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1. Overview: Federal Reserve Announces Unlimited Quantitative Easing and New Emergency Lending Programs

On March 23, the Federal Reserve announced new liquidity facilities, expanding its efforts to help shore up the U.S. economy. Using its Section 13(3) powers under the Federal Reserve Act to promote maximum employment and stable prices, in addition to its responsibilities to promote the stability of the financial system, the Federal Reserve took aggressive efforts beyond its recent re-establishment of several global financial crisis-era facilities and other initiatives.

The Federal Reserve’s actions increase the Federal Open Market Committee (“FOMC”) purchases of U.S. Treasury securities and agency mortgage-backed securities beyond its previously announced purchase of at least $500 billion of U.S. Treasury securities and at least $200 billion of mortgage-backed securities. Importantly, the FOMC will include purchases of agency commercial mortgage-backed securities.

Click here for a copy of the Federal Reserve’s statement.

2. New Emergency Lending Programs

In addition to an unlimited quantitative easing program, the Federal Reserve also established new emergency lending programs that will provide up to $300 billion in new financing to support the flow of credit to employers, consumers, and businesses. The new facilities will leverage the Treasury Department’s Exchange Stabilization Fund (“ESF”), which will provide $30 billion in equity in connection with certain facilities.

- The Primary Market Corporate Credit Facility (“PMCCF”) will serve as a funding backstop for corporate debt issued by “eligible issuers”. Under the PMCCF, the Federal Reserve will both purchase bonds from eligible issuers and extend loans through a special purpose vehicle (“SPV”). The ESF will make an initial $10 billion equity investment in the SPV. Eligible issuers are defined as U.S. companies headquartered in the United States with material operations in the United States. Eligible issuers do not include companies that are excepted to receive direct
financial assistance under pending federal legislation. Eligible corporate debt must be investment-grade and have a maturity of four years or less. Under the PMCCF, a borrower may elect to defer interest and principal for the first six months of the loan, subject to extension by the Federal Reserve. Any borrower that makes such an election will be prohibited from paying dividends or making stock buybacks during the period in which it is not paying interest and principal. Click here for a description of the Primary Market Corporate Credit Facility.

The Secondary Market Corporate Credit Facility ("SMCCF") will provide liquidity in the secondary corporate debt markets through the purchase of outstanding corporate bonds issued by investment-grade eligible issuers. As with the PMCCF, eligible issuers are defined as U.S. companies headquartered in the United States with material operations in the United States, and do not include companies that are excepted to receive direct financial assistance under pending federal legislation. Under the SMCCF, the Federal Reserve will lend to an SPV that will purchase eligible individual corporate bonds as well as U.S.-listed exchange traded funds whose investment objective is to provide broad exposure to the market for U.S. investment-grade corporate bonds. The ESF will make an initial $10 billion equity investment in the SPV. Click here for a description of the Secondary Market Corporate Credit Facility.

The Term Asset-Backed Securities Loan Facility ("TALF") will support the flow of credit to consumers and small businesses by facilitating the issuance of asset-backed securities ("ABS"). Under the TALF, the Federal Reserve will lend to an SPV, initially funded by the ESF. The SPV will make up to $100 billion of loans with three-year terms, fully secured by AAA-rated ABS backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration ("SBA"), and certain other assets. Click here for a description of the Term Asset-Backed Securities Loan Facility.

The Money Market Mutual Fund Liquidity Facility, a global financial crisis-era facility that was re-established last week, will be expanded to include a wider range of securities, including municipal variable rate demand notes and bank certificates of deposit, to facilitate the flow of credit to municipalities. Click here for a description of the Money Market Mutual Fund Liquidity Facility.

The Commercial Paper Funding Facility, another global financial crisis-era facility that was re-established last week, will be expanded to include high-quality, tax-exempt municipal debt to facilitate the flow of credit to municipalities. Pricing also was reduced. Click here for a description of the Commercial Paper Funding Facility.
**Nutter Notes**: A Main Street Business Lending Program is also under development to support lending to eligible small- and medium-sized businesses as a means of complementing efforts by the SBA. These actions, taken together with the Federal Reserve’s actions last week, signal that the Federal Reserve will use all the tools at its disposal to address the severe disruptions to the U.S. economy and related fallout posed by this global pandemic.

**Nutter Bank Report**

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