

HM TREASURY: DEPARTMENTAL MINUTE

CONTINGENT LIABILITY ARISING FROM THE COVID-19 CORPORATE FINANCING FACILITY

1. It is normal practice, when a government department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a departmental Minute to Parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.
2. The above process has not been followed on this occasion because HM Treasury and the Bank of England judged that immediate action was required to support the economy following the Covid-19 outbreak. As part of the Government's response to Covid-19, HM Treasury are introducing a new credit easing scheme called the Covid-19 Corporate Financing Facility (CCFF), which will be run by the Bank of England on the Treasury's behalf.
3. As the CCFF is a HM Treasury scheme, a Treasury indemnity is necessary to protect the Bank from any potential losses. Due to the urgent nature by which this scheme is required, I concluded that there was special urgency to incur this liability without the normal provision for a period of Parliamentary scrutiny. This contingent liability will begin once the CCFF is operationalised, which is expected to occur in the week commencing 23 March 2020.
4. The CCFF will be of unlimited size. HM Treasury stands behind the Bank and is therefore committing to provide a full indemnity for the Facility. HM Treasury will indemnify the Bank for any losses that it makes arising out of, or in connection with, the use of the Facility. If the liability is called, provision for any payment will be sought through the normal Supply procedure.
5. The implications of this Facility that could affect the allocation of credit and pose risks to the Exchequer have been discussed with Treasury officials. A conservative risk control framework, which will be similar to existing frameworks such as that for the Asset Purchase Facility, will be agreed between HM Treasury and the Bank over the coming days.
6. It is intended that the CCFF will be temporary and the closing date will be dependent on the economic outlook and the state of the financial sector.
7. If, following the laying of this Minute, a Member signifies an objection by writing to me, I undertake to examine the objection and respond to the Member concerned.

Rishi Sunak

HM Treasury

18 March 2020