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News release

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The Bank of England's Term Funding Scheme with additional incentives for SMEs will open to drawings on 15 April 2020

At its special meeting ending 10 March 2020, the Monetary Policy Committee (MPC) voted unanimously to reduce Bank Rate and for the Bank of England to introduce a new Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME).

The Bank of England is today announcing that the TFSME will open for drawings on 15 April 2020, sooner than previously anticipated. The TFSME complements other schemes announced by the Bank and HM Treasury that are designed to support households and businesses during the period of economic disruption, caused by the outbreak of Covid-19.

The TFSME allows eligible banks and building societies to access four-year funding at rates very close to Bank Rate. The scheme is designed to incentivise eligible participants to provide credit to businesses and households to bridge through the current period of economic disruption caused by the outbreak of Covid-19. The scheme includes additional incentives to provide credit to SMEs. Making TFSME funding available as soon as possible should further support SMEs' ability to access funding from the banking system, helping them to continue to pay wages and bills during this challenging time.

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Notes to Editors:

1. The aims 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 that typically bear the brunt of contractions in the supply of credit during periods of heightened risk aversion and economic downturns.
2. Institutions eligible to participate in the TFSME will be banks and building societies that are participants in the Bank of England's Sterling Monetary Framework (SMF) and that are signed up to access the Discount Window Facility (DWF). This represents a broad range of participants that are already operationally ready to participate in the TFSME. Companies cannot access this funding direct from the Bank. Eligible participants, or SMF participants that wish to sign up, are encouraged to read the information on the following pages:
<https://www.bankofengland.co.uk/markets/market-notice/2020/term-funding-scheme-market-notice-mar-2020>
<https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-applicants>
 3. Eligible participants can borrow at least 10% of their stock of real economy lending. Additional borrowing allowances are generated £1:£1 for lending to households and large corporates; and £5:£1 for lending to SMEs (i.e. SME lending attracts 5x the borrowing allowance).
 4. Further information about the Bank's response to Covid-19 can be found here:
<https://www.bankofengland.co.uk/coronavirus>

Further information about HMT's response to Covid-19 can be found here:

<https://www.gov.uk/government/topical-events/coronavirus-covid-19-uk-government-response>