

Client Alert

March 2020

Commercial Paper Funding Facility – COVID-19 Response

On Monday, the Federal Reserve Board announced that it will establish a Commercial Paper Funding Facility (CPFF) to support the flow of credit to households and businesses. The CPFF will provide a liquidity backstop to US issuers of commercial paper through a special purpose vehicle (SPV) that will purchase unsecured and asset-backed commercial paper rated A1/P1 (as of March 17, 2020) directly from eligible companies. Eligible issuers are US issuers of commercial paper, including US issuers with a foreign parent.

By eliminating much of the risk that eligible issuers will not be able to repay investors by rolling over their maturing commercial paper obligations, the CPFF is expected to encourage investors to participate in the ABCP market and the unsecured commercial paper market.

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. The SPV will cease purchasing commercial paper on March 17, 2021, unless the Board extends the facility.

The Treasury will provide \$10 billion of credit protection to the Federal Reserve in connection with the CPFF from the Treasury's Exchange Stabilization Fund (ESF). The Federal Reserve will then provide financing to the SPV under the CPFF. Its loans will be secured by all of the assets of the SPV.

A brief description of the program is [linked](#). The Fed has promised that more detailed program terms and conditions and an operational calendar will be subsequently published. We will monitor the New York Fed's releases as we expect FAQs and other releases to address detailed questions.

The CPFF program is established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary.

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