Annex D: The Covid Corporate Financing Facility

1. The Covid Corporate Financing Facility ("**CCFF**") was a joint initiative between HM Treasury and the Bank of England ("**BoE**") lending facility to provide funding to larger companies, who would ordinarily seek market-based finance to strengthen working capital but found themselves struggling to access financial markets in an uncertain operating environment. The CCFF helped them to bridge the disruption to cash flow as a result of the pandemic through the purchase of short-term debt in the form of commercial paper ("**CP**") of up to one year-maturity. I did not have direct involvement in the design or delivery of this facility

2. During the early stages of the pandemic, HM Treasury, other government departments and the BoE were all actively considering the risk from the pandemic to the economy. The BoE shared analysis with HM Treasury highlighting it was likely economic activity would weaken in the UK causing temporary, but very significant, disruption to cash flows and increasing demand for capital from companies. HM Treasury officials had also concluded independently that large corporates would need support, due to acute liquidity problems in the cooperate bond markets. HM Treasury and BoE senior officials were aware, through market intelligence, that banks were receiving notification from some of their large clients of the intention to draw down their revolving credit facilities. This could have drawn significant liquidity out of the banking system. As the BoE noted in their Financial Stability Report published in June 2021, referring back to the events of February and March 2020 "*A 'flight to safety' episode, starting in late February, turned into an abrupt and extreme 'dash for cash', in which non-bank investors sold off even safe assets such as long-term government bonds to obtain cash. NBFIs also tried to raise short-term funding through the gilt repo market, but the exceptional borrowing demand exceeded the limited lending supply. As a consequence, liquidity in both cash gilt and term gilt repo markets dried up, and financing conditions tightened significantly.*" The BoE was particularly concerned about overall market liquidity if the larger, more credit-worthy companies dominated available financing in the market quickly, meaning that smaller or less credit-worthy companies would not have access to funds.

3. During the pandemic there was a loss of revenue, which significantly increased the demand for capital. If businesses were unable to raise capital, it could result in widespread insolvency of fundamentally sound companies, that had little to do with their long-term viability. This could have led to significant job losses, further deepening an

economic downturn. Allowing such companies to fail would have been economically inefficient and therefore it was crucial to address the insolvency risks to preserve jobs and maintain economic stability.

4. Following early discussions in March 2020 between HM Treasury officials, the Chancellor and the BoE, the Chancellor and Governor of the Bank agreed that a funding scheme should be developed and opened at pace to respond to these vulnerabilities in the market. The primary objectives of the scheme were agreed between HM Treasury and the BoE - were to give reassurance to the market, preventing the anticipated 'dash for cash' scenario, and assist market liquidity using the BoE's funding, to ensure commercial banks could still finance a wider proportion of the market. CCFF also provided bridging finance to the larger firms to ensure they remained resilient through a temporary pandemic shock.

Initial Scheme Design

5. The CCFF was designed at pace, over approximately 8 days between 15 March to 23 March 2020, to respond to concerns about the overall economic landscape. As a result, much of the policy development took place in meetings between the BoE and HM Treasury at official level, with limited evidence of early decision making in writing. While HM Treasury officials provided evidence and advice to inform decisions, decision-making on the HM Treasury side was the responsibility of the Chancellor.

6. On 15 March 2020, following discussions between HM Treasury officials, the Chancellor and the BoE, regarding a bond facility to support businesses in distress, HM Treasury's Second Permanent Secretary sent a strawman draft proposal for the new scheme to the Governor [**BR/D/01 – INQ000609073**] [**BR/D/02 – INQ000610864**]. The early strawman proposal was for the BoE to purchase corporate bonds from companies selected by HM Treasury, conforming to a standard term sheet agreed jointly between HM Treasury and the BoE, and in due course the BoE would seek to sell the bonds back to the market. To enable this, HM Treasury proposed that the government indemnify the BoE against any losses, establish a set of principles to determine which companies would have access, establish resourcing and governance structures to manage negotiations with companies, assess their creditworthiness and agree terms and make recommendations to the Chancellor about which companies should have access to the facilities.

7. HM Treasury officials and the BoE worked closely over the next two days to develop the initial proposals and refine the detail of the scheme. On 16 March 2020, the BoE provided a draft term sheet building on the initial proposals [**BR/D/03 – INQ000609074**]. The two key issues identified for discussion and agreement were:

   a) The amended proposal to pursue a CP scheme rather than bonds – CP could be deployed quickly as it was relatively straightforward to issue, requiring minimal discussions between borrowers and lenders. Many lenders already had a CP program, and quite a lot of issuers who would qualify for the CCFF had issued CP before which meant some could issue almost immediately. The option remained to broaden from there as a 'second stage' if necessary (e.g. to corporate bonds).
   b) Eligibility criteria – the BoE proposed limiting companies rated investment grade which made a material contribution to the UK economy. This was the same criteria used for the existing Corporate Bond Purchase Scheme ("**CBPS**"), and the BoE had a list of companies and an assessment method in place.

8. The draft terms were discussed between HM Treasury officials and the BoE on the same day, and the BoE quickly updated the term sheet within hours and provided a further iteration to be provided to the Chancellor for his view later that day [**BR/D/04 – INQ000609078**] [**BR/D/05 – INQ000609074**].

9. After the meeting with the Chancellor, a call took place that evening with the BoE, UK Government Investments ("**UKGI**") and HM Treasury officials. During the meeting HM Treasury officials emphasised the Chancellor's strong steer that the intervention must be quick, and the risks inherent in that were discussed. In order to quickly operationalise the scheme, the BoE confirmed it would have to rely on standard CP documentation, which precluded doing substantial amounts of bespoke negotiations, including the government taking a senior position in the debt structure of firms. In the readout following the call, it was noted this potentially caused a tension between the policy objectives of speed to market and potential value for money [**BR/D/06 – INQ000609075**] [**BR/D/07 – INQ000609231**].

10. HM Treasury requested information from the BoE to feed into advice for the Chancellor on a feasible timetable for operationalising the scheme, approach to companies which

would not be suitable for the standard offer, challenges of using the existing Asset Purchase Facility Special Purpose Vehicle ("**SPV**") which had operated the CBPS as the vehicle for the scheme, and anything else the BoE could provide on the communication plan and handling.

11. On 17 March 2020 the BoE provided an updated version of the term sheet, incorporating HM Treasury suggestions made during the call the night before, as well as a draft exchange of letters to prepare for the announcement [**BR/D/08 – INQ000609076**] [**BR/D/09 – INQ000610865**]. The draft term sheet proposed the following:

    a) The initial focus would be on purchasing CP.
    b) The CP would fall into the standard senior 'unsecured bucket', in line with most corporate debt.
    c) Companies would be eligible if they were rated investment grade as at 1 March 2020, and made a material contribution to the UK (eligibility criteria discussed in further detail at paragraphs 24 - 26). As one of the objectives of the scheme was to prevent large companies dominating the access to finance in the market the decision was taken from the outset for the facility to target larger companies, using a similar criterion to the CBPS.
    d) Pricing would be spread varying by credit rating of the company at a fixed point pre-Covid.
    e) The facility would be funded by the creation of central bank reserved, subject to certain safeguard.
    f) The facility would be open for at least 12 months, subject to review within that window.
    g) HM Treasury would provide a full 100% indemnity, and this would be confirmed in the exchange of letters.
    h) The scheme was to be operated via a new SPV (later named CCFF Ltd), set up by the BoE, who would buy CP from eligible companies in the scheme, after they had been approved for issuance by the Bank.
    i) The BoE would operate the scheme subject to "full and fair" costs recovery for the operational expenses the BoE suffered, such as the staff costs required to run the scheme. After these expenses had been charged, any remaining profit in the SPV would be paid to HM Treasury.

j) An overall risk management framework would be set by HM Treasury, supported by the BoE. Day to day risk management within that framework would be for the BoE.

12. On 17 March 2020 HM Treasury officials met with the Chancellor to discuss potential options for greater financial support measures ahead of a planned economic statement to Parliament later that day. Officials provided a high-level grid of potential options to support the discussion; this included the option for larger corporate loan support [**BR/D/10 – INQ000609232**]. At the meeting the Chancellor noted he was keen to make a high-level announcement on a Bank of England loan scheme and wanted to take a maximalist approach [**BR/D/11 – INQ000609233**] [**BR/D/12 – INQ000625747**].

13. After the meeting HM Treasury officials advised the BoE that the Chancellor was keen to broaden eligibility, and in particular wanted the CCFF to be available to smaller firms that may not meet the 'significance' threshold or have a public credit rating but would pass the UK materiality test. The BoE set out their concerns to officials that smaller firms would not be equipped to issue CP which would render the scheme less useful for them, noting it was larger firms who were more reliant on market-based finance where the scheme would work. Following a meeting later in the afternoon between the Chancellor and the Governor, and further discussions at official level between HM Treasury and the BoE, the details of the announcement were agreed, noting support for Small and Medium sized businesses ("**SMEs**") would come via an extension to the CBILS, which had been announced at the Budget. Rather than loans of £1.2 million it would now provide loans of up to £5 million [**BR/D/04 – INQ000609078**]. However further measures were introduced to tackle the challenges around eligible companies that did not have public credit ratings (See paragraph 26).

14. Later that day the Chancellor delivered an economic statement, in which he announced he had agreed a new lending facility with the Governor to provide low cost, easily accessible commercial paper. This announcement was formalised through an exchange of letters between the Chancellor and the Governor on the same day, formally requesting that the BoE operate the facility on behalf of HM Treasury.

15. The BoE published the market notice the following day, 18 March 2020, setting out the high-level details of the scheme and application process [**BR/D/13 – INQ000609243**].

16. Following the announcement, on 19 March 2020 HM Treasury officials sent a submission to the Chancellor to provide an update on the implementation of CCFF, to seek his views on outstanding policy questions and confirm his approval to lay the necessary statutory instructions to allow the scheme to operate [**BR/D/14 – INQ000609248**].

17. HM Treasury officials noted in the advice that the scheme did not meet all their initial ambitions in terms of accessibility or protections but provided much needed support to the most critical firms at pace. In line with the Chancellor's steer, the BoE had prioritised getting an intervention to market quickly to provide confidence and liquidity, but noted the design did not preclude them from adjusting eligibility, pricing, or other conditions at a later date. HM Treasury officials recommended the Chancellor agree to use the BoE's existing eligibility criteria used by CBPS in the initial phase of the scheme, with the option to review over time if required, and agree to set initial limits according to pre-crisis short term credit ratings. The advice also confirmed the BoE was required under the Market Notice to publish application forms, terms and conditions and operating procedures by 23 March 2020 in line with the proposed launch date.

18. As set out in the Market Notice, the CCFF was priced according to average market CP prices in the time preceding the pandemic. This was to give companies the same opportunities for financing that they would have had if the pandemic had not happened, and the market remained stable. The prices were based on a spread to overnight index swaps ("**OIS**"). Officials therefore noted in the submission that at the initial stages of the scheme it would be considered cheap finance in the market. As the scheme would facilitate borrowing at a sub-commercial rate, officials noted in the submission that the scheme would be attractive to sellers of CP in the primary and secondary markets i.e., it would not be a lender of last resort. There were options to make the scheme less attractive, such as putting in place more stringent eligibility requirements, but this was likely to prohibit the flow of money into the economy or cause a delay to the scheme.

19. The advice also noted under the terms of the scheme, HM Treasury would rank as 'senior' unsecured creditors in the capital structure, which exposed the government to significant risk. This risk was mitigated to an extent given the maturity dates of CP, the fact the scheme would provide finance to companies which were large and very safe,

but the uncertainty of the pandemic and the size of the scheme meant losses could be substantial.

20. Given the urgency to progress the legislation, the Chancellor agreed with the recommendation and approved the Statutory Instrument for laying on 20 March 2020, in advance of further advice on the details of the scheme [**BR/D/15 – INQ000609250**].

21. On 20 March 2020, HM Treasury officials sent a follow up submission to the Chancellor seeking his steer on the design of the CCFF including the eligibility criteria and proposed limits on exposure to any one issuer of CP. HM Treasury officials noted the CCFF was designed for large, strong companies so the limits available were significantly larger than other Covid schemes with rating A1 equivalent or better set at £1 billion, A2 equivalent at £600 million and A3 equivalent at £300 million. A1, A2, and A3 are tiers within investment grade credit ratings. This meant firms with higher credit ratings were eligible to borrow larger sums from the scheme [**BR/D/16 – INQ000609253**].

22. Later that day the Chancellor confirmed he was content with the scheme design but sought clarity on the eligibility criteria, and whether the scheme could be extended to firms which were not investment grade. Officials responded on 20 March 2020 flagging there were very significant risks if the government allowed materially important firms which were not investment grade to access the CCFF [**BR/D/17 – INQ000609081**].

23. The CCFF was intended to strike the balance between supporting as many companies as possible, and ensuring the risk to the taxpayer was proportionate. The CCFF was 100% HM Treasury indemnified with large funding limits (up to £1 billion for the highest rated firms), the CP would be unsecured, and the BoE would not have existing relationships with the companies it would lend to in order to fully understand individual business risks. It was therefore considered appropriate at the time to limit the type of lending to companies with very low default risk.

24. The Chancellor confirmed on 20 March 2020 that in light of the risk to HM Treasury under the indemnity, companies would need to meet both the following criteria to be eligible:

    a) Make a material contribution to the UK economy; and

b) To be investment grade as at 1 March 2020.

25. The BoE's Market Notice further clarified that companies would be considered to make a material contribution if they met one of the following criteria:

a) UK incorporated companies, including those with foreign-incorporated parents with a genuine business in the UK.
b) Companies with significant employment in the UK.
c) Companies with their headquarters in the UK.
d) Companies that generated significant revenues in the UK, who serve a large number of customers in the UK or had operating sites in the UK.

26. In addition to demonstrating a material contribution to the UK, companies were expected to be investment grade BBB- or above on 1 March 2020 to indicate they had a relativity low risk of default. Ratings below this designation (such as BB, B or CCC) were considered low credit quality, with a higher risk of default. As this was the same criteria used for the pre-existing CBPS, the BoE already had a list of companies who would be eligible.

27. On 20 March, the UK government notified the European Commission that it was proposing to establish the CCFF and that it considered that the measures fell within scope of the European Commission's Temporary Framework for State Aid [**BR/D/18 – INQ000609631**]. This notification was later withdrawn after the European Commission accepted that the CCFF was classed as monetary policy and outside the scope of State Aid [**BR/D/19 – INQ000625748**].

Consideration of other delivery mechanisms

28. As set out above, the strawman proposal for the CCFF scheme, was designed at pace by HM Treasury officials, in constant discussion with the BoE, The BoE had been operating the CBPS since 2016, providing an example of an operational model for the CCFF. Whilst the CCFF was not designed in exactly the same way, CBPS formed the basis for aspects of the scheme, notably the eligibility criteria. This meant the BoE was not starting from scratch as they helped to design and implement the scheme. They also had the relevant skills and experience to manage a scheme of this kind, with the ability to assess the eligibility of firms, conduct fraud checks, set pricing, and prepare the

relevant documentation and terms. As such, from the outset the BoE was the natural delivery body, particularly as the scheme had to be set up very quickly, during a time of huge uncertainty within the overall global market.

Socially and economically vulnerable groups

29. The CCFF had very specific policy objectives to respond to rapidly developing market issues with liquidity, with support to individual companies being a secondary (but important) objective. As such, during the initial design phase there was a limited focus on the impact of the scheme on particular socially and economically vulnerable groups as there was a clear understanding the CCFF should stabilise the market and benefit the population as a whole, including vulnerable cohorts who would be impacted very quickly by uncertainty in the economy. The CCFF was one of a much wider package of financial support policies being developed across government, a number of which were more specifically targeted at individuals or small businesses.

Implementation and Delivery

30. Within 8 days of initial discussions between HM Treasury and the BoE, the CCFF opened for applications on 23 March 2020.

31. Two additional schemes were launched on the same day to support businesses in distress:

    a) Coronavirus Business Interruption Loan Scheme ("**CBILS**"). A scheme designed to help UK based SMEs, with an annual turnover of up to £45 million, to access loans and other kinds of finance (up to £5 million).
    b) Coronavirus Large Business Interruption Loan Scheme ("**CLBILS**"), for businesses with an annual turnover of over £45 million. A scheme designed to help medium and large sized businesses to access loans access loans and other kinds of finance (up to 25% of annual turnover up to £200 million).

32. On 14 April 2020 HM Treasury officials provided an update to the Chancellor confirming that by 9 April 2020 £7.6 billion of funds had been committed through the CCFF and the scheme was lending around £0.5 billion on average per day. 43 firms had signed up to

the facility and were ready to issue into the CCFF with a further 83 firms approved as eligible [**BR/D/20 – INQ000611608**]. On 17 April 2020 HM Treasury officials presented the Chancellor with a 'stocktake' of access to CCFF, demonstrating that between CCFF, CBILS and CLBILS over 81% of the UK business population were covered [**BR/D/21 – INQ000610823**].

Advisory Credit Committee

33. On 21 March 2020 HM Treasury officials sent advice to the Chancellor providing further background on the process for exceptional cases for large companies in distress, that would not be captured by the existing schemes. The advice included a set of principles as a foundation for considering interventions that was aimed at ensuring a consistent approach was applied [**BR/D/22 – INQ000609782**]. The Chancellor confirmed he was supportive of the principles on the 23 March 2020 and asked for the protection of taxpayers to be referenced [**BR/D/23 – INQ000609267**].

34. On 1 April 2020 HM Treasury officials met with the Chancellor to discuss the Advisory Credit Committee ("**ACC**"), for handling large companies in distress. The role of the ACC was to consider HM Government's ("**HMG**") credit risk as relates to financial applications for intervention, as well as detailed financial due diligence on bespoke cases for intervention. This Committee was intended to act as single point of oversight for credit decisions in different areas and:

    a) to review marginal cases as part of the CCFF process, including, as appropriate, considering other potential forms of government support; and
    b) to provide a consistent viewpoint on the need for financial assistance by reviewing financial applications as part of the special situations (Project Birch) casework process and inform advice to relevant Accounting Officers and ministers when considering the case for intervention.

35. Officials then met with the committee on 3 April 2020 which included UKGI, UK Export Finance and the Infrastructure and Projects Authority to discuss the terms of reference and approval process in more detail [**BR/D/24 – INQ000609306**] [**BR/D/25 – INQ000595380**] [**BR/D/26 – INQ000609308**].

36. Following the meeting, HM Treasury officials sent further advice to the Chancellor on 6 April 2020. Officials noted the ACC had been created and was operated jointly by HM Treasury and UKGI. The advice sought additional agreement from the Chancellor on the recommended purpose, role, terms of reference and membership of the ACC.

37. Officials advised the intention was for the ACC to review marginal cases where eligibility for the CCFF was not clear-cut; the application represented a significant risk in terms of repayment; or where finance was requested above the limit HM Treasury had agreed with the BoE. The proposed membership of the Committee included staff from HM Treasury, UK Export Finance, UKGI, IPA and non-executive directors with investment banking expertise. The members were recommended because on their prior experience as financial practitioners with highly relevant expertise as commercial or investment bankers. It was expected to provide recommendations to HM Treasury on whether an application should proceed through CCFF, and overall engagement on credit risk across different schemes, including signposting between the schemes [**BR/D/27 – INQ000609729**].

38. It was proposed when reviewing marginal CCFF cases the ACC would advise HM Treasury on whether:

    a) It could be determined the business in question was investment grade as at 1 March 2020.
    b) Suitable proxies could be used to determine the company's investment grade where no rating was available.

39. At this stage the ACC had met twice to discuss marginal CCFF cases and been able to confirm on both occasions that the cases met the investment grade. As such they were considered to be fulfilling a useful function. The recommendations, reached by consensus, were then expected to inform decisions on marginal cases and would also feed into advice for the lead Accounting Officer and ministers on such cases.

40. The proposal outlined in the submission was for the ACC to meet daily in the early stages of the scheme's launch, with the meeting schedule kept under review to respond to demand and case volume. Once the ACC provided their recommendation on an application, the decision would be primarily delegated to senior HM Treasury officials

providing the increased value was within 25% of the original limit; there were no presentational risks; and the firm planned to remain in the UK [**BR/D/28 – INQ000609416**]. All other cases would be referred to the Chancellor for a decision, including those where a company had been deemed ineligible and they had objected to the decision and asked for further information. Difficult or marginal cases could be sent back to the ACC for further consideration and a follow up recommendation to support HM Treasury's final decision.

41. The Chancellor agreed to the proposal, the draft Terms of Reference, and the membership on the same day [**BR/D/29 – INQ000609087**].

42. The ACC met 83 times between April 2020 and March 2021 to discuss a range of marginal cases. Example minutes are provided at [**BR/D/30 – INQ000609134**], [**BR/D/31 – INQ000610836**], [**BR/D/32 – INQ000610846**]. As agreed in the Terms of Reference, in addition to providing initial recommendations, the ACC reconsidered a number of difficult or marginal cases and provided a follow up recommendation to support HM Treasury's final decision [**BR/D/33 – INQ000610829**] [**BR/D/34 – INQ000610831**].

43. When the CCFF was closed for new issuance, the role of the ACC, and frequency of meetings, was reassessed to ensure it remained effective. This is addressed in further detail below.

Adjustments to the Scheme

44. This section sets out a chronological narrative of the implementation, extension and variation of the scheme, key decisions made by the Chancellor and the criteria considered as the scheme developed.

45. The BoE and HM Treasury officials continued to keep the policy approach under review. For example, shortly after opening the approach to credit assessments were refined to ensure all eligible firm could access the scheme. HM Treasury officials sent advice to the Chancellor on 22 March 2020, which noted 'whilst initial eligibility is limited to those companies with investment-grade ratings as of 1 March, companies that subsequently secure investment-grade private ratings will also be eligible.' [**BR/D/35 – INQ000609258**].

46. Between April and June 2020, the Chancellor received advice on proposed amendments and extensions to the scheme. The most significant changes, which were both announced on 19 May 2020, were:

a) The introduction of conditions to firms issuing CP which would mature on or after 19 May 2021.
b) Publication of the names of companies who accessed the scheme.

47. On 5 April 2020, HM Treasury officials sent advice to the Chancellor setting out the process for approving companies for the CCFF, options on approach to borrowing limits and options on providing more protection to the Exchequer [**BR/D/36 – INQ000609731**]. Officials recommended that the Chancellor:

a) Considered whether to take decisions regarding firm eligibility where there are presentational risks, or the firm has plans to leave the UK.
b) Delegated eligibly assessments to officials on more technical issues.
c) Delegated the power for officials to increase issuer limits by up to 25%.
d) Retained decision-making power for limit increases above 25%.
e) Placed conditions on any borrowing above established limits, including: increased pricing, the suspension of dividends; and agreeing voluntary conditions on senior pay.

48. On 7 April 2020, the Chancellor agreed to the recommendations, however commented the focus should be on the lower grade companies who needed the finance [**BR/D/37 – INQ000609088**].

49. Following the Chancellor's steer that additional conditions should be placed on companies seeking to issue debt into the CCFF in excess of the existing limits, officials worked closely with the BoE to develop these proposals. On 21 April 2020 HM Treasury officials sent a submission to the Chancellor with advice on how this could be operationalised. The policy was proposed as a deterrent for companies continuing to use the CCFF past May 2021, when they no longer needed government support because they could access alternative market finance. It was also intended to prevent cash leaving the company 'unnecessarily' (for example bonuses) when it could be used

to repay the CCFF, increase the cash buffer and reduce the risk of unemployment **[BR/D/38 – INQ000609370]**.

50. HM Treasury officials recommended that the Chancellor agree to set the following conditions: a dividend suspension via an exchange of letters with issuers, which could be made public if necessary (in effect a 'name and shame' mechanism); a minimum expectation set that company management and board members would receive no cash bonuses or pay increases; and a framework be put in place which increases the cost of borrowing as the risk profile of the company increases. The Chancellor agreed to all recommended changes on 27 April 2020, with a suitable time lag in place to mitigate the risk that companies who had incurred costs in preparing CP programmes to access the scheme on the existing terms would complain [**BR/D/39 – INQ000609370**].

51. Work continued to develop this policy, and on 15 May 2020, following a request from the Chancellor for a comparison between the CCFF and similar schemes operating internally, officials provided updated advice on the options for placing conditions on firms participating in the CCFF. Although comparable international programmes had not done so, officials still recommended placing conditions on scheme participants to protect the taxpayer and seek to discourage use of the scheme by companies who could access finance elsewhere. On 17 May 2020 the Chancellor confirmed he was content with the announcement and chose the option that any firm wishing to issue CP which matures after a certain date (i.e. 12 months from announcement) would be asked to comply with the conditions [**BR/D/40 – INQ000609102**].

52. This change was announced on 19 May 2020 in respect of CP which matured on or after 19 May 2021. This gave companies more than a year of condition free finance to address the liquidity crisis, whilst incentivising those companies to refinance after the first year when the markets were expected to have recovered.

53. Following the announcement, HM Treasury officials received proposals from applicants for how they would comply with the restrictions and sought the Chancellor's view on a framework to respond to those proposals on 2 June 2020 [**BR/D/41 – INQ000611610**]. The Chancellor agreed to all recommendations on 3 June 2020 with the following conditions introduced to the scheme [**BR/D/42 – INQ000609112]:**

a) A framework stating that stated dividend suspension and senior pay restraint was applied at group level but should only apply to discretionary awards/bonuses and not those contractually agreed.
b) A formal process for approving or rejecting companies' proposals with responsibility delegated to officials to approve firms that demonstrated satisfactorily that they met the criteria, and to reject firms that were unable to satisfactorily demonstrate how they met those conditions and could not make a strong case for exception. Where firms were unable to satisfactorily demonstrate how they met the conditionality on pay restraint and capital distributions, but made a strong case for an exception, they would be referred to the Economic Secretary to the Treasury ("**EST**") for a decision.

54. To agree conditions, the BoE published a template letter on their website which companies would have to complete, adding additional detail on how they were applying the conditions. This would involve explaining that they would restrict dividends, and what senior staff would be subject to the pay restrictions. The company would then submit the letter to the BoE, who would pass it on to HM Treasury for approval. This required significant resource within HM Treasury to ensure the conditions were applied in full, and consistently, across firms by checking statutory accounts and website for the company.

55. Approximately 72 companies submitted a letter through this process, but not all ended up issuing. In some cases, this was the company's choice, and in others HM Treasury rejected the application as the company did not want to apply the conditions in full. In total 59 letters were approved by HM Treasury. The main issues identified were:

a) Conditions had only been applied at a single entity level, and the firm had to be asked to extend the conditions to group level.
b) The senior staff restrictions did not go far enough (e.g. to include the executive committee).
c) The bonus restrictions were not strict enough.

56. On reflection, HM Treasury accepts better communications may have mitigated some of those problems, as the information on the BoE's website and the template letter were not explicit as to how the conditions should be applied (for example it was not

clear the conditions applied at group level). As a result, HM Treasury had to request changes to most letters received. A stronger template letter would also have set clear expectations for the companies, rather than leaving it open to interpretation.

Publishing names of companies who had CP

57. In May 2020 the Chancellor indicated he would like to make some changes to the operation of the CCFF, including asking the BoE to disclose a list of participating firms, and their levels of use of the scheme as a number of companies fed back to the BoE that they would be content to disclose the fact they had accessed the CCFF, noting it would positively show they were resilient and had additional cashflow available. It would also mitigate against the criticism they had received for not being transparent.

58. Following the Chancellor's steer, on 13 May 2020 HM Treasury officials sent advice to the Chancellor to update him on their approach to deliver those changes [**BR/D/43 – INQ000609101**]. The recommendation was to delay an announcement on publishing company names for two weeks to allow firms that did not wish to be named to repay early. The BoE considered the proposed new conditions (including new applicants to the CCFF agreeing to suspend dividend payments, cash bonuses and salary increases) could impact the market perception of the scheme and recommended delaying an announcement on publishing firms for a few weeks.

59. HM Treasury officials met with the Chancellor the following day, 14 May 2020, to discuss the proposed changes to the scheme, and the Chancellor requested the full list of CCFF participants to prepare for the publication of the names the following week [**BR/D/44 – INQ000609394**].

60. On 19 May 2020 the Chancellor announced the changes to the CCFF, and an updated market notice was sent to CCFF firms confirming that the BoE would begin to proactively make more extensive disclosure regarding CCFF participation and drawings, with the first publication due to start on 4 June 2020 [**BR/D/45 – INQ000609783**].

61. On 4 June 2020 HM Treasury published the names of companies who had funds outstanding in the CCFF. The list did not include those who had been accepted to the scheme but chose not to access the funding. Any companies who did not want to appear

on this list were given two weeks' notice to repay the funds before 4 June 2020, and a number of companies chose to do so.

Additional changes

62. In addition to those significant changes, some technical amendments were made to the scheme during the early stages of implementation.

63. On 5 April 2020, HM Treasury officials sent the Chancellor a submission seeking his steer on proposed changes to the scheme following its launch, including the process for taking decisions on eligibility whether there were presentational risks, or the firm had plans to leave the UK, and options for increasing the limits for individual issuers above those previously agreed up to £4 billion [**BR/D/46 – INQ000609731**]. The Chancellor agreed with the recommendations on 7 April 2020 [**BR/D/37 – INQ000609088**].

64. When the scheme was launched, the total cap for the CCFF portfolio was set at £50 billion. By 1 May 2020, the cumulative CP withdrawal capacity for firms signed up stood at £48 billion, so was fast approaching that cap. As a result, Accounting Officer advice was sent to the Permanent Secretary, setting out an assessment of regularity, propriety, value for money and feasibility, and recommending an increase in the cap to £100 billion [**BR/D/47 – INQ000609096**]. Accounting Officer approval was confirmed on 10 August 2020 [**BR/D/48 – INQ000609456**]. Ultimately the extension was not required as the CP issued did not reach £50 billion. As such, it was not communicated to the BoE.

65. On 5 May 2020 the Chancellor agreed to publish an updated set of CCFF eligibility terms on the BoE's website to incorporate HM Treasury's right to veto firms' CCFF eligibility due to concerns around the proper use of public finances, public policy groups or the risk that support was likely to undermine the public credibility of the CCFF scheme, the BoE or HM Treasury [**BR/D/49 – INQ000609097**].

66. On 13 May 2020 the Chancellor's steer was sought on applications from companies who requested an increase to the standard limits set by their investment rating, where it was unclear if they had met the condition of 'exhausting all other capital raising options' [**BR/D/50 – INQ000610827**]. As explained above, difficult cases were heard by the ACC, and companies had to show they had "…***exhausted or will pursue urgently other capital raising options***…" (original emphasis). HM Treasury officials, working with

UKGI, had engaged with a range of companies, across different industries, and determined this test was too high and did not take account of the different finance options across industries. The Chancellor agreed to amend this test so that companies had to show they had considered and pursued, or would urgently pursue, all other reasonably available sources of finance before applying to CCFF. Companies also had to demonstrate a funding need based on reasonable assumptions, and that there was a reasonable expectation they would repay [**BR/D/51 – INQ000609100**].

67. On the same day the Chancellor also agreed to amend the existing documentation to allow limited liability partnerships to access the scheme, following advice from officials noting they had not previously been captured due to their legal structure, as opposed to a specific policy intent [**BR/D/52 – INQ000610828**] [**BR/D/53 – INQ000609111**].

68. On 4 June 2020, the Chancellor agreed a further technical amendment to the scheme so that more Housing Associations could access the scheme, following representations from Housing Associations to the Bank and HM Treasury that the approach being taken was too restrictive [**BR/D/54 – INQ000609114**]. Officials considered the matter and agreed it was a reasonable challenge, noting that the Housing Associations were still compliant with the regulatory standards, and the additional test applied under the CCFF was not providing additional protection over and above considering the Housing Associations' credit rating.

Unintended gaps

69. Following the launch of CCFF, the government continued to consider policy proposals to support access to finance for firms that did not qualify for CCFF, CBILS or CLBILS and HM Treasury wrote to a small number of stakeholders to gather evidence on possible options. A summary of the responses was sent to senior officials in HM Treasury on 2 April 2020 [**BR/D/55 – INQ000610819**].

70. On 9 April 2020, advice was sent to the Chancellor outlining the BoE's proposal for a 'CCFF minus' scheme, which had been put to them by a number of lenders (Lloyds, HSBC, Barclays) to support companies falling between CBILS and CCFF because they had a turnover above £500 million but were below investment grade [**BR/D/56 – INQ000611607**]. Officials were not seeking decisions on details but providing an update on what the scheme could look like and the key design choices. HM Treasury were also

engaging confidentially with external stakeholders and provided a copy of the 'call for evidence' to firms including Lloyd, Barclays, HSBC, Goldman Sachs, JP Morgan, Standard Chartered and Blackrock [**BR/D/57 – INQ000609089**]. Following the Chancellor's steers on the new scheme, the Call for Evidence ("**CfE**") was updated, approved and circulated on 11 April 2020 [**BR/D/58 – INQ000610821**].

71. The BoE estimated there were likely to be around 500 companies eligible for this scheme, representing 10% of UK employment and 13% of turnover. This new scheme would be funded via the central bank reserves, in line with the existing CCFF. Officials noted they would require an external adviser and risk manager to operate the scheme, advising on size, diversification and concentration criteria, structure, monitoring loans, and performing investor due diligence.

72. Work was being undertaken in parallel to launch a new loan guarantee scheme based on CBILS but aimed at larger businesses [**BR/D/59 – INQ000609791**]. The decision was taken to remove the £500 million cap for CLBILS, meaning the only firms that would fall between CLBILS and CCFF i.e. those that would benefit from the proposed CCFF-minus were sub investment grade firms that needed a loan of more than £50 million (which was the maximum loan size under CLBILS) [**BR/D/60 – INQ000609341**]. In light of the proposed changes to CBILS, and feedback from the CfE, on 27 April 2020 advice was sent to the Chancellor with a recommendation not to pursue CCFF minus as a potential option to provide access to finance for firms [**BR/D/61 – INQ000610858**]. The advice noted "*...many respondents to the CfE viewed the securitisation structure as too complex and high-risk to address sub-IG access to finance needs. Achieving sufficient structural diversity and mitigating credit risks presents challenges. There was wide consensus that HMT would need to offer greater incentives to banks to support the structure proposed. There was little appetite from banks to take on junior tranches given the wider economic uncertainty, and many stakeholders suggested that some form of government guarantee would therefore be necessary, with almost all respondents suggesting the need for HMG to take a first-loss tranche. The BoE suggested this option before the CLBILS turnover cap was lifted – the CLBILS amendment means that the remaining pool of firms that would need further support is too small, and makes the credit enhancement envisaged difficult, given the lack of diversification. Given the overlap with CLBILS, a CCFF Minus alongside it would not be a viable option to support additional access to finance for mid cap firms.*"

Risk management and fraud and error

73. As part of the initial design for the scheme, the overall framework for risk management was set by HM Treasury, but with day-to-day risk management sitting with the BoE. From the initial design phase, the risk of fraud was deemed to be low given the type of companies eligible for the scheme, namely large and highly credit rated companies who were easily verifiable.

74. Despite this low risk, the BoE set up a team to assess the eligibility of each company, and applicants were required to provide evidence of their credit rating, company accounts and group structure. Given the relatively small number of applications for CCFF, in the low hundreds, it was possible for the BoE to thoroughly assess each company applying to the scheme. No company was found eligible for the scheme without the BoE being comfortable they met the criteria, with strong evidence of their credit status. Where credit rating could not be verified at issuing entity level the Bank would also require a guarantee from an investment grade rated parent, and copies of authorised signatories for the company. Accounts were used to check information including average turnover to ensure borrowing limits did not exceed 50% of their average turnover over 3 years.

75. HM Treasury had the ultimate decision over all firms entering the CCFF, so the BoE would inform HM Treasury (with chance to veto) of their recommendation to include/reject any firms. The BoE would also specifically refer firms directly to HM Treasury for decision if they noticed anything which could be considered 'higher risk' – such as firms with a borderline credit status, reputational concerns, or something unusual about their financial structure that raised financial risk. These cases would be reviewed by HM Treasury and usually by the ACC for deeper investigation (using public information on the company) with a recommendation to HM Treasury over whether the company should be considered investment grade.

76. The starting position was that balances must be repaid if the firm had the funds. However, it was recognised that there may be cases where the firm struggled to refinance the CP and pushing for repayment could, for example, lead to large scale redundancies. Some of those firms would qualify for existing support schemes to refinance their CP, but not all would be eligible. Officials therefore proposed a HM

Treasury loan guarantee scheme capped at 80%, with additional conditions beyond the CCFF such as climate related conditions. This scheme would be used only in extenuating circumstances, on a bespoke basis.

77. The level of risk in the CCFF was kept under continual review. The BoE sent regular updates to HM Treasury, including public ratings and data on rating via a service called Credit Benchmark.

78. On 5 August 2020 HM Treasury officials sent a further update to the Chancellor on the status of the CCFF and risk management, seeking his steer on risk mitigation and developing options for the future of the scheme [**BR/D/62 – INQ000609454**]. The advice noted the scheme had now entered a new phase characterised by low levels of trades and applications, and a relatively steady level of borrowing, which allowed for a greater focus on operations and risk management.

79. The advice detailed that July 2020 had seen an increased level of risk, with significant decreases in the credit rating for some companies. Many remained Investment Grade, but others had been downgraded several times, and there were concerns they would not be able to repay funds if they continued to deteriorate. As at 29 July 2020, 27 of the 64 firms borrowing from CCFF had been downgraded, of which 10 were considered below investment grade. Estimates of default from the BoE's risk team suggested in a pessimistic forecast that the loss rate could be up to 9.7%. Based on the level of borrowing this would be £1.8 billion. The advice also noted that HM Treasury had asked McKinsey to do a firm-by-firm assessment of the risk, which generated a base case of £4 billion of credit 'at risk'. This did not represent expected defaults, and McKinsey did not indicate what level of loss HM Treasury could expect to see from the cohort.

80. Overall, the department considered the CCFF was working well and providing confidence and liquidity in the market, which had been its core objective. Drawings from the scheme had peaked at £20.5 billion and on 20 May 2020 stood at £17.4 billion. The BoE had supplied forecasts for use of the scheme to March 2022 based on the existing policy, and applications were expected to reach a peak of £25.2 billion in February 2021 before tapering sharply, to close to zero in May 2021. As such, they recommended keeping to the original timings of the scheme, closing to new applicants on 31 December

2020, and purchasing no further CP beyond 22 March 2021. Planning was ongoing to develop contingency options in the event of future economic concerns.

81. Officials had discussed monitoring risk within the CCFF with the ACC who advised a more firm-based approach should be taken, with a more active use of available data. Officials noted they were focusing on further building up credit risk expertise and as per the Chancellors steer working to set up a group to look at risk management within UKGI (discussed in more detail at paragraphs 87 and 88).

82. HM Treasury officials proposed a number of changes to the scheme including changing the eligibility criteria for new applicants to prohibit those with a lower rating from entering the scheme and establishing a more automatic process whereby any company which was rated BB- was not permitted to issue any more CP into the scheme. The Chancellor agreed to those proposals on 10 August 2020 and confirmed that any future CCFF scheme should be *"…stricter, less generous, shorter, and come with more stringent conditions"* [**BR/D/63 – INQ000609123**].

83. Work continued to ensure a more proactive approach was taken to risk management, and on 26 August 2020 HM Treasury officials sent advice to the EST on proposals for a new framework designed to assess higher risk firms within the portfolio [**BR/D/64 – INQ000609124**]. The BoE had advised on the proposed triggers using existing data, and the department intended to use external consults to fully operationalise the framework. The proposed framework had three stages:

    a) Step 1 - an initial 'trigger' point based on the data the Bank already held to identify firms that may be considered risky for further assessment.
    b) Step 2 – a further assessment carried out by external risk advisers to interrogate the company's finances and recommend firms to go through a full 'credit committee' process.
    c) Step 3 – a full credit committee process, which would run in a similar way to the existing 'limit case' process. The committee would contribute to advice that would go to the Chancellor for consideration.

84. HM Treasury officials also recommended additional measures to tighten up the scheme with companies downgraded to B+ automatically cut off and sought a steer on the stage at which firms should be paused and engaged, noting the sensitivities with that decision.

85. On 27 August 2020 the EST approved the framework and range of mitigations and confirmed the market notice should be updated with a high-level statement to reflect the changes and provide a clear market update, balancing the need for transparency with the risk of companies increasing their borrowing if they anticipated their access may be suspended [**BR/D/65 – INQ000609125**].

86. Following this agreement, the department worked with Blackrock to produce a deeper review of the risk in the CCFF portfolio, identify the firms impacted by the changes, and to provide an ongoing assessment tool for UKGI to use to manage those firms in a way that maintained the reputation of the scheme and avoided a rush on drawdowns.

87. UKGI's role in the CCFF increased from October 2020. HM Treasury had relied largely on contractors to cover the case work required as UKGI was not initially resourced to provide the amount of support, given the speed with which the CCFF was set up. It was agreed UKGI would take over from the contractors in the autumn. UKGI created the Covid Intervention Resolution Group ("**CIRG**") which was operational by 19 October 2020, and included secondments from the private sector, with experience in credit risk teams. CIRG was responsible for monitoring the CCFF portfolio and managing any assets that fell into distress. CIRG also supported the ACC, presenting papers for the committee on a company's financial status to support decision making.

88. On 7 October 2020, officials sent further advice proposing to simplify the new risk management framework ahead of its rollout later that same week, due to concerns about the operability, consistency and quality of the assessment of these firms by Blackrock [**BR/D/66 – INQ000610835**]. Officials were concerned the bespoke methodology developed with Blackrock was not considered sufficiently robust and required too much subjective judgment. Instead, the department proposed to rely on the indicators already being used to assess eligibility, but to add a requirement the evidence was up to date. Under the new two-stage process companies unable to provide a recent investment grade credit rating would be referred to the ACC. Ahead of this they would face further assessment by UKGI, with support from McKinsey. The ACC would form a view as to

whether there was a reasonable expectation that if the company were to issue their full limit, they would be able to repay the proposed draw down at maturity. It would then provide a recommendation to the BoE, which could include changes to the firms' terms of access, obtaining further guarantees, or introducing financial or information covenants. It would still be for the BoE and ministers to make the final decision as to whether they should be entitled to issue new CP into the scheme. Whilst this meant additional work for the ACC, it relied on recognised external measures. Companies that fell to BB- to BB+ were to be addressed on a case-by-case basis as opposed to being cut off automatically. At this point in time HM Treasury officials anticipated 30 firms would fall into this category and would need further interrogation. This framework was approved by the EST and Chancellor the same day [**BR/D/67 – INQ000609132**].

89. The new Access Review Process ("**ARP**") was announced on 9 October 2020 via a change to the BoE's market notice and an update on gov.uk. In addition to the notice, firms received an email from the BoE setting out what would be required of them ahead of the change. If any companies raised queries with the BoE they were to be provided with a clear set of instructions. CIRG led the engagement with the companies, requesting evidence of a fresh Investment Grade credit rating. This was then shared with the ACC for consideration. The key expectation of this process was that a company should evidence that they would be able to repay the CP at maturity, which not all companies were able to do. Of 14 cases taken to the Committee, 8 were approved and 6 were rejected. To ensure the appropriate level of transparency, any companies rejected were provided with a brief explanation as to why.

90. On 30 April 2021 HM Treasury officials sent advice to the Chancellor on the proposed treatment of distressed assets that could emerge from CCFF. The advice noted CCFF assets currently sat within the BoE-owned SPV, CCFF Ltd. Officials advised the number of companies was expected to be low, but HM Treasury was the ultimate risk-owner for the CCFF under the indemnity and so had a legitimate interest in protecting value for the taxpayer. In addition, the advice noted, if distressed assets remained within CCFFL, there could be a perceived conflict of interest with other impacted creditors that the Bank regulate, as well as potential issues with CCFFL directors meeting their fiduciary duties, if represented by HM Treasury and its advisors (UKGI). The advice therefore recommended setting up an HM Treasury owned SPV to manage any distressed assets [**BR/D/68 – INQ000609627**]. On 7 May 2021 HM Treasury officials sent updated advice

to the Chancellor providing additional context around the option to transfer rather than retain BoE ownership after distressed assets emerged from CCFF [**BR/D/69 – INQ000609628**] [**BR/D/70 – INQ000611619**]. The Chancellor responded on the 11 May 2021 noting that he was minded to make no changes given the scheme was only intended to be open for another 10 months [**BR/D/71 – INQ000609161**].

91. HM Treasury officials sent advice to the Chancellor on 2 August 2021, providing a general update on the risk in the portfolio and an option for dealing with any assets which became distressed [**BR/D/72 – INQ000610852**]. The advice noted that while officials did not expect any distressed CCFF assets based on CIRG's monitoring activity, officials were working privately with CIRG to explore a range of options for dealing with distressed assets in case they were needed. On 4 August 2021 the Chancellor's private office responded confirming the advice was noted, and the Chancellor would be interested in receiving more information about the 80% HM Treasury loan guarantee option [**BR/D/73 – INQ000609168**].

92. HM Treasury worked closely with the CIRG, to prepare options for dealing with distressed assets if needed. Advice was put to the Chancellor on 5 August 2021, providing a general update on the risk in the portfolio and an option for dealing with any assets which became distressed [**BR/D/72 – INQ000610852**]. The starting position was that balances must be repaid if the firm has the funds, utilising any parent guarantees the firm has provided as necessary However, there may be cases where the firm struggled to refinance the CP and pushing for repayment could, for example, lead to large scale redundancies. Some of those firms would qualify for existing support schemes to refinance their CP, but not all would be eligible. Officials therefore proposed an HM Treasury loan guarantee scheme capped at 80%, with additional conditions beyond the CCFF such as climate related conditions. This scheme would be used only in extenuating circumstances, on a bespoke basis.

Closure of the CCFF

93. The CCFF closed for further issuance as planned on 23 March 2021. UKGI and HM Treasury prepared a note for the Chancellor on 23 March 2021 to provide an update on closing figures and maturity profile of the scheme, note success and reflections and

capture next steps [**BR/D/74 – INQ000609621**]. The key figures for the scheme were as follows:

a) 107 firms issued c. £38.0 billion of CP into the scheme.
b) These 107 firms contributed c. 0.9 million jobs in the UK.
c) The net balance of the scheme at the close date was c. £8.3 billion.
d) CCFF provided financial assurance to a further 197 firms, who ultimately chose not to draw down on the scheme but were responsible for an additional c. 1.5 million jobs in the UK.
e) Total credit lines for all 304 eligible firms peaked at c. £104 billion.

94. Repaying loans under the CCFF UK scheme involved full repayment at the end of the loan term, which could be extended under certain circumstances. The scheme suffered no losses, and therefore the CCFF resulted in over £60 million profit for HM Treasury. As detailed in paragraph 98 by the closure of the scheme all loans had been repaid in full. The BoE and HM Treasury had received a lot of positive feedback about the scheme from eligible firms, and HM Treasury had worked closely with UKGI and the BoE to handle firms who were unsuccessful in the review process to ensure they were confident about the assessment process.

95. At this stage the ACC had assessed 14 access review cases (8 approved), 4 limit extension cases (2 approved) and 16 eligibility cases (12 approved). In advance of CCFF closure, on 17 March 2021, UKGI circulated a joint UKGI/HM Treasury proposal regarding the future of the ACC as the closure of the CCFF application window had led to a material fall in the amount of casework requiring ACC oversight. Given the value add the committee members had to the CCFF scheme, they were keen to retain the committee, but at a far lower intensity of meetings to reduce the demand on time for its members [**BR/D/75 – INQ000609622**].

96. Following further discussion, the note was distilled and circulated on 14 April 2020 in advance of a meeting with the ACC and senior HM Treasury officials [**BR/D/76 – INQ000609624**]. The frequency of meetings was adjusted to one 'stocktake' per month and a weekly slot reserved on 'hold' each week for a normal session. HM Treasury policy teams would provide pipeline updates at stocktake meetings, and the ACC would be sighted on all developments that may impact the resource ask of members, with

meetings adjusted accordingly. In the longer term, HM Treasury would review the ACC's role in March 2022 once all outstanding CCFF debt had matured and the need for specialist expertise could be reassessed.

97. An update was sent to the Chancellor on 17 December 2021, confirming there were 13 issuers remaining in the scheme, which UKGI continued to monitor closely. £2.2 billion remained to be repaid, but UKGI had no major concerns over repayment from any of the issuers despite the development of the Omicron variant. The preference was not to extend CCFF, but to assess any requests on a case-by-case basis according to need, pushing companies to first explore all other refinancing options in the market and only returning to HM Treasury as a last resort.

98. On 18 March 2022, the Chancellor confirmed the scheme had come to an end and hailed the success it had achieved. The Chancellor confirmed that the final CCFF repayments had now been made, with all companies paying back what they owed [**BR/D/77 – INQ000609921**].

Reflections and Lessons Learnt

99. The CCFF provided a quick and cost-effective way to raise working capital for companies who were fundamentally strong but were at risk of experiencing severe disruption to cashflows because of the pandemic. The scheme provided almost £38 billion of support to more than 100 of the UK's biggest firms and made a profit for the taxpayer of over £60 million, whilst protecting millions of jobs. Firms that employ almost 2.5 million people were directly supported including those in the car industry, travel, hospitality, and high street stores.

100. The scheme was designed and deployed rapidly, demonstrating a strong example of collaboration between HM Treasury, the BoE and UKGI. During the beginning of the pandemic, it was essential that the scheme was as accessible as possible to quickly establish market confidence. As detailed throughout the statement, the government's response adapted to the environment and adjustments to the scheme were made, this included the development of stronger risk frameworks and measures, for example publicising the names of companies using the CCFF.

101. As the scheme came to an end, HM Treasury officials recognised the importance of reflecting on the successes of the scheme, together with the lessons that had been learnt, to ensure any internal knowledge was distilled and retained. At the February 2021 meeting of the CIRG policy forum, UKGI and HM Treasury took away an action to conduct lessons learnt exercises [**BR/D/78 – INQ000609158**].

102. HM Treasury and UKGI conducted a number of joint sessions over April and May 2021 on the operation and implementation of processes related to the CIRG [**BR/D/79 – INQ000609644**] and the ACC [**BR/D/80 – INQ000609632**]. A paper that summarised the reflections from the discussions between HM Treasury and UKGI was presented to the CIRG policy forum on 2 June 2021 [**BR/D/81 – INQ000609645**]. The discussion recognised the key achievements of the CIRG and ACC including: the meeting of objectives, strong collaboration, firm engagement and effective service delivery. The departments also reflected on some lessons that had been learnt, noting the importance of:

a) Establishing roles and responsibilities early.
b) Identifying ways of working across organisations.
c) Recognising where levels of decision making can be placed.
d) Encourage joint process development.
e) Forward planning to review upcoming milestones and challenges.

103. It was agreed at the forum that there would be merit in conducting a series of further sessions, focusing on wider reflections on the CCFF policy as a whole. Further discussions took place on the scheme including objectives, design, Access Review Process, the structure of the CP and possible alternative instruments. At the next CIRG policy forum on 14 July 2021 UKGI presented a summary of these initial discussions [**BR/D/82 – INQ000610866**] [**BR/D/83 – INQ000611625**], which included:

a) The CCF was felt to be successful in providing significant levels of liquidity to some of the UK's largest and most strategically important companies, at a time of significant global uncertainty.
b) It was recognised it was difficult to assess the extent of which proceeds resulting from CP issuance were always used by firms as working capital, as per the original

purpose of CCFF, particularly as the scheme progressed and the wider market recovered.

c) There are a series of design options that should be considered as part of the supporting structure of the CP, which could enhance HMG's position with respect to maximising returns for taxpayers and encouraging responsible access.

d) It was noted there is always likely to be a trade-off between providing emergency liquidity via a standard market product which priorities ease and speed of access, against a product with less-standard terms but which strengthens the government's position with respect to the recovery of taxpayer funds.

e) A review of the National Risk register, or economic equivalent, to assess in which scenarios emergency liquidity might be needed to be provided, may be helpful.

104. Following further reflections, UKGI presented a report on CCFF at the CIRG policy forum on 11 April 2022 which expanded on the above reflections and was used at a joint learning exercise between HM Treasury and UKGI. On 20 June 2022 [**BR/D/84 – INQ000611624**] UKGI made several recommendations to consider for any future similar schemes, including:

a) The addition of certain basic features to the CP documentation, in line with market standards, to suit more complex and secured capital structures.

b) In responding to a future crisis, HMG should segment the market and use multiple financing tools for larger firms, putting in place the appropriate products depending on the borrower's level of risk. As low risk borrowers generally require less structure products, the government could still prioritise speed, scale and utility, as they did with CCFF.

c) The UKGI also noted that government should think about whether or not existing bodies or dedicated specialist teams need to be established in advance of a crisis to ensure any interventions can be delivered.

d) Finally, UKGI noted clear communication should be at the heart of any future response, and this would involve working more closely with market participants (e.g. lenders and advisors) to disseminate information and identify potential challenges as early as possible.