COVID Corporate Financing Facility, Coronavirus Large Business Interruption Loan Scheme, Coronavirus Business Interruption Loan Scheme, the Future Fund: will they help your business?

In an attempt to provide support to as many businesses as possible as they battle the effects of the COVID-19 pandemic (and to deploy the £330 billion of promised government support), the Chancellor is today launching the Coronavirus Large Business Interruption Loan Scheme as an addition to the "net of support" provided by the two previously launched schemes. He has also announced the details of the Future Fund, which will support some of the UK's most innovative start-up businesses.

The details of all 4 schemes are still evolving and being adapted in response to feedback. This alert sets out what we know so far about:

- the COVID Corporate Financing Facility (CCFF);
- the Coronavirus Business Interruption Loan Scheme (CBILS);
- the new Coronavirus Large Business Interruption Loan Scheme (CBILS); and
- the Future Fund.

It is clear that HM Treasury, the Bank of England, the British Business Bank and the lending community generally are focussed on utilising these schemes to provide support to British businesses that are running into COVID-19 related issues, but will this be enough?

Larger Businesses: COVID Corporate Financing Facility (CCFF)

The CCFF is delivered through commercial lenders and backed by the Bank of England. It is intended for larger UK firms (including those with foreign incorporated parent companies) that meet the criteria set out below.

How does it work?

The CCFF uses the central bank balance sheet to lend it directly to large businesses that are looking for bridge financing. The Bank of England will buy commercial paper issued by those entities (i.e. an unsecured short term debt instrument/bond with maturities of between 1 week and 12 months).

Who is eligible?

The CCFF will be available to UK incorporated companies provided they:

- make a material contribution to economic activity in the UK; and
- can demonstrate they were in sound financial health prior to the onset of the crisis.

The facility is also available to large housing associations that are assessed as V1 grade for viability from the Regulator of Social Housing and that meet the other eligibility criteria set out by the Bank of England. The funding limit for eligible housing associations is set at £300m.

Companies that do not currently issue commercial paper but are capable of doing so are eligible to participate, provided they meet the other criteria. Companies that have not issued commercial paper previously should either speak to their own bank (if that bank issues commercial paper) or contact one of the banks on the UK Finance list (see https://www.ukfinance.org.uk/covid-19-corporate-financing-facilities).

If a company's commercial paper is eligible for the CCFF, your bank can work with you to issue it under the CCFF.

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The CCFF will not be available to:

- Banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority;
- Leveraged investment vehicles;
- companies within groups that are predominantly active in businesses that are subject to financial sector regulation; or
- public bodies or authorities and entities governed by public law or public undertakings (being an undertaking over which the State or other regional or local authorities may exercise a dominant influence - by virtue of their ownership, their financial participation or the rules governing the relevant undertaking).

Eligible companies will also need to evaluate utilisation of the CCFF alongside any other debt facilities they may have in place. For example, how would the CCFF impact existing financial covenant packages or debt incurrence restrictions?

Are private equity owned businesses eligible?

The Bank of England has clarified that whilst leveraged investment vehicles (i.e. acquisition SPVs) themselves will not be eligible, this exclusion does not restrict target group companies which are owned by private equity sponsors from applying for financial support under the CCFF scheme. The Bank of England has confirmed that it will assess the relevant company's application on its merits and will look beyond its ownership when determining whether an application is successful.

In practice, companies which are private equity owned are unlikely to satisfy the other criteria, but private equity ownership is not in and of itself a barrier to an application for liquidity under the CCFF scheme.

What commercial paper documentation is eligible?

The Bank of England will accept commercial paper with standard features that is governed by English law and subject to the jurisdiction of the English courts that is either:

- issued using ICMA market standard documents (Euro Commercial Paper materials from the ICMA Primary Market Handbook available from https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/covid-19-market-updates/ - available to non-ICMA members also); or
- based on a simplified form of the ICMA documents - the forms can be found at https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility

Although use of the pre-approved form of the documents will lead to a speedier process, other forms based on the ICMA standard may be considered by the Bank of England. However, if this approach is being considered, it would be advisable to contact the Bank of England (on CCFF-Applications@bankofengland.co.uk) at the outset.

Material contribution to UK economic activity?

Firms that meet this criteria would typically be UK incorporated businesses (including those with foreign parents) that have a genuine business in the UK. Factors to be considered include:

- the extent to which the company has employees in the UK;
- whether the company generates significant revenues in the UK;
- the extent of the company's UK customer base; and
- the number of operating sites that the company has in the UK.

What constitutes "sound financial health prior to the onset of the crisis"?

Since its inception, the parameters of the scheme have been adapted with a view to making it accessible to an increased number of larger companies. There are essentially 3 ways to evidence that a company passes the "sound financial health" test:

1. Does the company have an investment grade rating?

So does the entity have:

- a minimum short term credit rating of A3/ P3/ F3/R3 from at least one of Standard & Poor's, Moody's, Fitch and DBRS Morningstar as at 1 March 2020; or
- a long term credit rating of BBB-/Baa3/BBB-/BBB low or above on the same basis.

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If so, it will be classed as investment grade and satisfy the "sound financial health" test.

If an entity has different ratings from different agencies and one or more of its ratings is below the prescribed minimum, it will not be immediately eligible (but may pass the test based on evidence from banks internal ratings etc).

2. If the proposed issuer does not have an investment grade rating, consider banks' internal ratings

The Bank of England has been provided with a credit assessment file that sets out the corporate credit estimates/internal ratings of a number of the large UK banks. If you believe that your lenders are likely to rate your company as investment grade, it would be worthwhile discussing this with them, as that could be a potential route to eligibility for the CCFF as the Bank of England may deem the company to have the equivalent of a public investment grade rating.

The Bank of England is open to receiving queries in relation to these aspects and eligibility generally by contacting CCFFeligibleissuers@bankofengland.co.uk.

3. If the banks' internal ratings do not help, consider obtaining a credit quality assessment from a ratings agency

The major ratings agencies have been responding quickly to requests from companies for an assessment of their credit quality as at 1 March 2020. That input would then form part of the information to be shared with the Bank of England and HM Treasury as part of the application process for the CCFF.

Listed below are some standard agency forms of credit assessments that the Bank of England have confirmed as being suitable evidence of credit status for CCFF purposes:

Moody's

- Long and short term public corporate credit ratings
- If approaching CRAs for first time, private recent "indicative ratings"

Standard & Poor's Ratings Services

- Long and short term public corporate credit ratings
- If approaching CRAs for first time, recent "Private Credit Assessments"

Fitch

- Long and short term public corporate credit ratings
- If approaching CRAs for first time, a recent private credit opinion incorporating rating rationale preferred (if available).

DBRS Morningstar

- If approaching CRAs for first time, a point in time private credit assessment.

If an entity has been downgraded after 1 March 2020 or its financial health has deteriorated since then, it is still possible to make an application provided that good financial health prior to 1 March 2020 can be demonstrated. Eligibility will need to be approved by HM Treasury.

What CP can we sell and when?

Once the documents have been submitted to the Bank of England, they will confirm whether the commercial paper is eligible for the CCFF as soon as possible. If a positive confirmation is forthcoming prior to 4pm on a business day, then the company will be able to sell the commercial paper to the Bank of England on the next business day, through its bank.

Purchases will occur on each business day between 10 and 11am. The minimum purchase size is £1 million and transactions are to be rounded to the closest £0.1 million.

Primary market purchases of commercial paper under the scheme will be subject to individual issuer limits. The maximum limits will vary depending on the credit rating of the issuer and can be changed at any time at the discretion of the Bank of England/ HM Treasury.

What about pricing?

The facility will be priced on terms that are comparable to those prevailing in the market in the period prior to the COVID 19 outbreak.

In relation to primary market purchases, the Bank of England will purchase securities at a spread above a reference rate, based on the current sterling overnight index swap (OIS) rate.

In relation to secondary market purchases, the Bank of England will purchase commercial paper at the lower of amortised cost from the issue price and the price determined using the primary market purchase methodology above. The Bank of England also applies an additional small fee for use of the secondary facility - currently set at 5 basis points.

As at 23 March 2020, the respective spreads are:

Rating	Spread to OIS
A1/P1/F1/R1	20 bps
A2/P2/F2/R2	40 bps
A3/P3/F3/R3	60 bps

Potential applicants will therefore want to consider whether drawing under the CCFF would be economically preferable to drawing under other undrawn lines that may be available to the company.

How long will the CCFF be available for?

At least a 12 month period and for as long as it is needed to relieve cash flow pressures on eligible companies.

At least 6 months' notice of the withdrawal of the facility will be provided.

How do I access the CCFF?

Liaise with your own bank or another bank that issues commercial paper. If you have existing commercial paper that is eligible for the scheme, banks will assist with issuing it to the CCFF. Queries regarding eligibility can be directed to CCFFeligibleissuers@bankofengland.co.uk.

If you have spoken to your bank and believe that you are eligible, you can move onto completion of the various application documents. The Issuer Eligibility form (primary market) and the Issuer undertaking and confidentiality agreement can be found at https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility.

The Bank of England may require a guarantee in some circumstances. The pro forma of that guarantee and the form of the required supporting legal opinion can be found by following the link above.

More information on the application process can be found at https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-applicants.

How long will the application process take?

The Bank of England will try to acknowledge the application within 24 hours and invite a chaser e-mail if that does not happen (CCFF-Applications@bankofengland.co.uk).

As you would expect, the Bank of England is receiving a high volume of applications for the CCFF and are therefore welcoming banks and issuers working together to ensure that the Issuer Eligibility Form and the other supporting documents are completed as fully as possible in order to aid the eligibility assessment process. The Bank of England may still need to follow up and ask additional questions, but the general rule is the more information the better.

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Smaller Companies: Coronavirus Business Interruption Loan Scheme (CBILS)

Who is eligible to apply?

CBILS is a scheme for smaller businesses that:

- are *UK based in their business activity* and with *annual turnover (in the 12 months preceding the application) not exceeding £45 million;*
- generate more than 50% of their turnover from trading activity;
- can *self-certify* that the business has been adversely impacted by COVID-19;
- have a *borrowing proposal* that, if it were not for the current pandemic, would be considered viable by the lender - noting that the lending decision stays with the relevant lender; and
- operate within an *eligible sector* (which excludes banks, credit institutions (falling within the Bank Recovery and Resolution Directive), building societies, insurers (but not insurance brokers), reinsurers, public-sector bodies, grant funded further education establishments and state funded primary and secondary schools.

The application needs to be for business purposes and the funding should be used primarily to support trading in the UK. The British Business Bank has clarified that, if the other criteria are satisfied, small businesses will be eligible for CBILS even if they would be eligible to access a standard commercial facility.

If the business is part of a group (and controlled on a legal or de facto basis), the consolidated group turnover cannot exceed the £45 million threshold. If the turnover exceeds that amount, the business may be eligible to participate in the Coronavirus Large Business Interruption Loan Scheme (CLBILS - see further detail below).

Whereas originally CBILS was not available to private equity owned businesses, Government has now clarified that PE portfolio companies will be able to access the scheme (subject to satisfying the other criteria).

To the extent that a company has existing banking facilities, the facility documentation may incorporate restrictions on raising additional financial indebtedness and therefore the loan (and any security and guarantee) documentation should be checked for relevant provisions.

Is CBILS just for companies?

No, the business must be operated through a business account, but is otherwise open to Individuals who are sole traders or partners in a partnership, freelancers, companies, limited partnerships, limited liability partnerships and any other legal entity that fits the criteria above.

How does it work?

The CBILS is provided by the British Business Bank through participating approved lenders. The scheme provides the lender with a government-backed guarantee for 80% of the outstanding facility amount (which supports a potentially positive credit decision) - subject to an overall cap per lender.

As well as term and revolving loans, a CBIL may also include other types of financial product such as overdrafts, invoice financing and asset financing. The maximum facility size is £5 million.

The term of the facility can extend up to 6 years for term loans and asset finance and up to 3 years for overdrafts and invoice financing.

What about pricing?

There will be no guarantee fee for SMEs to access the scheme - the lenders will pay a fee.

The Government will make a Business Interruption Payment (BIP) that will cover the first 12 months of interest on the facility and any lender levied fees.

However, other payments that the business may receive may count towards/reduce the amount of the BIP that a business receives - this reflects that the payment is being made under the Temporary Framework for State aid measures to support the economy during the pandemic. Details of any other payments that will count towards the BIP will be published by the British Business Bank in due course.

What has changed?

Since the CBILS scheme was first announced, in response to feedback from the business community and the banks, the scheme has been expanded to allow greater access for small businesses. If a business entered into a commercial banking facility from 23 March 2020 onwards and that business meets the CBILS eligibility criteria, lenders have been requested to bring those borrowers onto CBILS (to the extent that the lender is accredited to do so). The expanded scheme went live on Monday 6 April 2020.

The British Business Bank is encouraging businesses who have been unsuccessful in a funding request prior to that date to consider re-contacting the lender to allow the request to be given fresh consideration.

Will I need to give guarantees and security?

It depends on the size of the facility:

Facility below £250k	No personal guarantees required If a lender has taken a personal guarantee in support of a CBILS facility prior to the changes, the lender is not permitted to make a demand under it.
Facility of 250k and above	Lender may require a personal guarantee but: i. it must exclude the Principal Private Residence (PPR) of the borrower from any recourse; and ii. recoveries must be capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets (from any enforcement of debenture security etc) have been applied.

Where a lender considers that it already has the benefit of sufficient security from the company to support a new or extended commercial facility, that does not mean that the company should not make an application under CBILS (and take advantage of the Business Interruption Payment). That security could then be shared with and also support the CBILS facility.

What level of information will a lender require?

The answer to that will most likely depend on how well that lender knows your business. They will need sufficient financial information to allow them to properly consider the borrowing proposal and to evaluate whether the business will be able to repay the loan. Financial statements, business plan, cash flow forecasts etc. may be required to support the application.

How does a business apply?

A business should visit the website of the British Business Bank (www.british-business-bank.co.uk) and check if their own bank is one of the listed accredited lenders. If so, it makes sense for a business to open a dialogue with that bank with regards to its financing needs. If those discussions are not successful, that does not necessarily mean that all accredited lenders would have the same view. Therefore, an application to another lender may well have a different outcome.

The British Business Bank is asking applicants to bear in mind the number of applications that lenders are dealing with and to make contact through a lender's website in the first instance. We have found that the British Business Bank has been very helpful with responding to queries on the scheme and how it works (as opposed to commenting on an individual application and its merits).

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Mid-cap and larger sized companies: Coronavirus Large Business Interruption Loan Scheme (CLBILS)

Who is eligible to apply?

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) will be launched on Monday 20 April 2020. CLBILS will support viable businesses with an annual turnover exceeding £45 million. CLBILS has been developed to fill a gap that existed between the CCFF and CBILS schemes and with the intention of providing lenders with more confidence and extra flexibility to continue lending to UK enterprises that may not meet a lender's usual lending requirements for commercial loans, but are considered viable in the longer term.

There isn't a lot of detail currently available about the scheme, but the structure of the scheme closely resembles CBILS. We have incorporated a table below that compares CBILS and CLBILS. We expect that, as has been the case with CBILS, the details of the CLBILS scheme will be fleshed out in the coming weeks.

CLBILS is a scheme for larger businesses that:

- are *UK based in their business activity* and with *annual turnover (in the 12 months preceding the application) exceeding £45 million;*
- generate more than 50% of their turnover from trading activity;
- can *self-certify* that the business has been adversely impacted by COVID-19;
- have a *borrowing proposal* that, if it were not for the current pandemic, would be considered viable by the lender and where the lender believes that:
  - the provision of finance will enable the business to trade out of any short to medium term cashflow difficulty; and
  - with the benefit of the facility, the borrower is not expected to go out of business in the short to medium term;
- has not received a facility under the Bank of England's CCFF scheme; and
- operates within an *eligible sector* (same exclusions apply as for CBILS - see above).

If a company meets the criteria for CCFF and CLBILS, it can choose to apply for a facility under either scheme, but not both.

The Government has now clarified that PE portfolio companies will also be able to access the scheme (subject to satisfying the other criteria).

How does it work?

Like CBILS, CLBILS is provided by the British Business Bank through participating approved lenders. The Borrower will remain responsible to repay 100% of the amount owed under the facility (together with interest and fees). However, the scheme provides the lender with a government-backed guarantee for 80% of the outstanding facility amount (*including* interest and fees - unlike CBILS) subject to a lender portfolio cap.

As well as term and revolving loans, a CLBIL may also include other types of financial product such as overdrafts, invoice financing and asset financing for up to 3 years.

Is CLBILS just for companies?

No, as for CBILS.

How much can a business borrow under CLBILS?

Viable businesses with turnover exceeding £45 million can apply for a facility of up to £25 million. If a business has turnover exceeding £250 million it can access a facility of up to £50 million - but, the amount borrowed cannot be greater than:

- twice the amount of the borrower's annual wage bill for the most recent year; or
- 25% of the borrower's total turnover for the most recent year,

unless the borrower evidences and certifies (to the lender's satisfaction) that the facility needs to be larger in order to cover the liquidity needs of the business for the next 12 months.

Will I need to give guarantees and security?

Lenders are expected to apply their usual credit policies when considering whether security will be required.

In relation to personal guarantees however, the principles set out above in relation to CBILS will also apply to CLBILS.

What about pricing?

Business Interruption Payments (BIP) will not apply to CLBILS. Pricing will be negotiated with the lender.

How does a business apply?

As for CBILS above. Given that CLBILS serves larger businesses than CBILS, terms may take longer to negotiate in relation to these facilities as the documentation is likely to be more complex than for CBILS (which may be documented on the basis of a lender's standard documents).

Comparing CBILS and CLBILS

	CBILS	CLBILS (Opening Monday 20 April 2020)
Business size	For **smaller businesses** with a turnover of **up to £45 million**.	For **larger businesses** with a turnover of **more than £45 million** who haven't taken up the CCFF.
Amount	The **maximum** value of facilities under the scheme is **£5 million**.	Finance of up to **£50 million** to businesses with a turnover over £250 million or up to **£25 million** for businesses with a turnover from £45 million - £250 million.
Guarantee	Provides the lender with a **government-backed**, **partial guarantee (80%)** against the outstanding balance of the finance.	Provides the lender with a **government-backed**, **partial guarantee (80%)** against the outstanding balance of the finance (*including* interest and fees).
Form of finance	Available as term loans, overdrafts, invoice finance and asset finance.	Available as term loans, RCFs (including overdrafts), invoice finance and asset finance.
Finance term	For term loans and asset finance facilities, up to **six years**. For overdrafts and invoice finance facilities, up to **three years**.	From **three months to three years**.
Security	Insufficient security is no longer a condition to access the scheme. **No personal guarantees for facilities under £250,000**. Personal guarantees may still be required (at lender's discretion) for facilities above £250,000, but they exclude PPR and recoveries under these are **capped at a maximum of 20%** of the outstanding balance of the CBILS facility.	**No personal guarantees are permitted for facilities under £250,000**. For facilities of £250,000 and over, claims on personal guarantees **cannot exceed 20% of losses** after all other recoveries have been applied.
Additional government assistance	The Government will make a Business Interruption Payment to cover the **first 12 months of interest payments** and any lender-levied charges.	No Business Interruption Payment

Start-Ups: The Future Fund

Who is eligible to apply?

To be eligible, a business:

- must be an unlisted UK registered company;
- that has raised at least £250,000 in aggregate from private third party investors in funding rounds during the last 5 years; and
- that has a substantive economic presence in the UK.

If the entity is a member of a group, only the ultimate parent company (if UK registered), is eligible for the loan.

Usual checks will be made prior to the loan being funded - such as KYC etc.

How does it work?

The Future Fund scheme is intended to issue convertible loans to innovative companies facing financial difficulty as a result of the pandemic. There will be an initial commitment of £250 million available, but this will be kept under review. The scheme will, like CBILS and CLBILS, be implemented in partnership with the British Business Bank and will be open until the end of September 2020.

To date, headline terms have been published. Fuller details of the scheme and the eligibility criteria will be published in the coming weeks.

The scheme will utilise a matched funding structure and provide an entity with a loan of between £125,000 and £5million provided that the loan amount is matched by private third party investors. The third party investor can however fund in excess of 50% of the aggregate funding amount.

How do the funds need to be utilised?

The funding is to be utilised for working capital purposes only - it is not permitted to be used to repay borrowings, pay dividends or bonuses to staff, management, shareholders or consultants. The Future Fund part of the loan can also not be used to pay any advisory or placement fees or bonuses to external advisers.

What about repayment?

The bridge funding will automatically convert into equity at the time of the company's next *qualifying funding round*, with a minimum conversion discount of 20% (the **"Discount Rate"**) being applied to the valuation set by that *qualifying funding round*. The company will have a right to repay the accrued interest. A higher discount rate can be agreed between the company and the matched investors.

A "qualifying funding round" will be considered to have taken place when the company has raised an amount in equity (excluding any share issue relating to the bridge funding conversion or to employees or consultants as a result of an exercise of share options) that is at least equal to the aggregate amount of the bridge funding. A funding round where less than that amount is raised in equity will be a "non-qualifying funding round".

If there is a non-qualifying funding round, the bridge funding can be converted into equity, by applying the Discount Rate to the price that was set by that funding round, if the holders of the majority of the principal amount held by the matched investors (the **"Principal Majority"**) elect to do so.

On maturity, the holders of the Principal Majority can decide either to:

- be repaid with a redemption premium (equal to 100% of the principal amount of the bridge funding); or
- convert the debt into equity at the Discount Rate to the price that was set by the most recent funding round,

but, the Government's loan will automatically convert unless it has requested repayment of its loan.

On a conversion, the Discount Rate will only be applied to the principal amount of the bridge funding. Accrued interest that has not been repaid will convert at the relevant price, without application of the Discount Rate. The loan will convert into the most senior equity class in the company. However, if a further funding round occurs within 6 months of the conversion which results in a more senior equity class, then the lenders will be entitled to convert their equity into that more senior equity class.

What happens if there is a sale or an IPO of the company?

If there is a sale or an IPO, the loan will either :

- convert into equity at a price that is equal to the price set by the most recent non-qualifying funding round, less the Discount Rate; or
- it can be repaid with a redemption premium (equal to 100% of the principal amount of the bridge funding),

whichever will generate the higher amount for the lenders.

In the event of a sale or an IPO or on the maturity of the loan, if the most recent non-qualifying funding round took place *prior to* the issue of the bridge funding, then the conversion price will not include the Discount Rate.

What about the other terms of the loan?

The headline terms give the following guidance:

Loan Term:	Up to 36 months
Interest rate:	Minimum 8% per annum (non-compounding) payable on maturity
Decision making:	Government will have limited corporate governance rights - during the loan and as a shareholder following conversion
Representations/ Warranties:	Limited representations/ warranties will be provided by the company, including: ▪ title and ownership; ▪ capacity; ▪ loan eligibility in accordance with the eligibility criteria; ▪ compliance with laws; ▪ existing borrowing facilities of the company; ▪ litigation ▪ insolvency related.
Covenants:	Covenants to be provided under the loan and as a shareholder following conversion include: ▪ undertaking to treat the lenders and the holders of the conversion equity fairly and equally; ▪ to provide the Government with the same information rights as other investors; and ▪ compliance with laws.
Most favoured nation:	If the company issues any further convertible loan instruments to investors (including on a non-matched basis) with more favourable terms, those terms shall also apply to the bridge funding
Negative Pledge:	The company will not be permitted to create any indebtedness that is senior to the loan other than any bona fide senior indebtedness from a person that is not an existing shareholder or a matched investor
Transfer Rights:	The Government will retain the right to transfer the loan and following conversion, any of its shares without restriction to an institutional investor which is acquiring a portfolio of the Government's interest in at least 10 companies in the Future Fund. Intra-Government share transfers and transfers to entities wholly owned by central government are also permitted.

Will the 4 schemes be enough to save British businesses?

Since the launch of the COVID Corporate Financing Facility (CCFF) and the Coronavirus Business Interruption Loan Scheme, both schemes have been subject to criticism and pleas for changes to the terms/conditions and the structure of both have evolved as a result of that.

CCFF

- *From the outset, the CCFF was considered as being too restrictive as a result of the requirement for the relevant company to have an investment grade rating. The restrictions have been loosened slightly - now there are 3 different ways to satisfy the "sound financial health test" and ratings agencies have been keen to work with companies wanting to take an alternative route to evidencing that they should qualify for the CCFF.*
- *We will see if that helps to increase the number of successful applications and the amount of new commercial paper being bought by the Bank of England under the scheme. However, there are still critics who believe that the link to investment grade rating should be shelved totally and replaced with a "balance sheet solvency" test instead.*
- *Concerns have been expressed that, despite best efforts, the Bank of England is struggling with the number of applications that it is receiving and that is having an impact on turnaround times.*
- *Some applicant companies are putting in place Liquidity bridge facilities with relationship banks to provide a working capital source that they can draw on, if they need it, in the interim until their CCFF application is being processed. Those facilities will then typically be required to be prepaid from CCFF proceeds once received.*

CBILS

- *Many of the businesses that are eligible for CBILS, do not have the luxury of being able to tap a liquidity bridge facility (like the companies applying for CCFF). For that reason, the timing of having their applications processed is critical - as many are reporting how they are quickly running out of cash as lockdown continues.*
- *Some applicants are reporting that lenders are applying additional criteria that then exclude their business from being eligible to benefit from CBILS.*
- *Although it is clear that the accredited lenders dealing with the implementation of the CBILS scheme and the British Business Bank are working very hard to deal with the huge numbers of applications being received, some critics have said that the process would have been far simpler and quicker from a lender approval and execution perspective if the State guarantee covered 100% of the liabilities under the facility (as in the Swiss and German schemes).*
- *The Chancellor is reported as being concerned that a 100% guarantee would result in loans being made to businesses that are not viable and that would potentially not be able to repay the debt. That may be correct, but you could equally argue that it is a little unjust to criticise the accredited lenders for their CBILS application approval percentage, but at the same time choose to leave 20% of the repayment risk with the lender.*

CLBILS	Start-Ups/Future Fund
The introduction of the CLBILS scheme is certainly a welcome addition for those businesses who fell into the gap between CCFF and CBILS. We will have to wait and see how it evolves.	▪ *Today has seen the issue of the headline terms of a scheme that is intended to support venture capital-backed businesses that may be struggling to survive the pandemic - the Future Fund.* ▪ *Many of these business have not been able to access the CBILS scheme, because in many cases they are pre-revenue or pre-profit and are reliant on equity investment. These small and often tech-based businesses can tend to be lossmaking, but also hungry for cash to help them to scale up.* ▪ *The scheme is expected to launch for applications in May and run initially until the end of September. Further details will be released over the coming weeks.* ▪ *Initial concerns have been expressed that the scheme should not be used as a prop for less successful businesses. We will need to wait and see if the focus of investment for the Future Fund will be towards later-stage companies that have proved to be on a positive trajectory.*

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