procedures issued by the Bank in connection with the CCFF, each as supplemented and amended from time to time.
- 1.4 In the event of a conflict between these CCFF Operating Procedures and the CCFF Terms and Conditions, the CCFF Terms and Conditions shall prevail. In the event of any conflict between any Market Notice and these CCFF Operating Procedures or the CCFF Terms and Conditions, the Market Notice shall prevail.
- 1.5 The Bank may amend these CCFF Operating Procedures generally or in particular circumstances from time to time, with any such amendment taking effect at a time specified by the Bank. A link to copies of the Documentation as amended will be posted on the Bank's website¹ and significant amendments will be circulated to Counterparties in the CCFF.
- 1.6 The Bank will endeavour to give reasonable notice of any amendment, but reserves the right to introduce any amendment with immediate effect. The Bank may also vary the operational schedule or vary or omit any of the procedures described on any particular day.
- 1.7 All transactions or planned transactions by individual Counterparties as part of the CCFF should be treated as confidential (in accordance with the CCFF Terms and Conditions).
- 1.8 All references to times are to London time, unless stated otherwise.
- 1.9 References in these CCFF Operating Procedures to Euroclear should be taken to refer to the Euroclear settlement system operated by Euroclear Bank SA/NV.

¹<https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/documentation>

2 Eligibility

- 2.1 The Fund will purchase commercial paper (**CP**) that meets the eligible securities criteria outlined below, and that has been issued in the primary market from dealers acting as principal on behalf of eligible issuers. It will also purchase CP in the secondary market from eligible institutions.

Eligible Dealers

- 2.2 Eligibility will be determined on a case by case basis.
- 2.3 Counterparties must be appropriately authorised for the purposes of the Financial Services and Markets Act 2000 (**FSMA**).
- 2.4 Dealers can apply to participate in the CCFF by following the instructions in Section 3.

Eligible Issuers

- 2.5 The Fund will purchase CP issued by companies or limited liability partnerships (**LLPs**) (in each case, including their finance subsidiaries) that make a material contribution to economic activity in the United Kingdom. Eligibility decisions will be made by our risk management staff, taking into account a number of different factors.
- 2.6 UK incorporated companies and LLPs, including those with foreign-incorporated parents and with a genuine business in the UK, will normally be regarded as meeting this requirement.
- 2.7 In addition, companies and LLPs with significant employment in the UK or with their headquarters in the UK will normally be regarded as meeting this requirement. We will also consider whether the company or LLP generates significant revenues in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK.
- 2.8 CP issued by public bodies or authorities, entities governed by public law or public undertakings will not be eligible. This may include entities which are partially owned by a public body or authority. For these purposes, a 'public undertaking' refers to an undertaking over which a State, or other regional or local authorities of a State, may directly or indirectly exercise a dominant influence by virtue of their ownership of it, their financial participation therein or the rules which govern it.
- 2.9 CP issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority will not be eligible.
- 2.10 CP will not be eligible if issued by:
- (i) leveraged investment vehicles; or
 - (ii) companies within groups or LLPs within groups (including their affiliates), in each case which are predominantly active in businesses subject to financial sector regulation.
- 2.11 Companies and LLPs that do not currently issue CP but are capable of doing so, and of meeting the CCFF eligibility requirements, will in principle be eligible to utilise the CCFF.
- 2.12 Where available, issuers should have a minimum short-term credit rating of A-3 / P-3 / F-3 from at least one of Standard & Poor's, Moody's and Fitch as at 1 March 2020. This reference point is deliberately set before the possible impact of Covid-19 on firms' short-term

credit ratings. Issuers with split ratings where one or more ratings are below the minimum are not eligible. The Bank and HMT will consider the eligibility of issuers at the lowest rating that were on negative watch or negative outlook as at 1 March 2020.

- 2.13 Where a short-term credit rating is not available the Bank will consider whether a long-term credit rating can be used to assess eligibility and pricing, or whether the Bank can assess that the issuer is of equivalent financial strength.
- 2.14 On 19 May 2020, HMT announced that issuers participating in the CCFF may be required to commit to restraint on their capital distributions and on senior pay. Issuers will be required to provide a letter of commitment in relation to this if:
- (i) an increase in an issuer's CCFF limit, over and above that suggested by the issuer's investment rating, is requested and approved; and/or
 - (ii) a CCFF transaction is entered into which involves CP maturing on or after 19 May 2021.

HM Treasury reserves the right to publish this letter, should HM Treasury become aware that the terms of the letter have not been complied with.

The deadline for submitting a letter of commitment to the Bank for HMT's review is 31 December 2020.

- 2.15 On 9 October 2020, HMT announced an enhanced process to review the credit quality of eligible issuers. To support orderly repayment of CP, issuers wanting to issue CP into the CCFF after 9 October 2020 will, in addition to satisfying the eligibility criteria set out above, be subject to an enhanced credit quality review and will be required to provide supplemental evidence of their credit rating. These requirements are described in the Market Notice dated 9 October 2020.

Eligible Securities

- 2.16 The Fund will purchase the sterling-denominated CP of eligible issuers, with the following characteristics:
- (i) A maturity of one week to twelve months if issued to the Bank at issue via a dealer. Drawings can be rolled while the CCFF is open, subject to eligibility.
 - (ii) Issued directly into Euroclear and/or Clearstream.
- 2.17 The Bank may not approve as eligible any CP which has certain non-standard features (e.g. extendibility, subordination).
- 2.18 If requested by the Bank or if required to ensure that the securities rank in substance at least *pari passu* with the senior unsecured indebtedness of the issuer's group, the issuer must ensure that a guarantee is provided. The guarantee should be in a form and substance acceptable to the Bank and accompanied by legal opinion(s) in a form and substance acceptable to the Bank and on which the Bank, the Fund and HMT can each rely.
- 2.19 Eligible CP must meet ICMA standards, and be governed by English law and subject to the jurisdiction of the English courts.
- 2.20 Eligibility of securities must be confirmed with the Bank before Counterparties offer them to the Bank (see 3.3 – 3.6).
- 2.21 Confirmation of security eligibility will be provided bilaterally to the issuer submitting the request.

- 2.22 Each of the Bank, the Fund and HMT reserves the right, in its sole discretion, to deem any security ineligible for any reason, and to deem ineligible securities it has previously purchased and vice versa. Notwithstanding the foregoing, the Bank confirms that, whereas it reserves the right not to roll over at maturity and not to acquire any CP that is (or is deemed to be) ineligible, it does not have the right to and will not unilaterally:
- (i) Cancel any CP (whether or not it is ineligible or deemed to be so).
 - (ii) Require or make any variations to the terms of any issued CP acquired by the Fund.
 - (iii) Require any ineligible CP previously acquired by the Fund to be bought back by the issuer.

3 Applications and Closure of the CCFF

- 3.1 All application forms and other documentation are available on the Bank's website² and should be submitted to CCFF-Applications@bankofengland.co.uk. Guidance on providing evidence of authority to sign is also available on the Bank's website³.
- 3.2 Eligible Dealers who wish to participate in the CCFF should complete and submit the CCFF Application Form. Once their application has been approved, the Bank will issue an Admission Letter which should be signed and returned.
- 3.3 Eligible issuers in the primary market should sign and submit the Issuer Undertaking and Confidentiality Agreement, and provide evidence of authority to sign in a form acceptable to the Bank.
- 3.4 Eligible issuers in the primary market should complete and submit the Issuer Eligibility Form (Primary Market).
- 3.5 Eligible issuers should provide any guarantee required to ensure that the securities rank in substance at least *pari passu* with the senior unsecured indebtedness of the group. The guarantee should be in a form and substance acceptable to the Bank and accompanied by legal opinion(s) in a form and substance acceptable to the Bank and on which the Bank, the Fund and HMT can each rely.
- 3.6 Eligible Dealers wishing to offer CP to the Bank in the secondary market may be requested to complete the Issuer Eligibility Form (Secondary Market).
- 3.7 The Bank reserves the right to reject an application or to exclude Counterparties after admission to the CCFF without explanation.
- 3.8 The CCFF will close to new applications from Counterparties and issuers on 31 December 2020. Fully eligible issuers already signed up to the CCFF at this time will continue to be able to issue new CP until the closure of the CCFF subject to the credit review requirements announced in the Market Notice dated 9 October 2020.
- 3.9 The Bank will close the CCFF to new purchases on 23 March 2021. The Bank will purchase securities with a maturity date beyond 23 March 2021 on any day up to and including 22 March 2021.

² <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-applicants>

³ <https://www.bankofengland.co.uk/-/media/boe/files/markets/sterling-monetary-framework/authorised-signatory-evidence-form-guidance-ccff.pdf>

4 CCFF Operations

- 4.1 Purchases of CP are undertaken by the Bank, acting on behalf of HMT, to provide funding to businesses making a material contribution to the UK economy.

Table 1 Parameters applicable for the CCFF

Parameter	Description
Timing	Daily purchases between 10.00 and 11.00
Notification	Issuers must notify the Bank by no later than 11 am 5 Business Days in advance of any intended sale date. The Bank will endeavour to confirm within that timeframe whether the transaction can proceed on the requested sale date.
Size	There is no operational limit to the amount of CP the Bank stands ready to purchase on a daily basis
Limits	Purchases in the primary markets may be limited by issuer. Where two or more issuers are part of the same group or are affiliates of each other, an aggregate limit may be applied.
Duration of operational period	1 hour
Minimum offer	£1 million nominal for each individual security
Minimum offer increment	£0.1 million nominal
Settlement	T+2 days

Size of operation and limits

- 4.2 There is no operational limit to the amount of CP the Bank stands ready to purchase on a daily basis.
- 4.3 Purchases of CP in the primary markets will be limited by issuer. Any such limits applying to individual issuers will be made available to the issuer and the Eligible Dealer(s) acting as principal on behalf of the issuer only. In addition, guidance on indicative limits is available on the Bank's [website](#).
- 4.4 Where two or more issuers are part of the same group or are affiliates of each other, an aggregate limit will be applied within which any limits applying to the individual issuers are wholly or partly fungible at the Bank's discretion.
- 4.5 From 9 October 2020, any firm whose long-term credit rating falls to, or below, BBB-/Baa3/BBB (low) or equivalent after 1 March 2020 will have their aggregate drawing limit capped at a maximum of £300 million. This will not affect outstanding drawings if already in excess of £300 million.

Pricing

- 4.6 All purchases will take place on a bilateral basis. The Bank reserves the right to modify the structure of its purchase operations. The Bank and the Fund each reserve the right to reject any offers to sell CP to the Fund, for any reason.
- 4.7 The Bank will purchase securities at a spread above a reference rate, based on the current sterling overnight index swap (OIS) curve. Spreads will be set such that pricing is close to the market spreads prevailing before the economic shock from Covid-19.

- 4.8 CP purchased in the primary market will be discounted using a rate based on the maturity-matched overnight index swap (OIS) rate, as determined by the Bank on the day of purchase. The respective reference OIS rate will be determined at 09:45 on the day of the operation. Money market yield conventions will be applied. The spread to the OIS rate at which the Bank will purchase CP will vary according to the credit rating of the Eligible issuer and will be published in advance on the Bank's website⁴ or as advised by the Bank's Sterling dealing desk.
- 4.9 CP purchased in the secondary market will be purchased at the lower of (a) amortised cost from the issue price and (b) the price as given by the method used for primary market purchases as set out above. The Bank will apply an additional fee for use of the secondary facility, payable separately, as published on the Bank's website⁵.
- 4.10 Where an issuer has a split rating, the spread will be that derived from the lowest rating.
- 4.11 The Bank will keep its pricing under review in light of market conditions and its experience in operating the CCFF.

Submission of offers

- 4.12 Eligibility of specific securities must be confirmed with the Bank before Counterparties offer them for sale (see 3.3 – 3.6).
- 4.13 Issuers should notify the Bank of their intent to sell CP to the Fund no later than 11am 5 Business Days in advance of the intended sale date. Issuers should contact the Bank at CCFF-Applications@bankofengland.co.uk. The Bank will endeavor to confirm within that timeframe whether the transaction can proceed on the requested sale date.
- 4.14 The notification should include the issuer's recent credit rating or equivalent evidence of investment grade credit quality, to a comparable standard to the evidence submitted to establish initial eligibility for the CCFF. Where a 'point in time' rating is obtained from a Credit Rating Agency, evidence of current investment grade status must date from no longer than eight weeks before the proposed date of issuance.
- 4.15 Counterparties should submit offers to sell CP to the Fund using the email template provided on the Bank's [website](#)⁶, between 10.00am and 11.00am each business day. Offers should be emailed to CCFFTransactions@bankofengland.co.uk (or as advised on the Bank's wire services page).
- 4.16 For primary market purchases, Counterparties must provide details of the issuing entity, the CP programme the securities are issued from, maturity date and the nominal amount offered. Maturity dates will follow the "modified following" convention. For secondary market sales, Counterparties must provide the ISIN and ticker of the security; the original issue price and date (or the money market yield on an amortised cost basis); the maturity date; and the nominal offered.
- 4.17 The minimum size of an individual security that the Fund will purchase from an individual participant is £1 million nominal. The offer amount should be expressed in increments of £0.1 million nominal.

⁴ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

⁵ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

⁶ <https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility>

- 4.18 The Bank's sterling dealing desk will confirm as soon as reasonably practical by return email, or other appropriate means, whether an offer has been accepted and will confirm the cash amount and, for primary market purchases, maturity date.
- 4.19 For a primary market purchase, after any offer has been accepted, the Counterparty should confirm the ISIN of the new CP issued from the CP programme as soon as is possible once available.
- 4.20 In its primary market purchases, the Fund will purchase the CP of a particular issuer from one Eligible Dealer only each day. In that case, the Bank would accordingly require issuers seeking to sell CP to the Fund in the primary market via a number of dealers to ensure that only one such dealer seeks to sell its CP to the Fund on any particular day
- 4.21 The Bank reserves the right to cancel or postpone an operational period at any time.

Early Repayment

- 4.22 Early repayment of funds borrowed via the CCFF will be permitted on request, by means of a standing offer to sell back CP held by the Fund to the original issuer.
- 4.23 All such sales will take place on a bilateral basis, with the original issuer and an appointed Eligible Dealer only. The Bank reserves the right to modify the structure of its re-sale operations. The Bank and the Fund each reserve the right to reject any request from an issuer to repurchase its CP from the Fund, for any reason.
- 4.24 Re-sales will be offered at a price determined by the Bank, based on the higher of either (a) the amortised cost from the price at which the Fund purchased the CP, or (b) the current price as given by the method used for primary market purchases of equivalent maturity from the same firm.
- 4.25 The Bank will usually charge an additional fee for early repayments, as published on the Bank's website.⁷ This fee will be deducted from the yield offered in the re-sale transaction, as described above, before calculating the final price and cash proceeds. In light of the changes to the CCFF outlined on 19 May, this fee will not be applied to re-sale transactions entered into on or before 30 June 2020.
- 4.26 The minimum size of an individual security that the Fund will sell back to an individual participant will be the lower of £1 million nominal, or the full amount held by the Fund. The amount requested should be expressed in increments of £0.1 million nominal.
- 4.27 Counterparties should submit requests for early repayment using the template provided on the Bank's website⁸, and emailed to CCFFTransactions@bankofengland.co.uk.
- 4.28 Requests for early repayment should be made with sufficient notice in advance of the requested re-sale date and, in any event, must be received by the Bank by at least 11am on the business day prior to the requested re-sale date. The Bank reserves the right, at any time prior to the transaction, to nominate an alternative re-sale date, if it considers it necessary to do so for operational or other reasons.
- 4.29 The Bank's Sterling dealing desk will confirm as soon as reasonably practicable by return email, or other appropriate means, whether a request to repurchase CP has been accepted and the agreed re-sale date. Pricing details and the associated cash amount will be confirmed as soon as possible on the re-sale date.
- 4.30 As for primary market purchases, the Fund will resell the CP of a particular issuer via one Eligible Dealer only each day.
- 4.31 Settlement of re-sale transactions will take place on a T+2 basis, and subject to the same process and conditions as for purchase transactions, as set out below.
- 4.32 With effect from 22 March 2021 the provision of a standing offer to sell back CP held by the Fund in advance of its agreed maturity date will move to a weekly, rather than daily, frequency. The Bank will run a window on the first working day of each week until the sum of stock held by the CCFF returns to zero. The Bank reserves the right to trade outside of the above times, for any reason.

⁷ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

⁸ <https://www.bankofengland.co.uk/-/media/boe/files/markets/covid-corporate-financing-facility/ccff-transaction-form.xlsx>

Published information

4.33 On 19 May 2020, the Bank and HMT updated a number of the terms and conditions of the CCFF. As part of these changes, certain additional information on users and usage of the CCFF will be published from 4 June 2020 as described below.

Each Thursday at 15:00, the Bank will publish (in aggregate):

(i) the total amount of CP purchased that week (reported on a settlement date basis) up until the previous day, in terms of the amount paid to the sellers;

(ii) the sum of CP purchased less redemptions and sales (reported on a settlement date basis), since the CCFF began in March 2020;

(iii) the nominal sum of drawing capacity of all CCFF approved businesses on the date shown;

(iv) the number of businesses approved for CCFF issuance since 23 March 2020 (excluding businesses that have voluntarily terminated access after approval);

(v) the number of businesses approved for CCFF issuance that have outstanding CP held by the CCFF;

(vi) the number of businesses approved for CCFF issuance that do not have outstanding CP held by the CCFF; and

(vii) in addition to the businesses approved for CCFF issuance, the number of businesses that have applied to the CCFF and have been approved as eligible in principle but have yet to be fully approved for CCFF issuance, since it began in March 2020.

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

(i) the names of those businesses who have outstanding CP issued into the CCFF (reported on a settlement date basis); and

(ii) the amount of CP each business has outstanding under the CCFF (reported on a settlement date basis).

5 Settlement

- 5.1 As part of the application process for the CCFF, Counterparties must provide the Bank with:
- (i) settlement area contact details, including telephone numbers and settlement group email addresses;
 - (ii) Standard Settlement Instructions (**SSIs**) (for settlement accounts to be used); and
 - (iii) where the Counterparty operates via an agent or custodian, contact details for the agent or custodian should also be provided in case of settlement issues.
- 5.2 These settlement and SSI details can only be changed with 24 hours' notice, either by authenticated signed instruction or by SWIFT instruction (sent to our SWIFT BIC BKENGB2L fao MST, BU 13).
- 5.3 The Bank will send transaction confirmations by email to the nominated contact address on the day of the transaction. Any differences must be highlighted by the Counterparty within 24 hours. Otherwise this transaction confirmation will be deemed to be the agreed version.
- 5.4 The Bank will accept verbal (via telephone), written or electronic transaction confirmations sent by Counterparties.
- 5.5 All trades should be input and matched and ready for settlement at 17.00 on the day prior to settlement.
- 5.6 The pricing used on all trades should be rounded to 3 decimal points.
- 5.7 Where trades are to settle in real time, it is the Counterparty's responsibility to attach a daylight indicator to enable such trades to settle.
- 5.8 Where CCFF maturities do not settle on the agreed maturity date because of any failure on the part of CCFF eligible issuer, for example - but not limited to - failing to instruct in a timely manner, eligible issuers may be charged a late payment charge of: valuation equivalent to the extended maturity plus a flat fee of 0.2bps on the nominal size of the transaction.
- 5.9 Counterparties are liable in accordance with the CCFF Terms and Conditions to pay or reimburse to the Bank all of their costs, charges fees, and other expenses. These include in particular (and without limitation) any transfer taxes, registration charges and value added taxes incurred in connection with the transfer of securities.

Appendix A – Communication with the Bank

- A.1 Telephone numbers, including for front and back offices and the Bank's contingency site, are contained in the table below.
- A.2 Counterparties should understand that email (whether encrypted or unencrypted) is not a secure method of communication and that messages so delivered may be intercepted, lost, destroyed, corrupted or delayed in transmission. The Bank encourages all Counterparties who communicate with the Bank by email to use encrypted email only.
- A.3 All key electronic communications with the Bank are securely archived. Furthermore, all telephone conversations with the Bank's sterling dealing desk and back office are recorded. In the event of a dispute, reference will be made to the archive and recordings.
- A.4 The table below summarises contact details for specific queries and actions.

Table A Telephone numbers and email addresses for contacting the Bank.

Action	Contact
Queries on admission to the CCFF, all application documentation including Issuer Eligibility Forms, eligibility of commercial paper issuers, specific commercial paper programmes or individual securities	Applications Team: CCFF-Applications@bankofengland.co.uk
Queries during operational periods	Sterling dealing desk: via direct line or 0203 461 5000
Offers made during operations via forms	CCFFTransactions@bankofengland.co.uk
Queries regarding commercial paper settlement	Market Settlements Team: BPIMSTSettlement@bankofengland.co.uk
If you wish to give notice that you are withdrawing from the CCFF	CCFFNotice@bankofengland.co.uk