



BANK OF ENGLAND

Market Notice

17 December 2020

Extension of the Term Funding Scheme with additional incentives for SMEs (TFSME)

The TFSME offers term funding at or very close to Bank Rate. The MPC has agreed a six-month extension of the scheme.

1. The TFSME was launched in March 2020 as part of measures to respond to the economic shock from Covid-19. Reflecting the exceptional nature of developments in the economy, the MPC has agreed a six month extension of the TFSME to ensure it can continue to deliver its objectives. The extension will cover both the Drawdown Period and Reference Period of the scheme.
2. The objectives of the TFSME are to:
 - help reinforce the transmission of the reduction in Bank Rate to the real economy to ensure that businesses and households benefit from the MPC's actions;
 - provide participants with a cost-effective source of funding to support additional lending to the real economy, providing insurance against adverse conditions in bank funding markets;
 - incentivise banks to provide credit to businesses and households to bridge through a period of economic disruption; and
 - provide additional incentives for banks to support lending to SMEs, which typically bear the brunt of contractions in the supply of credit during periods of heightened risk aversion and economic downturns.
3. The extended Drawdown Period will run until 31 October 2021 (extended from 30 April 2021).
4. The extended Reference Period will run from 31 December 2019 to 30 June 2021 (extended from 31 December 2020).

5. All TFSME participants will automatically be included in the scheme extension unless they notify the Bank that they wish to opt out. Further details on the precise notification requirements will be published in the coming weeks.

6. Further information on the TFSME, including all the relevant documentation, can be found on the Bank's website.

7. TFSME documentation will be updated to reflect these changes to the scheme and provide further operational details in due course. Other than as amended by this Market Notice, previous Market Notices relating to the TFSME will continue to apply.