FAQs: Primary Market Corporate Credit Facility and Secondary Market Corporate Credit Facility

The following is intended to address Frequently Asked Questions (FAQs) about the Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF) (together, the CCFs). Please check this website for new FAQs and more information.

Effective August 14, 2020

PURPOSE AND DESIGN

Why is the Federal Reserve establishing the PMCCF and the SMCCF?
Recent events have significantly and suddenly impacted financial markets. The spread of COVID-19 has harmed communities and substantially disrupted economic activity in many countries, including the United States. The disruption has affected many different sectors of the financial system. In general, the availability of credit has contracted for corporations and other issuers of debt while, at the same time, the disruptions to economic activity have heightened the need for companies to obtain financing. These disruptions have been felt by even highly rated companies that need liquidity in order to pay off maturing debt and sustain themselves until economic conditions normalize.

The PMCCF provides a funding backstop for corporate debt to Eligible Issuers so that they are better able to maintain business operations and capacity during the period of dislocation related to COVID-19. The SMCCF supports market liquidity for corporate debt by purchasing individual corporate bonds of Eligible Issuers and exchange-traded funds (ETFs) in the secondary market.

How are the PMCCF and SMCCF structured and what can they invest in?
Pursuant to section 13(3) of the Federal Reserve Act, and with prior approval of the Secretary of the Treasury, the Board of Governors of the Federal Reserve System (Board) authorized the Federal Reserve Bank of New York (New York Fed) to establish the PMCCF and SMCCF. The New York Fed is lending to a special purpose vehicle (SPV) through which the CCFs operate. The financing provided by the New York Fed to the SPV is with full recourse to the SPV and secured by all the assets of the SPV.

The PMCCF provides companies access to credit by (i) purchasing qualifying bonds as the sole investor in a bond issuance, or (ii) purchasing portions of syndicated loans or bonds at issuance. The SMCCF may purchase in the secondary market (i) corporate bonds issued by investment-grade U.S. companies; (ii) corporate bonds issued by companies that were investment-grade rated as of March 22, 2020, and that remain rated at least BB-/Ba3 at the time of purchase; (iii) U.S.-listed ETFs whose investment objective is to provide broad exposure to the market for U.S. investment-grade corporate bonds; and (iv) U.S.-listed ETFs whose primary investment objective is exposure to U.S. high-yield corporate bonds.

In what way is the U.S. Department of the Treasury supporting the CCFs?
The Department of the Treasury, using funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), has committed to make $75 billion in equity investment in the SPV for both of the CCFs. The initial allocation of the equity will be $50 billion toward the PMCCF and $25 billion toward the SMCCF.

Is there a limit to the size of the SPV?
The combined size of the CCFs will be up to $750 billion. The PMCCF will leverage Treasury's equity at 10 to 1 when acquiring corporate bonds or syndicated loans from Eligible Issuers that are investment grade at the time of purchase. The PMCCF will leverage Treasury's equity at 7 to 1 when acquiring corporate bonds or syndicated loans from Eligible Issuers that are rated below investment grade at the time of purchase.

The SMCCF will leverage Treasury's equity at 10 to 1 when acquiring corporate bonds of issuers that are investment grade at the time of purchase and when acquiring ETFs whose primary investment objective is exposure to U.S. investment-grade corporate bonds. The SMCCF will leverage Treasury's equity at 7 to 1 when acquiring corporate bonds of issuers that are rated below investment grade at the time of purchase and in a range between 3 to 1 and 7 to 1, depending on risk, when acquiring any other type of eligible asset.

Over what time period will the SPV operate?
The CCFs will cease purchasing eligible corporate bonds, eligible syndicated loans, and eligible ETFs no later than December 31, 2020, unless the CCFs are extended by the Board of Governors of the Federal Reserve System and the Department of the Treasury. The New York Fed will continue to fund the CCFs after such date until the CCF's holdings either mature or are sold.

Will information about lending under the CCFs be made known to the public?
The Federal Reserve will publicly disclose information regarding the CCFs during the operation of the facilities, including information regarding participants, transaction amounts, costs, revenues and other fees.

Balance sheet items related to the SPV and CCFs will be reported weekly, on an aggregated basis, on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Board of Governors of the Federal Reserve System.

In addition, the Federal Reserve will disclose to Congress information pursuant to section 13(3) of the Federal Reserve Act, the Board's Regulation A, and the CARES Act.

Do revised term sheets replace previously published term sheets?
Yes.

How will the SMCCF initially conduct bond purchases?
The SMCCF will initially purchase corporate bonds to create a corporate bond portfolio that tracks a broad market index developed for the SMCCF (Broad Market Index). The index will be recalculated at least every 4-5 weeks, and the list of bonds that are eligible for purchase will be refreshed more frequently to add or remove those bonds that newly meet or no longer meet the eligibility requirements.

The SMCCF may purchase individual corporate bonds using other methodologies in the future.

How is the Broad Market Index constructed?
The Broad Market Index is intended generally to track the composition of the broad, diversified universe of secondary market bonds that meet the criteria specified in the Term Sheet for Eligible Broad Market Index Bonds, subject to generally applicable issuer-level caps specified by the Term Sheet. Each time the index is refreshed, the SMCCF will identify all of the secondary market bonds that meet the Term Sheet criteria for Eligible Broad Market Index Bonds. Next, limits relevant to each issuer, calculated on a par basis as the lesser of the cap of 10% of an issuer's maximum historical outstanding bonds and 1.5% of the maximum combined CCF facility size, will be applied to generate the index contribution for each eligible issuer. These contributions will then be aggregated, and the proportion of each issuer's bonds in the aggregate form their weight in the index.

Individual issuer weights will form the basis of sector weights, with each issuer mapped to one of twelve sectors (basic industry, capital goods, communications, consumer cyclical, consumer non-cyclical, energy, insurance, non-bank/insurance financials, real estate investment trusts, technology, transportation, and utilities). Purchases will track as closely as possible the sector weights in the index, and any overage or shortfall during a month will be addressed in the following month's purchases. The composition of the index may vary from month to month as newly issued eligible corporate bonds are added and bonds which become ineligible are removed. If sufficient bonds become eligible or ineligible for the index prior to a recalculation date to cause any sector weight to deviate from the existing index weight by more than 50 basis points, the index will be recalculated as soon as practicable.

Which bonds will be included in the Broad Market Index?
The Broad Market Index will consist of Eligible Broad Market Index Bonds. Consistent with the Term Sheet, these are corporate bonds that, at the time of index calculation, (i) are issued by an issuer that is created or organized in the United States or under the laws of the United States; (ii) are issued by an issuer that meets the rating requirements for Eligible Individual Corporate Bonds; (iii) are issued by an issuer that is not an insured depository institution, depository institution holding company, or subsidiary of a depository institution holding company, as such terms are defined in the Dodd-Frank Act; and (iv) have a remaining maturity of 5 years or less.

The amount of any single issuer's bonds included in the Broad Market Index is also subject to limits as described in the Term Sheet and herein. For example, if from March 22, 2019, through March 22, 2020, Company X had $150 billion in outstanding bonds (all of which had 3 years to maturity) and Company Y had $80 billion in outstanding bonds (all of which had 3 years to maturity):

- Company X would have $11.25 billion of bonds in the Broad Market Index (given that any issuer is capped at 1.5 percent of the $750 billion combined potential size of the SMCCF and the PMCCF), and
- Company Y would have $8 billion of bonds in the Broad Market Index (given that any issuer is capped at 10 percent of the issuer's maximum bonds outstanding on any day between March 22, 2019 and March 22, 2020).

Do issuers need to provide certifications in connection with the SMCCF's Eligible Broad Market Index Bond purchases?
No. The issuers of bonds acquired in the SMCCF's Eligible Broad Market Index Bond purchases do not need to provide certifications.

Do issuers need to provide certifications in connection with the SMCCF's Eligible Individual Corporate Bond purchases?
At any time that the SMCCF purchases Eligible Individual Corporate Bonds, the issuers of such bonds must meet all of the Eligible Issuer requirements described in the Term Sheet and as clarified herein. The requirements and processes for issuer certification will be provided before the SMCCF begins any Eligible Individual Corporate Bond purchases.

Will the PMCCF or the SMCCF purchase bonds of issuers that are majority-owned or controlled by a foreign government?
No.

How are bonds issued by wholly-owned subsidiaries of Eligible Issuers treated in the SMCCF Broad Market Index?
If the subsidiary is independently rated, the rating of the subsidiary determines the bond's eligibility. If the subsidiary is not independently rated, the ratings of the parent company and the bond jointly determine the bond's eligibility.

Will the Broad Market Index include bonds of issuers incorporated in the United States but not domiciled in the United States?
No. An issuer must be domiciled and incorporated in the United States to be included in the Broad Market Index.

How will the SMCCF's Eligible Broad Market Index Bond purchases track the index?
Over the course of each 4-5 week period, the SMCCF will purchase Eligible Broad Market Index Bonds to bring its portfolio holdings in line with the Broad Market Index. It will not be possible for the SMCCF's purchases to exactly replicate the index at all times. As a result, the primary focus of the SMCCF's Eligible Broad Market Index Bond purchases will be to track as closely as possible the sectoral weights of the index. Eligible Broad Market Index Bond purchases will also generally track the ratings and maturity profile of the index. However, the maturity profile of the purchases is expected to be several months longer than the index's maturity profile, as the SMCCF will likely underweight purchases of bonds maturing within six months of the date of purchase.

If an issuer files for bankruptcy protection or drops below the minimum rating requirement, will the SMCCF continue purchasing bonds of that issuer?
No. The SMCCF will not purchase bonds of issuers that have filed for bankruptcy protection or bonds of issuers that no longer meet the facility's minimum rating or other requirements. Such bonds also will be removed from the Broad Market Index and excluded from consideration in the calculation and tracking of the index when it is next recalculated.

Will the SMCCF sell its holdings of corporate bonds in order to track the Broad Market Index?
No. Bonds held by the SMCCF will not be sold for the purpose of tracking the index. However, the SMCCF may occasionally sell bonds to resolve trading or settlement issues in connection with transactions into which it has entered.

How does the SMCCF decide how many bonds or ETFs to buy each day?
The pace of purchases is based on a percentage of average daily volumes in the respective markets. The percentage to be purchased each day is based upon an array of measures of corporate bond market functioning, the rate of change of such measures, and other indicators. Measures of corporate bond market functioning include, but are not limited to, transaction cost estimates, bid-ask spreads, credit curve shape, spread levels and volatility, trading volumes, and dealer inventories. With respect to ETF purchases, ETF-specific measures such as premium or discount to net asset value ("NAV") and creation/redemption volumes are considered. With respect to bond purchases, the results of SMCCF and PMCCF operations, demand in the PMCCF, PMCCF share of new issuance, and pricing and amounts of new issuance are considered.

If the measures used to size daily purchases indicate sustained improvement in market functioning, to levels at or near those prevailing prior to the COVID-19 dislocation, SMCCF purchases are expected to slow notably and, in some cases, could pause entirely. If those measures subsequently indicate a deterioration in market functioning, however, SMCCF purchases would be expected to increase.

When did the CCFs become operational?
The SMCCF began purchasing eligible ETFs on May 12 and corporate bonds on June 16. The PMCCF began operating on June 29.

How will the Federal Reserve include minority-, women-, and veteran-owned business entities in supporting the CCFs?
The Federal Reserve is committed to the fair inclusion and utilization of minority-, women-, and veteran-owned (MWV) business entities as it responds to the economic effects of the pandemic. In supporting the Corporate Credit Facilities (CCFs), the SMCCF will consider expanding the pool of entities it will transact with as Eligible Sellers to include a wider range of entities, including MWV-owned business entities. In addition, MWV-owned business entities may participate as underwriters in the PMCCF, and issuers are strongly encouraged to utilize them. Finally, as short-term vendor relationships are revisited in the coming months,

the Federal Reserve will look to include a broader set of firms, including MWV-owned business entities, in the various roles supporting the CCFs.

Which investment managers are supporting the CCFs?
Initially, BlackRock Financial Markets Advisory will be the investment manager, acting at the sole direction of the New York Fed on behalf of the facilities. Once the exigent need to commence operations of the facilities has passed, the investment manager role will be subject to a competitive bidding process.

Will the investment manager apply its own internal investment guidelines when implementing the PMCCF and SMCCF?
No. The Federal Reserve will provide investment guidelines to the investment manager to implement the central objective of the CCFs, that is, to support the availability of credit to large employers in the U.S. The investment manager will act as a fiduciary to the SPV in performing investment management services and be required to follow the Federal Reserve's investment guidelines. The investment management agreements are available on the New York Fed's SMCCF website and PMCCF website.

Who are the points of contact at the Federal Reserve for the PMCCF and SMCCF?
You can direct your questions to pmccf@ny.frb.org or smccf@ny.frb.org.

How may I receive updates regarding changes to PMCCF and SMCCF documents?
Sign up to receive PMCCF email alerts and SMCCF email alerts. You also may check the Federal Reserve websites for periodic updates to the PMCCF and SMCCF.

ELIGIBLE ISSUERS AND SELLERS

What is an Eligible Issuer under the PMCCF and under the SMCCF individual corporate bond purchase program?

To qualify as an Eligible Issuer, the issuer must satisfy certain conditions:

First, the issuer must be a business that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.

Second, the issuer must have been rated at least BBB-/Baa3 as of March 22, 2020, by a major nationally recognized statistical rating organization (NRSRO). If rated by multiple major NRSROs, the issuer must have been rated at least BBB-/Baa3 by two or more NRSROs (one of which must be from Fitch Ratings, Inc., Moody's Investors Service, Inc., or S&P Global Ratings) as of March 22, 2020. An issuer that was rated at least BBB-/Baa3 as of March 22, 2020, but was subsequently downgraded, must be rated at least BB-/Ba3 as of the date on which the PMCCF or SMCCF makes a purchase. If rated by multiple major NRSROs, such an issuer must be rated at least BB-/Ba3 by two or more NRSROs (one of which must be from Fitch Ratings, Inc., Moody's Investors Service, Inc., or S&P Global Ratings) at the time the PMCCF or SMCCF makes a purchase. In every case, issuer ratings are subject to review by the Federal Reserve.

Third, the issuer is not an insured depository institution, depository institution holding company, or subsidiary of a depository institution holding company, as such terms are defined in the Dodd-Frank Act.

Fourth, the issuer must not have received specific support pursuant to the CARES Act or any subsequent federal legislation.

Fifth, the issuer must satisfy the conflicts-of-interest requirements of section 4019 of the CARES Act.

Are parent companies of Industrial Loan Companies considered to be depository institution holding companies?
No.

Will the Federal Reserve require a certification of eligibility from Eligible Issuers under the PMCCF?
Eligible Issuers under the PMCCF are required to certify compliance with the eligibility criteria. The certification forms are available on the New York Fed's PMCCF website.

What forms need to be completed in order to borrow under the PMCCF?
In order to borrow under the PMCCF, Eligible Issuers must complete several forms, including CARES Act certifications, a Regulation A certification, and the PMCCF's program-specific authorization form. Additional information may be required and collected throughout the process of borrowing under the PMCCF. All of the forms are available here.

CARES Act certifications (Advance Issuer Certification Packet):
Eligible Issuers are strongly encouraged to complete the CARES Act certifications well in advance of expected issuance under the PMCCF in order to expedite the Facility's participation. If the CARES Act certifications are completed prior to trade date, they

must be returned via email to the New York Fed (CCFForms@ny.frb.org). If the CARES Act certifications are submitted on trade date, they must be returned via email directly to the investment manager (pmccf@blackrock.com).

Regulation A certification (Trade Date Issuer Certification Packet):
In order to be an Eligible Issuer for the PMCCF, a company must certify compliance with the eligibility criteria set forth in Section 13(3) of the Federal Reserve Act and Regulation A of the Board of Governors of the Federal Reserve System ("Regulation A"). The Board's Regulation A certification form must be completed on trade date and sent via email directly to the investment manager (pmccf@blackrock.com).

PMCCF program-specific authorization forms:
Eligible Issuers and the Underwriter or Initial Purchaser named as Billing & Delivery (B&D) agent in the transaction must also complete the PMCCF's program-specific authorization form. When the PMCCF is participating in transactions alongside other investors, these forms will be completed on trade date. When the PMCCF is the sole investor in a bond issuance, these forms should be completed in advance of trade date. These forms must be sent via email directly to the investment manager (pmccf@blackrock.com). The forms are available at the following links:
Co-Investor Issuer Authorization Form
Co-Investor Underwriter Authorization
Sole Investor Issuer Authorization Form
Sole Investor Underwriter Authorization

Eligible Issuers will need to complete the Regulation A certification, CARES Act certifications, and the PMCCF program-specific authorization form for each instance of borrowing under the PMCCF.

From which NRSROs will ratings be accepted?
The ratings criteria for the CCFs refer to ratings provided by major NRSROs. Major NRSROs include Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings. Major NRSROs also include DBRS, Inc., Kroll Bond Rating Agency, Inc., and A.M. Best Rating Services, Inc. (A.M. Best Rating Services, Inc. only with respect to insurance companies) to the extent that the issuer also has a qualifying rating from Fitch Ratings, Inc., Moody's Investors Service, Inc., or S&P Global Ratings. In all cases, ratings from an NRSRO will not be accepted if the NRSRO did not rate the Eligible Issuer as of March 22, 2020.

Must Eligible Issuers pay the facility fee each time they issue to the PMCCF?
Yes. The facility fee will be applied to each issuance to, or borrowing from, the PMCCF.

What types of entities are eligible to sell securities to the SMCCF?
Each institution from which the SMCCF purchases securities must be a business that is created or organized in the United States or under the laws of the United States with significant U.S. operations and a majority of U.S.-based employees. The institution also must satisfy the conflicts-of-interest requirements of section 4019 of the CARES Act. These institutions are collectively referred to as Eligible Sellers.

To expedite the implementation of the SMCCF, the SMCCF began by transacting with Primary Dealers, or affiliates thereof, that meet the Eligible Seller criteria. The Federal Reserve Bank of New York may add additional counterparties as Eligible Sellers under the SMCCF, subject to adequate due diligence, compliance, and other reviews. A full description of eligibility and program requirements for firms interested in participating as Eligible Sellers in the SMCCF can be found in the Expression of Interest (EOI) materials and Frequently Asked Questions (FAQs) for the Section 13(3) facility counterparty and agent expansion.

What does "specific support pursuant to the CARES Act or subsequent federal legislation" mean with regard to issuers?
To participate in the PMCCF as an issuer or in the SMCCF as an issuer of eligible individual corporate bonds, the issuer must certify that it has not received specific support pursuant to the CARES Act. This issuer certification is not required in connection with the SMCCF broad market index purchase program. "Specific support" in this context means specific support pursuant to section 4003(b)(1)-(3) of the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act). Section 4003(b)(1)-(3) authorizes the Department of the Treasury to make loans, loan guarantees, and other investments in support of certain eligible businesses. An issuer will not be eligible for the PMCCF or SMCCF if it has received a loan, loan guarantee, or other investment from the Treasury Department under section 4003(b)(1)-(3).

If an issuer takes advantage of tax credits in the CARES Act, will that make the issuer ineligible for the CCFs?
No. An issuer may utilize tax credits or tax relief in the CARES Act and still participate in the CCFs.

Are issuers able to borrow under both the PMCCF and a Main Street Facility?
No. Issuers may not participate in the PMCCF and a Main Street Lending Facility.

How is "significant operations in and a majority of its employees based in the United States" evaluated for an Eligible Issuer or Eligible Seller in the CCFs?

An Eligible Issuer in the PMCCF, an Eligible Issuer in the SMCCF's purchases of Eligible Individual Corporate Bonds, and an Eligible Seller in the SMCCF (each, an Eligible Entity) must have "significant operations in and a majority of its employees based in the United States."

If an Eligible Entity is not a subsidiary whose sole purpose is to issue debt, the Eligible Entity, on a consolidated basis (i.e., together with its consolidated subsidiaries), must have significant operations in and a majority of its employees based in the United States. Under this test, in evaluating the Eligible Entity, the Federal Reserve would not consider any parent company or sister affiliate.

If the Eligible Entity is a subsidiary whose sole purpose is to issue debt, any corporate affiliate of the Eligible Entity to which 95 percent or more of the proceeds from the syndicated loan or corporate bond purchase are transferred for use in its operations (the "primary corporate beneficiary") must have significant operations in and a majority of its employees based in the United States on a consolidated basis. If there is no primary corporate beneficiary, it is required that corporate affiliates that, in each case, have significant operations in and a majority of their employees based in the United States on a consolidated basis must receive, in the aggregate, 95 percent or more of the proceeds from the syndicated loan or corporate bond purchase.

What does "significant operations in the United States" mean?
A variety of issuers of different sizes in a range of industries are potentially eligible to participate in the PMCCF and SMCCF, provided that they have "significant operations" in the United States. While not an exhaustive definition, the following are examples of what would constitute significant operations in the United States for an Eligible Issuer or Eligible Seller seeking to participate in these facilities:

An Eligible Issuer or Eligible Seller with greater than 50% of its consolidated assets in, annual consolidated net income generated in, annual consolidated net operating revenues generated in, or annual consolidated operating expenses (excluding interest expense and any other expenses associated with debt service) generated in the United States as reflected in its most recent audited financial statements.

Can a U.S. company that is a subsidiary of a foreign company qualify as an Eligible Issuer?
An Eligible Issuer must be created or organized in the United States or under the laws of the United States. An Eligible Issuer may be a subsidiary of a foreign company, provided that (i) the Eligible Issuer itself is created or organized in the United States or under the laws of the United States, and (ii) the Eligible Issuer on a consolidated basis has significant operations in and a majority of its employees based in the United States. An Eligible Issuer in the PMCCF that is a subsidiary of a foreign company must use the proceeds derived from participation in the PMCCF only for the benefit of the Eligible Issuer, its consolidated U.S. subsidiaries, and other affiliates of the Eligible Issuer that are U.S. businesses, and not for the benefit of its foreign affiliates.

Is a U.S. subsidiary or U.S. branch or agency of a foreign bank considered to be created or organized in the United States or under the laws of the Unites States for purposes of qualifying as an Eligible Seller under the SMCCF?
Yes, a U.S. subsidiary or U.S. branch or agency of a foreign bank would be considered to be created or organized in the United States or under the laws of the Unites States and would thereby satisfy this criterion but must also satisfy all of the other relevant criteria specified in the term sheet to qualify as an Eligible Seller under the SMCCF.

Are the limits contained in the CCF term sheets (e.g., PMCCF 130% cap on issuance, purchase limit of 1.5% of maximum combined CCF facility size, SMCCF 10% cap on maximum outstanding amount) calculated at the issuer or consolidated top-tier parent level?
The limits are calculated at the consolidated top-tier parent level.

May a company identify or form a new entity to serve as an issuer to the PMCCF?
Yes. Such an issuer generally may rely on the ratings history of any U.S. affiliate that is guaranteeing the issuance and would be limited in its issuances by the 130% cap calculated based on the historical issuances of its consolidated top-tier parent.

How will issuers demonstrate that they are in compliance with CARES Act requirements in the PMCCF and SMCCF?
Before participating in the PMCCF as an issuer, the issuer must certify compliance with the eligibility criteria set forth in the CARES Act. The CARES Act certification includes the U.S. business requirement and the conflicts of interest requirement under section 4019 of the CARES Act. The CARES Act certifications, along with all other forms required for participating in the PMCCF, are available on the New York Fed's PMCCF website. SMCCF requirements and processes for issuer certification will be provided before the SMCCF begins eligible individual corporate bond purchases. Issuer certifications are not required in connection with the SMCCF broad market index purchase program.

How will sellers demonstrate that they are eligible to participate in the SMCCF?
The certification requirements for sellers are publicly available on the New York Fed's website. Upon determination that all eligibility criteria are satisfactorily met, the facility may begin purchasing instruments from such Eligible Sellers.

Will non-profit organizations be eligible issuers under the PMCCF and SMCCF?
Yes. If a non-profit organization meets the eligibility criteria, it will be considered an eligible issuer under the CCFs.

Will business development companies be Eligible Issuers under the PMCCF?
Yes. If a business development company meets the eligibility criteria, it will be considered an Eligible Issuer under the PMCCF. With respect to these companies, (i) the manager of the business development company must be a U.S. business with significant operations in and a majority of its employees based in the United States, and must make all applicable certifications and (ii) the business development company's portfolio companies must, in the aggregate, have significant operations in and a majority of their employees based in the United States. Business development companies must have procedures in place to ensure that the proceeds of a PMCCF issuance are not transmitted to an insolvent portfolio company.

Can an eligible issuer participate in both the PMCCF at the same time its bonds have been or are being purchased by the SMCCF?
Yes, but the collective purchases by the PMCCF and SMCCF of an eligible issuer's debt are subject to the per-issuer limits described in the respective Term Sheets.

Do Eligible Issuers include issuers which were not investment grade on March 22, 2020, but were subsequently upgraded by a major NRSRO to investment grade?
No. If the issuer did not satisfy the required rating criteria as of March 22, 2020, but was subsequently upgraded to investment grade, it will not be eligible for the Facilities.

When the SMCCF and PMCCF term sheets mention NRSRO ratings, does this only include published and maintained ratings, or does this also include point-in-time ratings feedback that is not published or maintained on an ongoing basis, such as Moody's Rating Assessment Service?
The facilities will consider only published ratings.

How can mutual funds, pension funds, and other entities sell corporate bonds and ETFs to the SMCCF?
An investor may be able to sell its Eligible Assets to the SMCCF via any Eligible Seller with whom such investors may have a business relationship.

How should an Eligible Seller handle information related to trading activity by the SMCCF?
The SMCCF seeks to foster transparency and fair access to information about its activities. It does so by publishing the components of the Broad Market Index it intends to track and then announcing on a monthly basis the specific bonds and ETFs it has actually purchased. Accordingly, the SMCCF expects that Eligible Sellers will not use or share nonpublic information that they receive while acting as an Eligible Seller for any purpose other than executing and completing transactions with the SMCCF and in furtherance of the Eligible Seller's risk management and internal control requirements. The SMCCF believes this expectation is broadly consistent with good market practice for the handling of institutional counterparty trading information.

ELIGIBLE ASSETS

What are Eligible Assets that will be purchased by the PMCCF?
The PMCCF may purchase eligible corporate bonds as the sole investor in a bond issuance. Eligible corporate bonds must, at the time of purchase, be issued by an Eligible Issuer and have a maturity of 4 years or less.

The PMCCF also may purchase portions of syndicated loans or bonds of Eligible Issuers at issuance. Eligible syndicated loans or bonds must, at the time of purchase, be issued by an Eligible Issuer and have a maturity of 4 years or less. The PMCCF may purchase no more than 25 percent of any syndicated loan or bond issuance. To start, the PMCCF will focus on purchasing bonds at issuance.

Does the definition of Eligible Assets in the PMCCF include investment-grade senior secured bonds issued by a non-investment-grade issuer?
No. In order to be an Eligible Asset under the PMCCF, a bond must be issued by an Eligible Issuer that is rated at least investment grade as of March 22, 2020, and at least BB-/Ba3 at the time of purchase.

What types of assets will be purchased by the SMCCF?
The SMCCF may purchase individual corporate bonds that are issued by an Eligible Issuer; have a remaining maturity of 5 years or less as of the date of purchase; and are sold to the SMCCF by an Eligible Seller (Eligible Individual Corporate Bonds).

The SMCCF also may purchase from Eligible Sellers individual corporate bonds to create a corporate bond portfolio that tracks a broad market index (Eligible Broad Market Index Bonds). Eligible Broad Market Index Bonds are corporate bonds that, at the time of purchase, (i) are issued by an issuer that is created or organized in the United States or under the laws of the United States; (ii) are issued by an issuer that meets the rating requirements for Eligible Individual Corporate Bonds; (iii) are issued by an issuer that is not an insured depository institution, depository institution holding company, or subsidiary of a depository institution holding company, as such terms are defined in the Dodd-Frank Act; and (iv) have a remaining maturity of 5 years or less.

The SMCCF also may purchase from Eligible Sellers U.S.-listed ETFs whose investment objective is to provide broad exposure to the market for U.S. corporate bonds. The preponderance of ETF holdings will be of ETFs whose primary investment objective is exposure to U.S. investment-grade corporate bonds, and the remainder will be in ETFs whose primary investment objective is exposure to U.S. high-yield corporate bonds. In some cases, the holdings of ETFs may include underlying bonds that have a remaining maturity longer than 5 years at the time of purchase, or include underlying bonds that would otherwise be ineligible for purchase by the SMCCF.

Can the SMCCF purchases include corporate bonds issued after March 22, 2020?
Yes.

Will the SMCCF purchase non-USD denominated corporate bond issues?
No.

Will floating-rate debt that references LIBOR be eligible for purchase?
If the PMCCF is the sole participant in an offering, the Facility only will purchase fixed-rate bonds. The PMCCF generally will only purchase fixed-rate debt when participating in a syndicated issuance. To the extent that the PMCCF is approached to participate in a syndication of floating-rate debt, the PMCCF generally will expect any debt priced off LIBOR to include adequate fallback language. The SMCCF intends to purchase a range of bonds, including floating-rate debt that is priced at a spread to LIBOR.

Which ETFs will the SMCCF buy?
The preponderance of ETF holdings will be of ETFs whose primary investment objective is exposure to U.S. investment-grade corporate bonds, and the remainder will be of ETFs whose primary investment objective is exposure to U.S. high-yield corporate bonds. In some cases, the holdings of ETFs may include underlying bonds that have a remaining maturity longer than 5 years at the time of purchase, or include underlying bonds that would otherwise be ineligible for purchase by the SMCCF.

What are the general criteria that are considered in determining which ETFs the SMCCF will purchase?
The SMCCF considers several factors in determining which ETFs will be eligible for purchase. Those considerations include: the composition of investment-grade and non-investment-grade rated debt, the management style, the amount of debt held in depository institutions, the amount of debt held in non-U.S. companies, the average tenor of underlying debt, the total assets under management, the average daily trading volume, and leverage, if any.

Will the SMCCF or PMCCF purchase subordinated bonds?
The SMCCF and PMCCF do not expect to purchase corporate bonds that are widely considered to be subordinated to other corporate bonds of the issuer.

Will the SMCCF or PMCCF purchase bonds issued by U.S. branches, agencies, or subsidiaries of non-U.S. banking organizations?
No. Not purchasing bonds from these entities is consistent with the treatment of U.S. depository institution holding companies, depository institutions, and subsidiaries of depository institution holding companies.

Will the facilities be able to purchase corporate bonds issued pursuant to SEC Rule 144A?
The SMCCF and PMCCF may purchase privately placed corporate bonds pursuant to SEC Rule 144A.

OTHER TERMS

Are Eligible Issuers able to use the PMCCF to refinance existing bonds or issue new bonds?
Eligible Issuers may approach the PMCCF to refinance existing bonds and issue new bonds, subject to conditions and limitations. An Eligible Issuer may refinance outstanding debt up to three months ahead of the maturity date of such outstanding debt. Eligible Issuers also may approach the PMCCF at any time to issue additional debt, provided that the Eligible Issuer's rating is reaffirmed at BB-/Ba3 or above by each major NRSRO that has rated the Eligible Issuer and the Eligible Issuer's reaffirmed rating accounts for the additional debt.

Are there limits to using the PMCCF to refinance existing bonds or issue new bonds?
The maximum amount of outstanding bonds and loans of an Eligible Issuer that borrows from the PMCCF may not exceed 130 percent of the Eligible Issuer's maximum outstanding bonds and loans on any day between March 22, 2019, and March 22, 2020. Additionally, there is a single-name concentration limitation on an Eligible Issuer's use of the PMCCF and SMCCF. The maximum amount of instruments that the PMCCF and the SMCCF combined will purchase with respect to any Eligible Issuer is capped at 1.5 percent of the $750 billion combined potential size of the PMCCF and the SMCCF.

How is the level of outstanding bonds and loans defined for purposes of PMCCF issuer limits?
The amount of outstanding bonds and loans includes current and non-current portions of corporate bonds and loans, including drawn portions of "term loans," drawn portions of long-term "revolving facilities" (i.e., maturity greater than one year), and long-

term bonds (whether USD denominated or otherwise). Any operating leases, non-recourse debt, commercial paper, and other short-term liabilities are not included. Information on debt should be consistent with the issuer's audited financial reports maintained during the March 22, 2019 to March 22, 2020 period, including the value of non-USD denominated debt. Issuers that are public companies may not use a higher amount of outstanding bonds and loans than is reflected in public filings.

May maturing loans be refinanced by corporate bonds under the PMCCF?
Yes. Maturing loans from the period of three months ahead of the maturity date may be refinanced and replaced with corporate bonds under the PMCCF. All borrowings are subject to per-issuer limits.

How should the issuer convert non-U.S. dollar ("USD") denominated debt to USD denominated debt in the determination of maximum outstanding debt?
The PMCCF will only purchase bonds and loans denominated in USD. For the purposes of calculating maximum bonds and loans outstanding, the value of non-USD denominated debt should be consistent with the issuer's financial statements for periods ending between March 22, 2019, and March 22, 2020.

When the PMCCF is participating in transactions alongside other investors, is there a required minimum amount or percentage of the total deal?
The PMCCF does not have a minimum amount or percentage of the total deal. While not prohibited, Eligible Issuers are not expected to use the PMCCF to borrow very small amounts or small percentages of the total deal.

When the PMCCF purchases eligible corporate bonds as the sole investor, is there a required minimum deal size?
There is no required minimum issuance amount.

When the PMCCF is participating in a transaction alongside other investors, does the 25% maximum participation apply to a single tranche or a total transaction, which may consist of multiple tranches?
The PMCCF maximum participation limit is applied on an individual tranche basis, assuming all eligibility criteria are met.

Are there single-issuer purchase limits across the PMCCF and SMCCF?
The maximum amount of bonds (including Broad Market Index Bonds) or syndicated loans that the CCFs will purchase with respect to any single issuer is capped at 1.5 percent of the combined potential size of the CCFs. If all assets purchased by the CCFs were investment grade, the combined potential size of the CCFs would be $750 billion. Measurement of the 1.5 percent cap for any issuer will be determined at the time of purchase of an issuer's bond or syndicated loan.

How is an issuer's PMCCF borrowing capacity determined?
The maximum amount of debt that an Eligible Issuer may have outstanding after borrowing from the PMCCF is 130 percent of the Eligible Issuer's maximum outstanding bonds and loans on any day between March 22, 2019, and March 22, 2020 (the "130% issuer cap"). The full amount of debt issued in a transaction involving the PMCCF counts against the 130% issuer cap. Where an Eligible Issuer that is at or below the 130% issuer cap approaches the PMCCF with a proposal to refinance existing debt in a transaction that would settle up to three months ahead of the maturity date of such outstanding debt, such outstanding debt with a maturity of three months or less that is being refinanced using the proceeds of the transaction will no longer count against the 130% issuer cap, as described in greater detail in related questions below. Issuers may also approach the PMCCF with a proposal to refinance debt in a transaction that would settle more than three months ahead of the maturity date of the debt being refinanced, but because the debt to be refinanced has a remaining maturity of more than three months, under PMCCF program terms such debt will fully count against the 130% issuer cap until maturity, alongside the new debt incurred in the PMCCF transaction.

For the scenarios below, suppose issuer ABC's maximum outstanding bonds and loans on any day between March 22, 2019, and March 22, 2020 (the "historical maximum") was **$2.0 billion.**
The 130% issuer cap would be **$2.6 billion** (i.e., 130% of the historical maximum of $2.0 billion).

Scenario 1 – Issuer proposes to issue additional debt with no refinancing. Outstanding debt on transaction date is lower than the 130% issuer cap.

- Outstanding debt on transaction date, without giving effect to the transaction: $1.5 billion
- Outstanding debt maturing within three months that ABC intends to refinance: $0
- Maximum total borrowing permitted from the PMCCF for additional debt: $1.1 billion

Reason: ABC can borrow under the PMCCF until its total pro-forma debt reaches its 130% issuer cap (i.e., $2.6 billion).

Scenario 2 – Issuer proposes to refinance existing debt with no additional borrowing. Outstanding debt on transaction date is higher than the 130% issuer cap.

- Outstanding debt on transaction date, without giving effect to the transaction: $2.61 billion
- Outstanding debt maturing within three months that ABC intends to refinance: $2.0 billion
- Maximum total borrowing permitted from the PMCCF: $0

Reason: ABC can borrow under the PMCCF until its total pro-forma debt reaches its 130% issuer cap (i.e., $2.6 billion). In this scenario, outstanding debt of $2.61 billion on transaction date exceeds the 130% issuer cap. No borrowing (additional debt or refinancing) is permitted under the PMCCF.

Scenario 3 – Issuer proposes to refinance existing debt with no additional borrowing. Outstanding debt on transaction date is at or lower than the 130% issuer cap.

- Outstanding debt on transaction date, without giving effect to the transaction: $2.6 billion
- Outstanding debt maturing within three months that ABC intends to refinance: $2.0 billion
- Maximum total borrowing permitted from the PMCCF: $2.0 billion

Reason: ABC can borrow under the PMCCF until its total pro-forma debt reaches its 130% issuer cap (i.e., $2.6 billion). In this scenario, outstanding debt of $2.6 billion on transaction date does not exceed the 130% issuer cap. The amount being refinanced that matures within three months temporarily does not count towards the cap once the new debt has been issued (see relevant questions below).

Does debt that is maturing within three months and is being refinanced count towards the 130% issuer cap during the period before it is repaid and the new indebtedness is outstanding?
No. If an issuer borrows under the PMCCF to repay debt maturing within three months, the debt being refinanced does not count towards the Eligible Issuer's 130% issuer cap from the date of issuance under the PMCCF until the maturity date of the debt being refinanced. However, this exclusion from the 130% issuer cap will not prevent the cap from being exceeded (and the proposed transaction therefore being impermissible) if the issuer's maximum debt outstanding exceeds the cap (i) prior to giving effect to the transaction or (ii) after giving pro forma effect to the transaction and the assumed repayment of such maturing debt.

For the scenarios below, suppose issuer ABC's maximum outstanding bonds and loans on any day between March 22, 2019, and March 22, 2020 (the "historical maximum") was **$2.0 billion.**
The 130% issuer cap would be **$2.6 billion** (i.e., 130% of the historical maximum of $2.0 billion).

Scenario – Issuer proposes to issue additional debt and refinance existing debt.

- Outstanding debt on transaction date: $2.0 billion
- Outstanding debt maturing within three months that ABC intends to refinance: $1.0 billion
- Maximum total borrowing permitted from the PMCCF: $1.6 billion

Reason: ABC can borrow under the PMCCF until its total pro-forma debt reaches its 130% issuer cap (i.e., $2.6 billion). In this scenario, the $1.6 billion in borrowing would consist of $1.0 billion of outstanding debt being refinanced and $600 million in additional debt. From the date of issuance under the PMCCF until the repayment of the $1.0 billion in outstanding debt being refinanced, the $1.0 billion in debt being refinanced does not count toward the 130% issuer cap.

When the PMCCF is participating in transactions along with other investors, how does the total transaction size impact an issuer's borrowing capacity?
When the PMCCF is participating in a transaction alongside other investors, the Facility may purchase no more than 25% of the par amount of the issue. However, the total amount of the transaction (i.e., 100%) counts toward the 130% issuer cap.

For the scenarios below, suppose issuer ABC's maximum outstanding bonds and loans on any day between March 22, 2019, and March 22, 2020 (the "historical maximum") was **$2.0 billion.**
The 130% issuer cap would be **$2.6 billion** (i.e., 130% of the historical maximum of $2.0 billion).

Scenario 1 - Issuer proposes to issue additional debt with no refinancing.

- Outstanding debt on transaction date: $2.0 billion
- Outstanding debt maturing within three months that ABC intends to refinance: $0
- Total proposed transaction amount: $800 million (of which up to $200 million would be allocated to the PMCCF)
- Maximum total borrowing permitted from the PMCCF in the proposed transaction: $0

Reason: ABC can borrow under the PMCCF until its total pro-forma debt reaches its 130% issuer cap (i.e., $2.6 billion). In this scenario, the total amount of the proposed transaction ($800 million) would result in outstanding debt of $2.8 billion, which exceeds the 130% issuer cap. The fact that the PMCCF would only be taking a portion of the proposed $800 million transaction is not relevant to the analysis.

Scenario 2 - Issuer proposes to issue additional debt and refinance existing debt.

- Outstanding debt on transaction date: $2.0 billion
- Outstanding debt maturing within three months that ABC intends to refinance: $200 million
- Total proposed transaction amount: $800 million (of which up to $200 million would be allocated to the PMCCF)
- Maximum total borrowing permitted from the PMCCF: $200 million (i.e., 25% of $800 million)

Reason: ABC can borrow under the PMCCF until its total pro-forma debt reaches its 130% issuer cap (i.e., $2.6 billion). In this scenario, borrowing includes $200 million specified for refinancing debt maturing within three months and $600 million specified as additional debt. From the date of issuance under the PMCCF until the maturity date of the $200 million in outstanding debt being refinanced, the $200 million in outstanding debt being refinanced does not count toward the 130% issuer cap. In this scenario, if the proposed total transaction size were greater than $800 million, the issuer would not be able to borrow under the PMCCF at all, as is illustrated in scenario 1.

How are the requirements for ratings reaffirmation determined?
Unless the Eligible Issuer is borrowing under the PMCCF solely for the purpose of refinancing debt maturing within three months, its ratings must be reaffirmed at BB-/Ba3 or above by each major NRSRO with a rating of the issuer (the "additional debt ratings reaffirmation requirement"). When the PMCCF is participating in transactions alongside other investors, the total amount of the transaction relative to debt maturing within three months is considered. For example, in a syndicated bond issuance of $1 billion in which the PMCCF purchases 25% ($250 million), the additional debt ratings reaffirmation requirement would apply if the amount of debt maturing within three months were less than $1 billion. Similarly, if the stated use of proceeds for a transaction includes uses in addition to refinancing, such as general corporate purposes, then the additional debt ratings reaffirmation requirement would apply.

Will the SMCCF purchase a specific issue of corporate bonds of an Eligible Issuer in the secondary market if the PMCCF participated in the primary issuance of such corporate bonds?
Both the SMCCF and PMCCF may purchase the same specific issue of corporate bonds of an Eligible Issuer as long as the total purchases are within the limits described herein.

How will pricing work when the PMCCF is participating in transactions alongside other investors?
For eligible syndicated loans and bonds purchased at issuance, the PMCCF will receive the same price as other syndicate members, plus a 100 bps facility fee paid by the borrower on the PMCCF's share of the issuance. For example, in a syndicated bond issuance of $1 billion in which the PMCCF purchases 25 percent ($250 million), the issuer must pay a facility fee of $2.5 million at closing.

What information will the issuer be required to disclose?
Companies that obtain credit from the PMCCF must make their own determination concerning their disclosure obligations under securities laws. Companies subject to Regulation FD under the Securities Exchange Act of 1934 (the "Exchange Act") cannot expect the PMCCF to agree to maintain in confidence any material nonpublic information provided to it or its investment manager by the company in connection with a sale of bonds to the PMCCF.

For bonds issued pursuant to Rule 144A under the Securities Act of 1933 ("Rule 144A") by an issuer that is not an Exchange Act reporting company, the PMCCF expects that the offering document and indenture for the bonds, and any material nonpublic information with respect to the issuer or its securities distributed to PMCCF (or any other investors) in connection with that offering, will be made available on a website accessible by (i) the PMCCF or any other investor in connection with the relevant distribution and (ii) other prospective purchasers and sellers of bonds of the issuer who are qualified institutional buyers for purposes of Rule 144A.

Issuers and underwriters of bonds are expected to ensure that appropriate disclosure is made of the fees to be paid to PMCCF and the purchase remedy rights of the PMCCF in transactions where the PMCCF is a co-investor.

What are the additional single-issuer limits for the SMCCF?
The maximum amount of corporate bonds of a single issuer that the SMCCF will purchase on the secondary market is additionally capped at 10 percent of the issuer's maximum bonds outstanding on any day between March 22, 2019, and March 22, 2020. The SMCCF will not purchase shares of a particular ETF if, after such purchase, the SMCCF would hold more than 20 percent of that ETF's outstanding shares.

Will the underlying holdings of ETFs be counted towards the issuer limits?
No.

If the SMCCF has already purchased corporate bonds of a particular issuer, does it limit the maximum size for that issuer under the PMCCF?
The total combined amount of the debt of a single issuer to be purchased in the SMCCF and PMCCF is limited as set forth in the term sheets. If the SMCCF purchases a particular issuer's corporate bonds prior to the issuer issuing to the PMCCF, it will reduce the issuer's capacity available under the PMCCF.

What certifications under section 13(3) of the Federal Reserve Act will be required for the SMCCF to purchase bonds of an issuer?
Eligible Issuers are not required to provide certifications under section 13(3) for purposes of the SMCCF.

What certifications under section 13(3) of the Federal Reserve Act will be required for an issuer to borrow from the PMCCF?
Each Eligible Issuer will be required to provide a written certification that it is unable to secure adequate credit accommodations from other banking institutions and the capital markets and that it is not insolvent. These certifications will be made using the Regulation A certification that is available here.

For the purposes of participating in the PMCCF, what does it mean for an Eligible Issuer to certify that it is unable to secure adequate credit accommodations?
The Federal Reserve must obtain evidence that participants in the PMCCF are unable to secure adequate credit accommodations from other banking institutions and the capital markets. In certifying whether the issuer is unable to secure adequate credit accommodations from other banking institutions or the capital markets, issuers may consider economic or market conditions in the market intended to be addressed by the PMCCF as compared to normal conditions, including the availability and price of credit. Lack of adequate credit does not mean that no credit is available. Credit may be available, but at prices or on conditions that are inconsistent with a normal, well-functioning market.

At what price will the SMCCF purchase corporate bonds in the secondary market?
The SMCCF will purchase eligible corporate debt at market prices from Eligible Sellers in the secondary market.

At what price will the SMCCF purchase ETFs?
The SMCCF will generally not purchase shares of an ETF that were determined to have closed at a premium above the lower of the following limits relative to the prior end-of-day official net asset value (NAV): (a) 1%, or (b) the mean premium observed over the prior 52 weeks, on a rolling basis, plus the 1-standard deviation of the premium for the same period. Additionally, on an intraday basis, the SMCCF will generally limit purchases of eligible ETFs that are trading at levels well above estimates of intraday net asset value (iNAV) as measured during trading hours. These limits will serve the dual purpose of avoiding overpayment for an ETF relative to the cost of purchasing its underlying assets, and avoiding contributing to elevated demand that an ETF may already be experiencing, while affording operational flexibility.

How does Fed participation in syndicated loan or bond issuances under the PMCCF work?
When the PMCCF purchases portions of syndicated bond or loan issuances of Eligible Issuers, the PMCCF's participation is expected to be alongside that of other participants, at the same terms and price, with an additional 100 bps facility fee. After a transaction is announced and shown to prospective purchasers, in the event of insufficient demand (i.e., demand for less than 100 percent of the offering) and a desire by the issuer to approach the PMCCF for participation to complete the transaction, the underwriters or initial purchasers may approach the PMCCF via the investment manager by email to pmccf@blackrock.com with a copy to pmccf@ny.frb.org and request participation by the PMCCF of up to 25 percent of the offering. The PMCCF will apply the 100 bps facility fee on the amount of the PMCCF's participation.

Eligible Issuers under the PMCCF on co-investor and sole investor transactions will be required to certify compliance with the eligibility criteria. The certification forms are available on the New York Fed's PMCCF website.

What additional documentation is required where the PMCCF invests or co-lends in a bond or loan offering?
In order to be an Eligible Issuer for the PMCCF, a company must certify compliance with the eligibility criteria set forth in Regulation A and the CARES Act. Under Regulation A or the express terms of the certifications, if a participant in the PMCCF has obtained credit by making a knowing material misrepresentation or a material breach of the use of proceeds provisions, all extensions of credit to that participant will become immediately due and payable. In addition, an Eligible Issuer is required to make other certifications and/or representations in connection with its participation in the PMCCF, including information regarding its outstanding indebtedness, lack of participation in the Main Street Lending Programs, that it is not a depository institution or depository institution holding company (or a subsidiary thereof), and, in certain circumstances, the use of PMCCF proceeds, a material knowing misrepresentation or a material breach of which will result in all extensions of credit to that participant becoming immediately due and payable.

Accordingly, when the PMCCF purchases bonds at issuance, the Eligible Issuer will be required to enter into a CCF Letter Agreement ("Letter Agreement") (available here) under which it will agree to repurchase the bonds sold to the PMCCF upon demand, at the 100% of the outstanding principal amount plus accrued interest, in the event the participant has made any knowing material misrepresentation or there is a material breach of the use of proceeds provisions under the PMCCF program transaction-specific documentation. A similar agreement will be required when the PMCCF participates in a syndicated loan transaction, and the form of agreement will be published at such time as the facility begins transacting in syndicated loans. The indenture or loan agreement for bonds or loans in which the PMCCF is a co-investor or co-lender must provide that any payments to the PMCCF under the Letter Agreement are not subject to any sharing clause or similar provision requiring ratable application of recoveries from an issuer or borrower among noteholders or lenders. In transactions that rely on a guarantee, the guarantor will be jointly and severally liable with the issuer for the repurchase obligation. The execution and delivery of this Letter Agreement is a condition to the PMCCF's purchase of bonds or closing of loans.

What are the terms required for bonds which are presented to the PMCCF for consideration as the sole investor?
The indenture or supplemental indenture signed by the issuer and any guarantors for bonds presented to the PMCCF as the sole investor is expected to have terms consistent with market conventions and the issuer's most recent prior bond issuance, but will also be required to incorporate a standard set of terms reflecting minimum covenants and other protections applicable to the PMCCF. These standard terms are available on the New York Fed's PMCCF website. The terms may be updated from time to time, and bonds purchased by the PMCCF as sole investor should include the most recent standard terms as of the date the bonds are issued. If the issuer's most recent prior bond issuance includes more investor-favorable terms than the PMCCF standard terms, such other terms will also be required to be included, as described in the PMCCF standard terms. If an issuer incorporates specific PMCCF standard terms into its own formulation of specified covenants, that formulation is required to encompass all of the restrictions set out in the corresponding standard terms. If all PMCCF standard terms are not included in the indenture or supplemental indenture, the PMCCF may decline to participate in the transaction. The PMCCF standard terms also include a requirement that the rating conditions referenced in the term sheet are included as a condition precedent in the underwriting/purchase agreement.

Pricing for loans and bonds tend to fluctuate throughout the day of issuance. How will this impact PMCCF participation?
When the PMCCF purchases portions of syndicated loans or bonds of Eligible Issuers, participation is expected to be alongside that of other participants at the same pricing. However, borrowing under the PMCCF is intended for issuers who are unable to secure adequate credit accommodations. Market pricing should not be lowered for the purpose of decreasing demand from market participants in order to fill deal capacity via the PMCCF.

What call features will be included in transactions in which the PMCCF is the sole investor?
Call options will be included in the standard terms available on the New York Fed's PMCCF website. These call features vary based on whether the Eligible Issuer is rated at or above BBB-/Baa3 (or comparable) at the time of issuance or below BBB-/Baa3 (or comparable) at the time of issuance.

How will the PMCCF determine interest rates when purchasing eligible corporate bonds as the sole investor?
Pricing will be issuer-specific and informed by market conditions. Specifically, the pricing methodology will take into consideration the spreads above equivalent Treasuries on existing bonds issued by the same or comparable (e.g. by sector, rating) issuers adjusted by tenor (as needed), which would be added to the rate on a comparable maturity on-the-run Treasury. Additionally, a ratings-based concession (spread premium) will be applied to lower rated issuers to account for the likelihood that underwriting fees may reflect a lesser degree of marketing activity and underwriting risk. In each case, an up-front 100 bps facility fee will be charged.

All pricing determinations for sole investor transactions will be made by the PMCCF, and are not subject to bespoke negotiations.

Are there minimum and maximum spreads for the PMCCF sole investor transactions? How are they calculated?
Yes. Spreads would be expected to rise in stressed market conditions, but would be capped at spread levels based on historical distributions for each ratings notch. These levels are set around the 95th to 97th percentile of spreads over the past 15 years on three- to five-year senior debt of U.S. firms (excluding banks) to maturity matched on-the-run Treasuries. In all cases, spreads will be floored at or around the 50th percentile of spreads for each ratings notch.

How is the facility fee paid when the PMCCF is participating in transactions alongside other investors?
The facility fee of 100 basis points is a requirement for participation and is based on the par amount of PMCCF participation in an offering. The facility fee is to be paid by the issuer; however, for purposes of settlement in a bond offering, the underwriter or initial purchaser serving as Billing and Delivery Agent (B&D Agent) will pay the fee to the PMCCF on the issuer's behalf no later than the close of business on the settlement date. The issuer is responsible for directing the B&D Agent to pay the PMCCF on its behalf. The investment manager will provide documentation to the underwriters at the time of approaching the PMCCF, including

details of where to send the payment. Fee payments are to be made by separate wire transfer to the PMCCF and not netted against the purchase price for loans and bonds purchased by the PMCCF.

What are the criteria for underwriters to be eligible to facilitate a transaction under the PMCCF?
When the PMCCF purchases eligible corporate bonds, Eligible Issuers are required to utilize two or more underwriters to facilitate the transaction. One or more of the underwriters in the transaction must have significant experience with transactions of the size and complexity possible in the PMCCF, and therefore must have underwritten a minimum of 100 transactions and $10 billion in investment-grade corporate bonds, excluding self-led transactions, in the capacity of active bookrunner between March 22, 2019, and March 22, 2020. This criteria is also required for the Billing & Delivery Agent. The Federal Reserve strongly encourages issuers to utilize minority-, women-, and veteran-owned (MWV) businesses as underwriters in the PMCCF process. Where an MWV does not meet the criteria outlined above, they may still participate in the transaction as an additional underwriter.

What is the process for requesting investment by the PMCCF in a bond issuance?
Underwriters or initial purchasers are expected to contact the investment manager by email (pmccf@blackrock.com with a copy to pmccf@ny.frb.org) to request PMCCF participation in a transaction alongside other investors or as the sole investor in a bond issuance. For a sole investor transaction, it is expected that this initial contact would occur approximately two weeks prior to pricing. For a transaction alongside other investors, it is expected that initial contact would occur as soon as the underwriters expect to bring the bond issuance to the PMCCF for consideration, but should not be later than 1:00 p.m. ET on pricing day.

How will involvement of the PMCCF as an investor affect offering documentation for bonds?
It is expected that bonds sold to the PMCCF, whether as the sole investor or as a purchaser in a syndicated offering marketed to other investors, will be documented in a manner customary for SEC-registered bond offerings or bond offerings conducted pursuant to Rule 144A. The PMCCF will purchase bonds from underwriters as part of an SEC-registered offering or from initial purchasers making a Rule 144A resale. The PMCCF will purchase bonds solely as an investor and not as an underwriter or dealer, and will not purchase directly from an issuer or through an arranger acting only as a "placement agent". For Rule 144A offerings, the PMCCF will expect to receive an offering circular or offering memorandum describing the issuer, the terms and conditions of the bonds, risk factors, and other matters typically addressed in such materials. In connection with all bond issuances involving sales to the PMCCF, it is expected that underwriters/initial purchasers will perform customary due diligence and receive customary closing documents such as auditor comfort letters, legal "10b-5" disclosure letters and legal opinions.

Should Eligible Issuers expect to pay underwriting fees when the PMCCF purchases eligible corporate bonds as the sole investor in a bond issuance?
The amount paid for underwriting services will be determined entirely between the Eligible Issuer and the underwriter.

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