SULLIVAN & CROMWELL LLP

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Federal Reserve COVID-19 Response

Federal Reserve Announces Creation of New, and Expansion of Existing, Lending Facilities and Other Actions to Support Economy in Response to COVID-19

SUMMARY

On March 23, 2020, the Board of Governors of the Federal Reserve System (the "Board") announced the creation of an unprecedented suite of new lending facilities intended to provide support for the flow of credit to U.S. families and businesses in response to the financial disruptions caused by COVID-19. These facilities include:

- the Primary Market Corporate Credit Facility ("PMCCF"), intended to provide liquidity for new bond and loan issuances;
- the Secondary Market Corporate Credit Facility ("SMCCF"), intended to provide liquidity for outstanding corporate bonds; and
- the Term Asset-Backed Securities Loan Facility ("TALF"), intended to support the flow of credit to consumers and businesses.

Additionally, the Board announced expansions to its previously announced Money Market Mutual Fund Liquidity Facility ("MMLF"), intended to provide liquidity to money market funds, and the Commercial Paper Funding Facility ("CPFF"), intended to provide a liquidity backstop to U.S. issuers of commercial paper. The Board had also previously established a Primary Dealer Credit Facility ("PDCF"), intended to provide liquidity to primary dealers to support smooth market functioning and facilitate the availability of credit.

The Department of the Treasury, using the Exchange Stabilization Fund, will provide equity to these facilities.[1] Each of the facilities are being established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act,[2] with approval of the Treasury Secretary.

Although certain of these facilities are similar to facilities established by the Federal Reserve in response to the financial crisis in 2008-2009, including the TALF, MMLF, CPFF and PDCF, the scope of eligible assets or collateral generally is broader and, where applicable, the duration of the loan longer. The PMCFF and SMCFF, however, are new, and provide the Federal Reserve with the ability to purchase investment grade corporate bonds in the primary and secondary markets. The Federal Reserve also signaled its intention to establish in the near term a Main Street Business Lending Program to support lending to eligible small and medium-sized businesses to complement efforts by the SBA.

This memorandum summarizes the operational details and terms of the six lending facilities as they exist as of the date of publication of this memorandum. The Federal Reserve may alter the terms, scope and conditions of these facilities in the future.

Additionally, on March 17 and 18, 2020, the Federal Reserve released templates of letters it issued to banks temporarily exempting the recipient banks from Section 23A of the Federal Reserve Act[3] and Regulation W[4] for certain asset purchases by the bank from its affiliated money market mutual funds or affiliated broker dealers, as applicable, to ease liquidity pressures around such money market mutual funds and broker-dealers.[5] This memorandum summarizes the terms of these letters.

BACKGROUND

Since March 13, 2020, the United States has been operating under a state of emergency declared by President Trump regarding the spread of COVID-19. In response to the severe disruptions to the U.S. economy caused by the COVID-19 pandemic, the Board stated it "is committed to using its full range of tools to support households, businesses, and the U.S. economy overall in this challenging time" and to take "[a]ggressive efforts…across the public and private sectors to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate."[6]

The Board announced the establishment of the CPFF and the PDCF on March 17, 2020.[7] The Board announced the establishment of the MMLF on March 18, 2020,[8] and announced an initial set of expansions to the MMLF on March 20, 2020.[9]

I. PRIMARY MARKET CORPORATE CREDIT FACILITY ("PMCCF")

The PMCCF will serve as a funding backstop for corporate debt of eligible issuers.[10] Under the PMCCF, the Federal Reserve Bank of New York ("FRBNY") will commit to lend to a special purpose vehicle

("SPV") on a recourse basis. The SPV will (1) purchase qualifying bonds directly from eligible issuers and (2) provide loans to eligible issuers. The FRBNY will be secured by all the assets of the SPV.

A. ELIGIBLE ASSETS

Eligible corporate bonds and loans must meet each of the following criteria at the time of bond purchase or loan origination by the PMCCF:

- issued by an eligible issuer (discussed below);
- which issuer is rated at least BBB-/Baa3 by a major nationally recognized statistical rating organization ("NRSRO") and, if rated by multiple major NRSROs, rated at least BBB-/Baa3 by two or more NRSROs, in each case subject to review by the Federal Reserve; and
- have a maturity of four years or less.

B. ELIGIBLE ISSUERS

Eligible issuers are U.S. companies headquartered in the United States and with material operations in the United States. Eligible issuers do not include companies that are expected to receive direct financial assistance under pending federal legislation.

C. LOAN AND PURCHASE TERMS AND LIMITS

The PMCCF will purchase bonds and make loans that have interest rates informed by market conditions. At the borrower's election, all or a portion of the interest due and payable on each interest payment date may be payable in kind for six months, extendable at the discretion of the Board. Bonds and loans under the PMCCF are callable by the eligible issuer at any time at par. The commitment fee will be set at 100 basis points.

The maximum amount of outstanding bonds or loans of an eligible issuer that borrows from the PMCCF may not exceed the applicable percentage of the issuer's maximum outstanding bonds and loans on any day between March 22, 2019 and March 22, 2020, ranging from 110 percent to 140 percent for eligible assets/eligible issuers depending on their credit ratings.[11]

D. TERMINATION

The PMCCF will cease purchasing eligible corporate bonds or extending loans on September 30, 2020, unless the PMCCF is extended by the Board. The FRBNY will continue to fund the PMCCF after such date until the PMCCF's underlying assets mature.

II. SECONDARY MARKET CORPORATE CREDIT FACILITY ("SMCCF")

The SMCCF will provide liquidity in the secondary market for corporate debt issued by eligible issuers.[12] Under the SMCCF, the FRBNY will commit to lend to an SPV on a recourse basis. The SPV will purchase eligible individual corporate bonds as well as eligible corporate bond portfolios in the form of exchange traded funds ("ETFs") in the secondary market. The FRBNY will be secured by all the assets of the SPV.

A. ELIGIBLE ASSETS

The SMCCF may purchase corporate bonds that meet each of the following criteria at the time of purchase by the SMCCF:

- issued by an eligible issuer (discussed below);
- rated at least BBB-/Baa3 by a major NRSRO and, if rated by multiple major NRSROs, rated at least BBB-/Baa3 by two or more NRSROs, in each case subject to review by the Federal Reserve; and
- have a remaining maturity of five years or less.

The SMCCF also may purchase U.S.-listed ETFs whose investment objective is to provide broad exposure to the market for U.S. investment grade corporate bonds.

B. ELIGIBLE ISSUERS

Eligible issuers for direct purchases of individual corporate bonds on the secondary market are U.S. businesses with material operations in the United States. Notably, there is no express requirement that the issuer be headquartered in the United States, as is the case for eligibility under the PMCCF (discussed above). Eligible issuers do not include companies that are expected to receive direct financial assistance under pending federal legislation.

C. PURCHASE TERMS AND LIMITS

The SMCCF will purchase eligible corporate bonds at fair market value in the secondary market. The SMCCF will avoid purchasing shares of eligible ETFs when they trade at prices that materially exceed the estimated net asset value of the underlying portfolio.

The maximum amount of bonds that the SMCCF will purchase from any eligible issuer will be capped at 10 percent of the issuer's maximum bonds outstanding on any day between March 22, 2019 and March 22, 2020. The facility will not purchase more than 20 percent of the assets of any particular ETF as of March 22, 2020.

D. TERMINATION

The SMCCF will cease purchasing eligible corporate bonds and eligible ETFs no later than September 30, 2020, unless the SMCCF is extended by the Board. The FRBNY will continue to fund the SMCCF after such date until the SMCCF's holdings either mature or are sold.

III. TERM ASSET-BACKED SECURITIES LOAN FACILITY ("TALF")

The TALF will serve as a funding backstop to facilitate the issuance of eligible ABS.[13] Under the TALF, the FRBNY will commit to lend to an SPV on a recourse basis. The SPV initially will make up to $100 billion of loans available. The loans will have a term of three years; will be nonrecourse to the borrower; and will be fully secured by eligible ABS.

A. ELIGIBLE BORROWERS

All U.S. companies[14] that own eligible collateral (discussed below) and maintain an account relationship with a primary dealer are eligible to borrow under the TALF.

B. ELIGIBLE COLLATERAL

Eligible collateral includes U.S. dollar-denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or the highest short-term investment-grade rating category from at least two eligible NRSROs and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. All or substantially all of the credit exposures underlying eligible ABS must have been originated by a U.S. company. Eligible ABS must be issued on or after March 23, 2020.

Eligible collateral must be ABS where the underlying credit exposures are one of the following:

- auto loans and leases;
- student loans;
- credit card receivables (both consumer and corporate);
- equipment loans;
- floorplan loans;
- insurance premium finance loans;
- certain small business loans that are guaranteed by the Small Business Administration; or
- eligible servicing advance receivables.

This does not include personal loans that do not qualify under one of the specific categories, although the Federal Reserve will consider in the future the feasibility of adding other asset classes. To be eligible collateral, all or substantially all of the underlying credit exposures must be newly issued.

Eligible collateral will not include ABS that bear interest payments that step up or step down to predetermined levels on specific dates. In addition, the underlying credit exposures of eligible collateral must not include exposures that are themselves cash ABS or synthetic ABS.

The pledged eligible collateral will be valued and assigned a haircut according to a schedule based on its sector, the weighted average life, and historical volatility of the ABS. This haircut schedule will be published in the detailed terms and conditions and will be roughly in line with the haircut schedule used for the TALF established in 2008.

C. LOAN TERMS

For eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be 100 basis points over the 2-year LIBOR swap rate for securities with a weighted average life less than two years, or 100 basis points over the 3-year LIBOR swap rate for securities with a weighted average life of two years or greater. (If necessary, the pricing structure would be updated to account for the expected industry transition away from LIBOR.) The pricing for other eligible ABS will be set forth in detailed terms and conditions that will be provided at a later date, primarily based on the terms and conditions used for the 2008 TALF.

Each loan will have a maturity of three years. The SPV will assess an administrative fee equal to 10 basis points of the loan amount on the settlement date for collateral. Loans made under the TALF are made without recourse to the borrower, provided the requirements of the TALF are met. Loans made under the TALF will be pre-payable in whole or in part at the option of the borrower, but substitution of collateral during the term of the loan generally will not be allowed.

D. TERMINATION

No new credit extensions will be made after September 30, 2020, unless the TALF is extended by the Board.

IV. MONEY MARKET MUTUAL FUND LIQUIDITY FACILITY ("MMLF")

Under the MMLF, the Federal Reserve Bank of Boston ("FRBB") will lend to eligible borrowers, taking as collateral certain types of assets purchased by the borrower from money market mutual funds ("Funds"), beginning on March 23, 2020.[15]

A. ELIGIBLE BORROWERS AND FUNDS

All U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer subsidiaries), or U.S. branches and agencies of foreign banks are eligible to borrow under the MMLF.

A Fund must identify itself as a "Prime," "Single State," or "Other Tax Exempt" money market fund under item A.10 of Securities and Exchange Commission ("SEC") Form N-MFP.

B. ELIGIBLE COLLATERAL

Collateral that is eligible for pledge under the MMLF must be one of the following types:

- U.S. Treasuries & Fully Guaranteed Agencies;
- securities issued by U.S. Government Sponsored Entities;
- asset-backed commercial paper, unsecured commercial paper, or a negotiable certificate of deposit that is issued by a U.S. issuer, and that has a short-term rating at the time purchased from the Fund or pledged to the FRBB in the top rating category (*e.g.*, not lower than A1, F1, or P1, as applicable) from at least two major NRSROs or, if rated by only one major NRSRO, is rated within the top rating category by that NRSRO;
- U.S. municipal short-term debt (excluding variable rate demand notes) that (i) has a maturity that does not exceed 12 months; and (ii) at the time purchased from the Fund or pledged to the FRBB: (a) is rated in the top short-term rating category (*e.g.*, rated SP1, MIG1, or F1, as applicable) by at least two major NRSROs or, if rated by only one major NRSRO, is rated within the top rating category by that NRSRO; or (b) if not rated in a short-term rating category, is rated in one of the top two long-term rating categories (*e.g.*, AA or equivalent or above) by at least two major NRSROs or, if rated by only one major NRSRO, is rated within the top two rating categories by that NRSRO; or
- variable rate demand note that (i) has a demand feature that allows holders to tender the note at their option within 12 months; and (ii) at the time purchased from the Fund or pledged to the FRBB: (a) is rated in the top short-term rating category (*e.g.*, rated SP1, VMIG1, or F1, as applicable) by at least two major NRSROs or, if rated by only one major NRSRO, is rated within the top rating category by that NRSRO; or (b) if not rated in a short-term rating category, is rated in one of the top two long-term rating categories (*e.g.*, AA or equivalent or above) by at least two major NRSROs or, if rated by only one major NRSRO, is rated within the top two rating categories by that NRSRO.

The collateral valuation will either be amortized cost or fair value. For asset-backed commercial paper, unsecured commercial paper, negotiable certificates of deposit, and U.S. municipal short-term debt, including variable rate demand notes, the valuation will be amortized cost.

C. LOAN TERMS

The maturity date of an advance will equal the maturity date of the eligible collateral pledged to secure the advance made under the MMLF, except in no case will the maturity date of an advance exceed 12 months. Each advance will be in a principal amount equal to the value of the collateral pledged to secure the advance.

Advances made under the MMLF will be made at the following rates:

- advances that are secured by U.S. Treasuries & Fully Guaranteed Agencies or Securities issued by U.S. Government Sponsored Entities will be made at a rate equal to the primary credit rate;
- advances that are secured by U.S. municipal short-term debt, including variable rate demand notes, will be made at a rate equal to the primary credit rate plus 25 basis points; and
- all other advances will be made at a rate equal to the primary credit rate plus 100 basis points.

There are no special fees associated with the MMLF. Advances made under the MMLF are made without recourse to the borrower, provided the requirements of the MMLF are met.

D. TERMINATION

No new credit extensions will be made after September 30, 2020, unless the MMLF is extended by the Board.

E. RELATED ACTIONS

The Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency issued an interim final rule[16] to ensure that financial institutions will be able to effectively use the MMLF. The interim final rule modifies the agencies' capital rules, allowing banking organizations to neutralize the effects of purchasing assets through the program on risk-based and leverage capital ratios. Specifically, the interim final rule would permit banking organizations to exclude nonrecourse exposures acquired as part of the MMLF from a banking organization's total leverage exposure, average total consolidated assets, advanced approaches-total risk-weighted assets, and standardized total risk-weighted assets, as applicable. The interim final rule is intended for financial institutions to receive credit for the low risk of their MMLF activities, reflecting the fact that institutions would be taking no credit or market risk in association with such activities because of the non-recourse nature of the Federal Reserve's extension of credit. The change only applies to activities with the MMLF. The rule was effective immediately upon announcement and comments will be accepted for 45 days after publication in the Federal Register on March 23, 2020.

V. COMMERCIAL PAPER FUNDING FACILITY ("CPFF")

The CPFF will serve as a funding backstop to facilitate the issuance of term commercial paper by eligible issuers.[17] Under the CPFF, the FRBNY will commit to lend to an SPV on a recourse basis. The SPV will purchase from eligible issuers three-month U.S. dollar-denominated commercial paper that meets certain criteria through the FRBNY's primary dealers. The FRBNY will be secured by all the assets of the SPV.

A. ELIGIBLE ASSETS

Except as provided below, the SPV will purchase only U.S. dollar-denominated commercial paper, including asset-backed commercial paper ("ABCP") that is rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A1/P1/F1 by two or more major NRSROs, in each case subject to review by the Federal Reserve.

An issuer that, on March 17, 2020, was (1) rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, was rated at least A1/P1/F1 by two or more major NRSROs; and (2) is subsequently downgraded will be able to make a one-time sale of commercial paper to the SPV (provided that the issuer must be rated at least A2/P2/F2 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A2/P2/F2 by two or more major NRSROs, in each case subject to review by the Federal Reserve).

B. ELIGIBLE ISSUERS

Eligible issuers are U.S. issuers of commercial paper, including municipal issuers and U.S. issuers with a foreign parent company. The SPV will not purchase ABCP from issuers that were inactive prior to the creation of the CPFF.[18]

C. PURCHASE TERMS AND LIMITS

The maximum amount of a single issuer's commercial paper the SPV may own at any time will be the greatest amount of U.S. dollar-denominated commercial paper the issuer had outstanding on any day between March 16, 2019 and March 16, 2020. For an issuer that, on March 17, 2020, was (1) rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, was rated at least A1/P1/F1 by two or more major NRSROs; and (2) is rated at least A2/P2/F2 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A2/P2/F2 by two or more major NRSROs, the maximum amount of the issuer's commercial paper that the SPV will purchase is the amount of U.S. dollar-denominated commercial paper the issuer had outstanding the day before it was downgraded.

For commercial paper rated A1/P1/F1, pricing will be based on the then-current 3-month overnight index swap ("OIS") rate plus 110 basis points. For commercial paper rated A2/P2/F2, pricing will be based on the then-current 3-month OIS rate plus 200 basis points.

At the time of its registration to use the CPFF, each issuer must pay a facility fee equal to 10 basis points of the maximum amount of its commercial paper the SPV may own.

D. TERMINATION

The CPFF will cease purchasing commercial paper on March 17, 2021, unless the Board extends the CPFF. The FRBNY will continue to fund the CPFF after such date until the CPFF's underlying assets mature.

VI. PRIMARY DEALER CREDIT FACILITY ("PDCF")

The PDCF is intended to allow primary dealers to support smooth market functioning and facilitate the availability of credit to businesses and households.[19]

A. ELIGIBLE BORROWERS

Only primary dealers of the FRBNY are eligible to participate in the PDCF.

B. ELIGIBLE COLLATERAL

Collateral eligible for pledge under the PDCF includes all collateral eligible for pledge in open market operations, investment grade corporate debt securities, international agency securities, commercial paper, municipal securities, mortgage-backed securities, asset-backed securities,[20] and equity securities (excluding ETFs, unit investment trusts, mutual funds, rights and warrants).

Foreign currency-denominated securities and collateral that is not priced by the clearing bank will not be eligible for pledge under the PDCF.

The pledged collateral will be valued by The Bank of New York Mellon according to a schedule designed to be similar to the margin schedule for lending by the Federal Reserve's Discount Window, to the extent possible.

C. LOAN TERMS AND LIMITS

Loans will be made available to primary dealers during Fedwire hours for a term of up to 90 days. Loans made under the PDCF will be made at a rate equal to the primary credit rate in effect at the FRBNY offered to depository institutions via the Discount Window. Borrowers may prepay loans at any time.

Loans will be limited to the amount of margin-adjusted eligible collateral pledged by the dealer and assigned to the FRBNY's account at the clearing bank. Loans made under the PDCF are made with recourse beyond the pledged collateral to the primary dealer entity.

D. CUSTODY RULES AND ARRANGEMENT

Dealers will communicate their demand for funding to their clearing bank. The clearing bank will verify that a sufficient amount of eligible collateral has been pledged by each primary dealer participating in the PDCF and notify the FRBNY accordingly.

Once the FRBNY receives notice that a sufficient amount of margin-adjusted eligible collateral has been assigned to the FRBNY's account, the FRBNY will transfer the amount of the loan to the clearing bank for credit to the primary dealer.

E. TERMINATION

The PDCF will remain available to primary dealers for at least six months, or longer if conditions warrant.

VII. SECTION 23A/REGULATION W EXEMPTION LETTERS

The Federal Reserve released templates of letters it issued to banks temporarily exempting the recipient banks from Section 23A of the Federal Reserve Act[21] and Regulation W[22] for certain asset purchases by the bank from its affiliated money market mutual funds ("Affiliated Funds") or affiliated broker dealers ("Affiliated Dealers"), as applicable, to ease liquidity pressures around such money market mutual funds and broker-dealers.[23]

Section 23A specifically authorizes the Board to exclude, by order, from the definition of "covered transaction" the purchase of certain assets by a member bank from an affiliate. The exemptions are subject to certain limitations and conditions described below.

A. AFFILIATED MONEY MARKET FUNDS

The exemption from the quantitative limits of Section 23A and Regulation W for purchases of assets from Affiliated Funds would be subject to the following limits and conditions:

- the bank may only purchase assets from Affiliated Funds that are SEC-registered open-end investment companies that operate pursuant to SEC Rule 2a-7 under the Investment Company Act of 1940;[24]

- the bank's purchases of assets from the Affiliated Funds would be limited to the amount necessary to cover net redemptions in the Affiliated Funds, up to an aggregate maximum of 200 percent of the bank's capital stock and surplus;
- the assets purchased by the bank from the Affiliated Funds must be "investment grade," as defined in the Board's Regulation Q;[25]
- the bank must purchase the assets at fair market value as determined by a reliable third-party pricing service;
- the bank's ultimate parent holding company must agree to reimburse the bank promptly for any losses sustained by the bank in connection with the purchased assets; and
- the bank and its ultimate parent bank holding company must remain "well capitalized" as defined in the Board's Regulations H and Y.[26]

The exemption would expire six months from the date of the letter (templates of which were dated March 17, 2020). After that date, any assets purchased by the bank pursuant to the exemption could remain with the bank and would not count towards the bank's Section 23A quantitative limits.

B. AFFILIATED BROKER DEALERS

The exemption from the quantitative limits of Section 23A and Regulation W for purchases of assets from Affiliated Dealers would be subject to the following limits and conditions:

- the bank may only purchase assets from an Affiliated Dealer that is registered with the SEC;
- all assets purchased by the bank must meet the definition of "investment grade" as defined in the Board's Regulation Q;
- the bank must purchase the assets at fair market value as determined by a reliable third-party pricing service;
- the Affiliated Dealer or parent holding company must agree to repurchase from the bank, on a quarterly basis, any assets that become low-quality assets (as defined in Regulation W) at the price paid by the bank for the assets plus any accrued but unpaid interest;
- the bank's ultimate parent holding company must agree to reimburse the bank promptly for any losses sustained by the bank in connection with the purchased assets; and
- the bank and its ultimate parent holding company must remain "well capitalized" as defined in the Board's Regulations H and Y.

The exemption would expire one week from the date of the letter (templates of which were dated March 18, 2020). After that date, any assets purchased by the bank pursuant to this exemption could remain with the bank and would not count towards the bank's Section 23A quantitative limits.

VIII. OTHER COMPLEMENTARY ACTIONS

The establishment and expansion of the lending facilities described above and the issuance of Section 23A exemption letters complement other recent measures taken by the Federal Reserve in response to COVID-19 to support the flow of credit to households and businesses. These include:

- expanded Federal Open Market Committee purchases of Treasury securities and mortgage-backed securities;
- the expansion of central bank liquidity swap lines;
- steps to enhance the availability and ease terms for borrowing at the Discount Window;
- the elimination of reserve requirements;
- guidance encouraging banks to be flexible with customers experiencing financial challenges related to the coronavirus and to utilize their liquidity and capital buffers in doing so; and
- statements encouraging the use of daylight credit at the Federal Reserve.

In addition to the above, the Federal Reserve also announced it would soon establish a Main Street Business Lending Program to support lending to eligible small and medium sized-businesses, complementing efforts by the Small Business Administration.

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ENDNOTES

1 The Exchange Stabilization Fund can be used to purchase or sell foreign currencies, to hold U.S. foreign exchange and Special Drawing Rights assets, and to provide financing to foreign governments. All operations of the Exchange Stabilization Fund require the explicit authorization of the Secretary of the Treasury.

2 12 U.S.C. § 343(3). Section 13(3) of the Federal Reserve Act permits emergency lending to bank and nonbank companies by the Board and was relied upon as the source of authority for similar lending facilities established by the Federal Reserve during the 2008 financial crisis.

3 12 U.S.C § 371c.

4 12 C.F.R. § 223.

5 Template Letter re: Affiliated Money Market Mutual Funds, *available at* https://www.federalreserve.gov/supervisionreg/legalinterpretations/fedreserseactint20200317.pdf; Template Letter re: Affiliated Broker Dealers, *available at* https://www.federalreserve.gov/supervisionreg/legalinterpretations/fedreserseactint20200318.pdf.

6 Federal Reserve Announces Extensive New Measures to Support the Economy, *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm.

7 Federal Reserve Board Announces Establishment of a Commercial Paper Funding Facility (CPFF) to Support the Flow of Credit to Households and Businesses, *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200317a.htm; Federal Reserve Board Announces Establishment of a Primary Dealer Credit Facility (PDCF) to Support the Credit Needs of Households and Businesses, *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200317b.htm.

8 Federal Reserve Board Broadens Program of Support for the Flow of Credit to Households and Businesses by Establishing a Money Market Mutual Fund Liquidity Facility (MMLF), *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200318a.htm.

9 Federal Reserve Board Expands its Program of Support for Flow of Credit to the Economy by Taking Steps to Enhance Liquidity and Functioning of Crucial State and Municipal Money Markets, *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200320b.htm.

10 Term Sheet - Primary Market Corporate Credit Facility, *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b1.pdf.

11 The applicable percentage of the issuer's maximum outstanding bonds and loans is: 140 percent for eligible assets/eligible issuers with an AAA/Aaa rating from a major NRSRO; 130 percent for eligible assets/eligible issuers with an AA/Aa rating from a major NRSRO; 120 percent for eligible assets/eligible issuers with an A/A rating from a major NRSRO; and 110 percent for eligible assets/eligible issuers with a BBB/Baa rating from a major NRSRO.

12 Term Sheet - Secondary Market Corporate Credit Facility, *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b2.pdf.

13 Term Sheet – Term Asset-Backed Securities Loan Facility, *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b3.pdf.

14 For these purposes, a "U.S. company" is defined as a U.S. business entity organized under the laws of the United States or a political subdivision or territory thereof (including such an entity that has a non-U.S. parent company), or a U.S. branch or agency of a foreign bank.

15 Term Sheet – Money Market Mutual Fund Liquidity Facility, *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b4.pdf. The MMLF will generally take eligible collateral that: (1) if purchased after March 23, 2020, is pledged

ENDNOTES (CONTINUED)

concurrently with the borrowing; or (2) if purchased on or after March 18, 2020, but on or before March 23, 2020, is pledged expeditiously starting on March 23, 2020. For negotiable certificates of deposit and variable rate demand notes, a borrower may purchase these assets on or after March 23, 2020, and pledge them on or after March 25, 2020. The MMLF will not accept negotiable certificates of deposit or variable rate demand notes until March 25, 2020. Negotiable certificates of deposit or variable rate demand notes purchased on March 23 or 24, 2020, must be pledged expeditiously starting on March 25, 2020.

16 Regulatory Capital Rule: Money Market Mutual Fund Liquidity Facility, 85 Fed. Reg. 16232 (Mar. 23, 2020).

17 Commercial Paper Funding Facility: Program Terms and Conditions, *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b5.pdf.

18 An issuer will be deemed inactive if it did not issue ABCP to institutions other than the sponsoring institution for any consecutive period of three months or longer between March 16, 2019 and March 16, 2020.

19 https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200317b1.pdf.

20 For the following securities types, only AAA-rated securities are accepted: commercial mortgage-backed securities, collateralized loan obligations, and collateralized debt obligations. Other eligible securities as specified above are accepted if rated investment grade (such that BBB-securities and above). Specifically, investment grade commercial paper is accepted: commercial paper rated both A1/P1 and A2/P2.

21 12 U.S.C 371c.

22 12 C.F.R. § 223.

23 Template Letter re: Affiliated Money Market Mutual Funds, *available at* https://www.federalreserve.gov/supervisionreg/legalinterpretations/fedreserseactint20200317.pdf; Template Letter re: Affiliated Broker Dealers, *available at* https://www.federalreserve.gov/supervisionreg/legalinterpretations/fedreserseactint20200318.pdf.

24 17 C.F.R. § 270.2a-7.

25 12 C.F.R. § 217.2.

26 12 C.F.R. § 208.43(b)(1) and 12 C.F.R. § 225.2(r), respectively.

ABOUT SULLIVAN & CROMWELL LLP

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