

Federal Reserve Establishes New Facility to Provide Credit Support to Corporate Issuers

March 24, 2020

On March 23, 2020, the U.S. Federal Reserve announced further measures intended to promote maximum employment, stable prices and the stability of the financial system during the coronavirus pandemic (the full announcement can be found [here](#)). Among these measures is the establishment of the Primary Market Corporate Credit Facility (PMCCF). The Term Sheet for the PMCCF can be found [here](#).

Under the PMCCF, the Federal Reserve Bank of New York, through a special purpose vehicle, may purchase qualifying bonds directly from eligible issuers and/or provide loans directly to eligible issuers, thus serving as a funding backstop to large employers. To be eligible to participate in the PMCCF, an issuer must be an investment grade U.S. company headquartered in the United States with material U.S. operations that does not expect to receive direct financial assistance under pending federal legislation.

Any bonds purchased or loans made under the PMCCF must have a maturity of four years or less. Interest rates on bonds or loans under the facility will be informed by market conditions. Borrowers may elect to pay all or a portion of the interest due and payable on any interest payment date in-kind for up to six months, subject to possible extension; *provided* that the borrower may not pay dividends or repurchase any stock during any period that it is not paying interest.

In addition to the PMCCF, the Federal Reserve established the Secondary Market Corporate Credit Facility (SMCCF), a facility intended to provide liquidity for outstanding corporate bonds, and the Term Asset-Backed Securities Loan Facility (TALF), a facility intended to support the flow of credit to consumers and businesses by facilitating the issuance of certain specified asset-backed securities.

As noted in the Federal Reserve's announcement, the establishment of the PMCCF, SMCCF and TALF follows other similarly intended actions recently taken by the Federal Reserve.

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Please do not hesitate to contact us with any questions.



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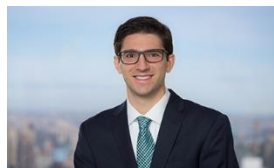
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