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News release

2 May 2020

Updating the TFSME and UK leverage ratio to reflect HMT's new Bounce Back Loans Scheme

The Bank of England is today announcing changes to the Term Funding Scheme with additional incentives for SMEs (TFSME) and the UK leverage ratio, in order to support HM Treasury's Bounce Back Loans Scheme (BBLs).

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.

To further support lending through the BBLs, TFSME participants will in future be able to extend the term of some of the cheap funding they access via the TFSME to align with the 6-year term of loans made through the BBLs. The amount of TFSME drawings that can be extended is expected to be determined in the first half of 2021, based on the quantity of BBLs loans outstanding at that time. TFSME documentation will be updated in due course to reflect this change and to provide further operational details.

In addition, the PRA is confirming that banks subject to the UK leverage ratio will be able to exclude loans under the Bounce Back Loan scheme from the UK leverage ratio exposure measure.

ENDS

Notes to editors:

1. Further information about the TFSME is available here:
<https://www.bankofengland.co.uk/markets/market-notice/2020/term-funding-scheme-market-notice-mar-2020>
<https://www.bankofengland.co.uk/news/2020/april/the-tfsme-will-open-to-drawings-on-april-15-2020>
2. Further information about the BBLs is available here:
<https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>