

MEMO# 32369

April 8, 2020

Reference Guide: Federal Reserve Funding Facilities Established in Response to COVID-19 Pandemic

[32369]

April 8, 2020 TO: ICI Members

ICI Global Members SUBJECTS: Exchange-Traded Funds (ETFs)

Fixed Income Securities

Investment Advisers

Money Market Funds

Municipal Securities

Systemic Risk

Trading and Markets RE: Reference Guide: Federal Reserve Funding Facilities Established in Response to COVID-19 Pandemic

Over a one-week period from March 17 through March 23, the Federal Reserve Board (FRB) established six funding facilities to inject liquidity into the US financial system and alleviate the dire market impacts associated with the COVID-19 pandemic. Consistent with the FRB's emergency lending authority in Section 13(3) of the Federal Reserve Act and the post-financial crisis limitations on that authority as outlined in Regulation A, each facility is structured as a temporary, broad-based program to provide liquidity to an identifiable market or sector of the financial system, and participation is limited to borrowers that are solvent. Within seven days of establishing each facility, the FRB issued a report to Congress setting forth its justification for doing so, as required by Regulation A.

This memorandum identifies the six funding facilities and provides a link to the FRB landing page for each, where members can find the facility's term sheet, FAQs (if issued), and relevant press releases. For a concise overview of each facility, we suggest that you review the FRB's reports to Congress. Each of these reports provides a brief (3-4 page) "plain English" discussion of the purpose and structure of the facility and its basic terms.

Money Market Mutual Fund Liquidity Facility

The Money Market Mutual Fund Liquidity Facility (MMLF) makes funding available to bank entities (US banks and bank holding companies and US branches of foreign banks) to purchase high quality assets from certain registered money market funds. According to the FRB, the MMLF will "help restore liquidity to help [money market funds] meet demands for redemption and to avoid the forced liquidation of commercial paper, municipal bonds, and

other short-term obligations into already strained financial markets. These measures are also intended to help restore stability in the markets for assets held by” money market funds.

The FRB report to Congress on the MMLF is available [here](#).

Commercial Paper Funding Facility

The Commercial Paper Funding Facility (CPFF) will provide a liquidity backstop to US issuers of commercial paper and certain municipal bonds by purchasing three-month unsecured and asset-backed commercial paper directly from eligible issuers.

The FRB report to Congress on the CPFF is available [here](#).

Primary Market Corporate Credit Facility

The Primary Market Corporate Credit Facility (PMCCF) will provide support for corporate debt markets by purchasing newly issued bonds from, or extending loans to, US companies meeting certain eligibility criteria. It is intended to help facilitate access to credit so that companies are better able to maintain business operations and capacity during the period of dislocations related to the pandemic.

The FRB report to Congress on the PMCCF is available [here](#).

Secondary Market Corporate Credit Facility

The Secondary Market Corporate Credit Facility (SMCCF) will provide support for corporate debt markets by purchasing outstanding investment grade corporate bonds issued by US companies meeting certain eligibility criteria. The SMCCF also may purchase shares of US-listed exchange-traded funds whose investment objective is to provide broad exposure to the market for US investment grade corporate bonds.

The FRB report to Congress on the SMCCF is available [here](#).

Primary Dealer Credit Facility

The Primary Dealer Credit Facility (PDCF) will provide funding to primary dealers^[1] in exchange for a broad range of collateral and is intended to foster the functioning of financial markets more generally. The facility will allow primary dealers to support smooth market functioning and facilitate the availability of credit to businesses and households.

The FRB report to Congress on the PDCF is available [here](#).

Term Asset-Backed Securities Loan Fund

The Term Asset-Backed Securities Loan Fund (TALF) will support the provision of credit to consumers and businesses by enabling the issuance of securities backed by private student loans, auto loans and leases, consumer and corporate credit card receivables, certain loans guaranteed by the Small Business Administration, and certain other assets.

The FRB report to Congress on the TALF is available [here](#).

Rachel H. Graham
Associate General Counsel

endnotes

[1] Primary dealers are designated banks and securities broker-dealers that are the trading counterparties for the Federal Reserve Bank of New York in its execution of open market operations to carry out US monetary policy. A list of primary dealers can be found at <https://www.newyorkfed.org/markets/primarydealers>.

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