



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Andrew Bailey
Governor
Bank of England
Threadneedle Street
London
EC2R 8HA

17 March 2020

Dear Andrew,

LAUNCH OF COVID-19 CORPORATE FINANCING FACILITY (CCFF)

We have been in close contact over the recent weeks to coordinate our response to the economic shock from Covid-19, both domestically and with our international counterparts. We unveiled a comprehensive fiscal package at Budget last week, alongside the Bank of England's interest rate cut and new Term Funding Scheme with additional incentives for lending to SMEs (TFSME).

Over the past week, we have agreed that we need to go further to support households and businesses facing uncertainty on how they will overcome funding needs over the coming months. Alongside the actions the Bank is taking, I am prepared to take any necessary steps to support the economy.

Today, I am announcing a new Covid-19 Corporate Financing Facility (CCFF) to support companies which are fundamentally strong, but have been affected by a short-term funding squeeze. This will act as a vehicle to support corporates who would ordinarily seek market-based finance for their working capital, but find themselves unable to access financial markets in this uncertain operating environment. This facility will primarily provide bridging support to see through the temporary nature of Covid-19 related disruption, by catalysing the market for commercial paper in both primary and secondary markets. It will stand ready to offer unlimited financing to eligible companies over the coming year.

I am asking the Bank of England to operate this facility on behalf of HM Treasury, as our operating agent in lending markets. We are notifying the commission and the Bank will put in place the facility as soon as possible, using robust and transparent criteria to design and deliver financing support. However, I recognise that, for as long as the magnitude of the economic shock remains uncertain, lending to businesses of any size will carry material risk. I am therefore prepared to indemnify the Bank's operations under this

facility, such that the Bank does not bear any losses associated with the operation of the CCFF.

I trust that this important step will complement the Bank's TFSME recently announced and operational from May, which will provide cheap loans to banks that they can pass on to SMEs specifically. I look forward to working closely with you to ensure a comprehensive, coordinated and timely response to economic risks on an ongoing basis.

I am copying this letter to the Prime Minister, the Chair of the Treasury Committee and the Chair of the Public Accounts Committee. I am depositing it immediately in the libraries of both Houses of Parliament and on the Treasury website.

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', with a stylized flourish at the end.

RISHI SUNAK