

Commercial Paper Funding Facility (CPFF) Terms and Conditions

Facility

The Federal Reserve's facility would be structured as a section 13(3) credit facility to a special purpose vehicle (SPV).

Capital Structure of the SPV

The interest earned by the SPV on its assets in excess of the rate paid to the Federal Reserve for its financing would be retained by the SPV and would form a first loss tranche. This excess spread would be for the benefit of the U.S. Department of Treasury.

The U.S. Department of Treasury would make a non-recourse loan of \$50 billion available to the SPV through a Federal Reserve bank. This loan would equal 10% of the potential total assets of the SPV and would form a second loss tranche.

The Federal Reserve would commit to lend to the SPV, at the target federal funds rate, up to \$450 billion. Draws on the facility would be on an overnight basis, with recourse to the SPV, and secured by all the assets of the SPV.

Assets of the SPV

The SPV would purchase directly from eligible issuers 3-month U.S. dollar denominated commercial paper at a yield equal to the 3-month OIS plus 100bp. Commercial paper purchased by the SPV must be rated at least A1/P1/F1 by a major NRSRO. Eligible issuers would be limited to companies with a U.S. top-tier parent company and ABCP programs with a sponsor that has a U.S. top-tier parent company. The maximum total assets of the SPV would be \$500 billion.

Limits per issuer

The maximum amount of commercial paper that a single issuer may sell to the SPV would be equal to the average amount of commercial paper the issuer had outstanding in the month of August 2008.

Operations

The SPV would use the primary dealers to arrange purchases of commercial paper from the issuers.

Termination date

The SPV would cease purchasing commercial paper on April 30, 2009 (unless the facility is extended by the Board). The Federal Reserve would continue to fund the SPV after such date until the SPV's underlying assets mature.

Commercial Paper Funding Facility (CPFF) Terms and Conditions

Facility

The CPFF will be structured as a credit facility to a special purpose vehicle (SPV) authorized under section 13(3) of the Federal Reserve Act. The SPV will serve as a funding backstop to facilitate the issuance of term commercial paper by eligible issuers.

The Federal Reserve will commit to lend to the SPV at the target federal funds rate. Draws on the facility will be on an overnight basis, with recourse to the SPV, and secured by all the assets of the SPV. The Federal Reserve will also be secured by other means described below.

Assets of the SPV

The SPV will purchase directly from eligible issuers 3-month U.S. dollar-denominated commercial paper at a spread over the 3-month overnight index swap (OIS) rate. The Federal Reserve will consult with market participants regarding appropriate spreads that are consistent with the facility serving as a funding backstop under more normal market conditions (for example, 100 basis points).

Commercial paper (including asset-backed commercial paper (ABCP)) purchased by the SPV must be rated at least A1/P1/F1 by a major NRSRO and not rated below A1/P1/F1 by any major NRSRO. The SPV will only purchase commercial paper issued by U.S. issuers (including U.S. issuers with a foreign parent).

Commercial paper that is not ABCP must be secured to the satisfaction of the Federal Reserve. The commercial paper may be secured in one of the following ways:

- (i) The issuer pays the SPV an upfront fee based on the commercial paper initially sold to the SPV and a further fee based on subsequent commercial paper sales above that amount; or
- (ii) The issuer obtains an indorsement or guarantee of the issuer's obligations on the commercial paper sold to the SPV that is satisfactory to the Federal Reserve; or
- (iii) The issuer provides collateral arrangements that are satisfactory to the Federal Reserve; or
- (iv) The issuer otherwise provides security satisfactory to the Federal Reserve.

The Federal Reserve will consult with market participants about other methods for issuers of non-ABCP commercial paper to provide satisfactory security to the Federal Reserve.

Limits per issuer

The maximum amount of commercial paper a single issuer may sell to the SPV will be the average amount of commercial paper the issuer had outstanding in the month of August 2008, less any amount of the issuer's outstanding commercial paper held by investors other than the SPV.

Termination date

The SPV will cease purchasing commercial paper on April 30, 2009, unless the Board agrees to extend the facility. The Federal Reserve will continue to fund the SPV after such date until the SPV's underlying assets mature.