

Client Alert

March 2020

Primary Dealer Credit Facility – COVID-19 Response

Yesterday at 6:00 pm Eastern, the New York Fed announced that it is establishing a Primary Dealer Credit Facility, or PDCF, to enable primary dealers to support smooth market functioning and facilitate the availability of credit to businesses and households.

The PDCF will offer overnight and term funding with maturities up to 90 days and will be available on March 20, 2020. It is expected to be in place for at least six months and may be extended as conditions warrant. Credit extended to primary dealers under this facility may be collateralized by a broad range of investment grade debt securities, including commercial paper and municipal bonds, and a broad range of equity securities. Eligibility will hinge on ability of the clearing bank to price the collateral. Eligibility of CMBS, CLOs and CDOs is limited to AAA rated securities. Other MBS and eligible ABS will be accepted if rated investment grade. Investment grade commercial paper is also accepted. This should assist specifically in supporting MBS and ABS markets and financing of MBS and ABS investments. See the [linked](#) short form term sheet, which was released by the NY Fed with the announcement, for additional details. The interest rate charged will be the primary credit rate, or discount rate, at the Federal Reserve Bank of New York.

More detailed terms and conditions and an operational calendar will be subsequently released. We will monitor the New York Fed's releases as we expect FAQs and other releases to address detailed questions. Additional collateral may become eligible at a later date after further analysis by the New York Fed.

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

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