Lessons Learned Oral History Project Interview

Interviewee Name **Crisis Position**	Michael Held General Counsel, Federal Reserve Bank of New York
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Introduction

Michael Held worked at the Federal Reserve Bank of New York from 1998 to June 2022, serving in a variety of roles, including as general counsel from 2016 through the end of his tenure. He was in this role during the COVID-19 crisis. He met with the Yale Program on Financial Stability (YPFS) to share insights related to the Fed's crisis responses—particularly those during the pandemic.

This transcript of a Zoom interview has been edited for accuracy and clarity. [1]

Transcript

YPFS: **Thanks for joining us. If you could just start by giving us the general arc of your career. You've been at the Fed for quite a few historical moments; can you talk about what your role was in those given time frames?**

Held: Sure. And first off, I want to thank you, Steven, and Yale, for inviting me to participate in this. Of course, everything I say here—it's the standard caveat—are my own views and do not represent those of the New York Fed ["the Bank" or the FRBNY], the Board, the FOMC [Federal Open Market Committee], or anybody else.

So, a little bit on my career. As you know, I recently announced my resignation from the Bank to go on to try some other adventures. I've been in the Fed for almost 24 years; it would be 24 in August. And I joined fairly young in my career. I had been three years out of law school, and had worked in a couple of firms, and then joined as an employment lawyer actually. I didn't have banking experience or anything like that. They had 3,000 or 4,000 employees back then, and they were staffing up. Just like any business, they need legal advice on employment stuff. And I gradually built a career doing essentially any legal work that nobody else wanted to do, and kind of grew a portfolio of stuff beyond just employment to include corporate governance, transparency, FOIA

[1] A stylized summary of the key observations and insights gleamed from this interview with Mr. Held is available in the Yale Program on Financial Stability's *Journal of Financial Crises*.

[Freedom of Information Act], tax, immigration, and a lot of stuff about how the bank runs.

And I did that and gradually became more senior. We built our little division, and then one of the big inflection points for me was after [former New York Fed President] Tim Geithner joined [in 2003], being asked to take on some of the work in the executive office, just to help him get up to speed. And it might be things like: he suddenly found himself on the board of the BIS [Bank for International Settlements], so helping to coordinate all the work around the BIS. Just really being there as one of the utility infielders that can be tagged to get some work done.

Soon after that, I became corporate secretary at the Bank. We have a board of directors like any institution. Slightly different than in the private sector, but similar in many respects. And then the crisis hit, the Global Financial Crisis [GFC] of 2008. And I was just lucky to be in the room and one of the people at the right place at the right time to help with the Bank's response to the crisis—particularly around corporate governance, and all the legal stuff related to what's allowed in the Federal Reserve Act, working obviously with [former FRBNY General Counsel] Tom Baxter and so many other people, thinking about this old, dusty provision in the Act that nobody had really used for so long—[Section] 13(3)—and how that would work in responding to the crisis. So, there was a lot of work around that.

And then of course there was a lot of work after that in answering to all of our overseers about what we did and explaining—to SIGTARP [the Special Inspector General for the Troubled Asset Relief Program], and the public, and Congress—and helping to gather all the records and explain what it was we did to ensure that we were accountable to all of our stakeholders. So that took me up through the GFC. And then—I always say, if you're going to be at a central bank, this has been an amazing time to be at a central bank and continuing to grow and do different things. I got the GC [general counsel] job back in 2016 after Tom [Baxter] retired and have been dealing with all the stuff that you're probably familiar with at the Fed: all of the stuff related to execution of monetary policy and supervision, and then also we have a whole set of accounts for other central banks—so, dealing with OFAC [Office of Foreign Assets Control], AML [anti-money laundering rules], and anything else that comes down the pike. It's been a very fun run.

YPFS: **Great, appreciate the background. And just to zoom in on 2020, you're in the GC role, and to the extent you still remember it and it's not all a fog yet, what was the arc of events like? What was the progression of the process of it becoming an emergency, as the pandemic became clear? If you could tell us a little bit about that, in those early months.**

Held: Yeah, sure, happy to. I remember January, February, going into March as things started to become more real. The first thing we were obviously focused on in that period of time was our own employees and their safety. We'll probably talk a little bit about pulling out the playbooks off the shelf, and we had playbooks in that regard from the SARS epidemic and other epidemics that were more localized. But we still had thought about some of this stuff—travel and that kind of thing. Obviously nowhere near the scale that the COVID pandemic turned out to be, but we started to think about that first, and when to send people home, just like every other employer.

I think we had been home for about a week, is my recollection, when the markets really started to tighten up, and we saw more and more dysfunction, and we really started to dig in on the response. I think one real difference this time around from the GFC—and it was a lesson from the GFC—was really to go out with force and alacrity immediately. And part of that is just having the benefit of having developed a lot of [emergency liquidity] facilities during the GFC. We had things we could do immediately. We had things we could announce immediately, even if they weren't yet ready to go live. But we were very aware, or we were hopeful, that there would be an announcement effect.

There's the standard monetary policy stuff about the OMOs [open market operations] and repo, and the discount window, and then very early on announcing some 13(3) facilities, and really rolling things out much more quickly than we did, I'd say, during the GFC, where it was really: [establish] one facility, tweak that over time, then another facility, maybe a couple of months later. We all staffed up much more quickly, and we went from zero to 100 over a weekend, I'd say.

So that was one of the real differences, all while obviously dealing with our own personal situations, including the uncertainty and fear of what this was going to do for our own lives, and all using new technology, working from home, getting used to things like Zoom, or the other... I'm trying not to endorse any particular technology. And other technologies.

At the beginning, we were still using muscle memory. You start with teleconference bridges, and phone calls, and stuff like that, and seeing that shift to more of the videoconferences and that sort of thing. That was a whole learning that we were doing at the same time we were really going at 100 miles an hour to try and help these responses.

YPFS: Sure. I have a couple quick follow-ups from what you just said. You mentioned a playbook for SARS, maybe other outbreaks. Correct me here, but my sense from what you said was that that playbook was about managing the Bank, about how you were managing the Bank itself, as opposed to a financial lending playbook.

Held: Totally. That was all about, how do we keep our employees safe? The first things are like, "There seems to be this thing called COVID happening in Asia. Should we restrict travel out there?" That's the kind of stuff we were looking at in the beginning. Should we require people to report if they had been to an area where there was a COVID outbreak? And that's pretty quickly rolled into, "Should we send people home? How long should we send people home for? Who should get sent home? Do we have the technology to make sure they can work from home?" All that kind of stuff. So, all that rolled into being well prepared, I think, pretty quickly, to do the work that we needed to do in March from home. And so that's making sure that people had their laptops, and all the different things.

And obviously in the beginning, like any organization: Did we have enough bandwidth to do videoconferences? And a lot of that kind of stuff was really in the February, early March time frame. I don't mean to say that we were fully prepared from an operational perspective, as we would have liked, but we had done a lot of that thinking or started to do that thinking in the February time frame, so that in that mid-March time frame when things really hit, we were in relatively good shape to start doing the work we needed to do.

YPFS: And, on the speed of the rollout of the various financial interventions, certainly the ones that were basically repeats of 2008 rolled out much quicker. And like you said, at least in the other cases you could announce something. I'd like to hear a little more about that, but another question I have is: There was at least one case where there was even a pre-announcement announcement, where the press release comes out saying— "The Fed is intending to create a facility to respond to this section of the market." Can you talk about how that process worked? Especially because in theory, you don't have the finding of "unusual and exigent circumstances" and the sign-off from the [Fed] Board [of Governors] yet, things like that. So, can you talk about that process of communicating, "Hey, we're on this, but we don't have a term sheet yet"?

Held: Yeah. So, I'm thinking you're probably talking about the corporate credit facilities, is my guess.

YPFS: It was the Main Street Lending Program that came to mind for me. I was paraphrasing, "We intend to create a Main Street lending facility." But then it was two weeks later that the term sheet came, and then the term sheet preceded the operational date by three months.[2] So it was kind of a new communication at each stage.

[2] For a precise timeline and description of the Main Street Lending Program, and links to the relevant press releases, see: Kelly, Steven. 2022. "United States: Main Street Lending Program." *Journal of Financial Crises* 4, No. 2, 1983–2021. https://elischolar.library.yale.edu/journal-of-financial-crises/vol4/iss2/89.

Held: Yeah. So, Main Street was done out of the Boston Fed, so I'm less privy to the details on that one. My sense, though, is that the overall theme here was really that the announcement effect could be quite helpful. So, two things. One is that—and I'm sure you've heard this multiple times and you know it—unlike 2008, this crisis was not endogenous to the banking system. There was a whole set of other causes, and the effects were much more immediately direct on Main Street; that took a little bit more of a lag during the GFC.

There was also a feeling that, during the GFC, there was a lot of criticism on USG [the US government], not necessarily the Fed, about not doing enough to provide direct assistance to Main Street [the nonfinancial economy]. And so, I do think there was a desire to really think about where the effects were here so that we weren't just fighting the last war—meaning the GFC—and really trying to craft solutions that maybe built on what we did during the GFC, conceptually, but were getting the assistance where it was needed. And again, I think that there would be no announcements of the stuff, given the amendments by the Dodd-Frank Act [DFA], without full consultation with Treasury and all other key stakeholders in the Fed and USG before rolling out an announcement like that. But I do think the idea was to let people know we were on it, that we were thinking about, "what are the effects of this crisis?" rather than just hewing to what we did back in 2008.

YPFS: Sure. Thinking about the comparison to 2008, and where it was more identical and where it was less identical, I was curious about Regulation A.[3] So, in 2008, there were quite a few exceptions made—the idea being Regulation A wasn't really fit for purpose, wasn't really fit for the crisis. In 2020, it was hewed to much more closely. How much was Reg A a consideration in the design of liquidity facilities? Or was it because Reg A had been more recently updated, or just the shape of the crisis, or was it a coincidence that it was hewed to more closely? If you could speak to that a little bit.

Held: Yeah. I get your point; I just would push back maybe a little bit that we didn't hew to Reg A to the extent that that could imply that we weren't complying with Reg A during 2008. Reg A, along with 13(3), were amended after the last crisis. And our job is to comply with the law, including, I'd say, the spirit of the law. So, there was "message received" around what we did during 2008 and concerns about some of that work, and I think the goal here was to make sure we were doing everything that was consistent with the letter and the spirit of the changes that were made after that crisis.

I also think that, again, this [crisis] was in some ways similar. In some ways, it was very different. And so, we were doing things here that we thought were

[3] Regulation A contains the rules written by the Federal Reserve for implementing, among other statutes, the emergency liquidity provision of the Federal Reserve Act. See 12 CFR § 201: https://www.law.cornell.edu/cfr/text/12/part-201.

necessary to address the current state. And certainly, if we thought that there needed to be different types of lending now, we would seek the similar types of exceptions that we did in 2008. But it wasn't necessary.

YPFS: **Sure. Another change post-2008 was to really codify Treasury approval of these facilities. That was practice before, and it was statute after Dodd-Frank. I have a general and then a specific question.**

So, the general question is, what was the relationship like with Treasury? What were those exchanges like? And I don't mean: Tell tales out of school. I'm more interested in, from a legal perspective, how often were you communicating? When did the approvals come in? When you were going to make an announcement, how much was Treasury involved if it's not a specific authorization? Things like that, just general details there. Why don't we just start there, and then I'll ask another question.

Held: Yeah, sure. So, I like the way you framed this, that it was a codification of what had happened before. I am probably one step removed from many of the conversations happening at the principal level between Chair Powell and the secretary [of the Treasury] at that time, but everything I saw and everything I was engaged in with Treasury—and everything I know at the principal level—it was a daily communication. It was in many respects very similar to the kinds of discussions and collaboration that were happening in 2008. As best I could tell, there really wasn't anything different.

I do think at the principal level, they were in the weeds. This was not something where it was generally delegated down in terms of term sheets, or interpretation of the restrictions of the CARES Act, or anything like that. There was a real close, collaborative working relationship at a very detailed level, really from the principal level all the way down. There were discussions around what the loss-sharing would look like. It really was close and collaborative. And I want to stress this, because there were concerns about this when DFA was passed, that requiring formal approval would interject political considerations into the discussion in a way that might not be productive. None of that occurred; I really mean that. Everyone was just focused on what needed to be done to address the issues. And it was extremely helpful, particularly in this regard, to have Treasury in the room on everything because of the CARES Act. They were the principal folks from USG, as compared to the Fed, on a lot of the writing of the CARES Act. Obviously, that's Congress doing the writing, but they were the principal point of contact. And so, making sure that everything was on the right side of the line with respect to the CARES Act funding and that statute, it was critical to have Treasury there, and they were tremendously helpful in that regard as well.

YPFS: **So, when big changes are made to a 13(3) facility, it's typically reintroduced to the Board, which also means preapproval from**

Treasury. But sometimes smaller changes to the term sheet will happen and just be announced by the regional Fed that's doing the change. Not immaterial changes, but also maybe not, "Oh, we cut the rate by 100 basis points," or something. It's something in between. How much is Treasury involved in those? I mean, if it's not going to an official vote, how is it decided when to take it to a vote and when the regional Fed can tweak it without going to the Board and the Treasury secretary?

Held: Yeah, so obviously whether to get a formal vote is... You'd have to ask Mark Van Der Weide [GC of the Fed Board of Governors] or the GC of the Treasury on that. My sense is, anything that's material—I mean, it's kind of common sense—will require a new vote. That said, on pretty much anything that's remotely material, even if it doesn't formally require a vote, there would be consultation with folks in Treasury before those changes were made.

There was a joint ownership of those term sheets. And yeah, how we might deal with particular counterparties and all that kind of stuff, that's either going to be strictly within the purview of the Reserve Banks or the Reserve Banks and the Board—largely around stuff like risk management. But anything that deals with the actual policy decisions that are being made with respect to those facilities—the kinds of collateral, or the way we're doing the purchases—we're all going to be consulting with Treasury on that.

There's the approval requirement in DFA, but a lot of these [facilities] had loss-sharing arrangements. So, if Treasury is taking the first loss, then they've got to be in the loop on anything that might impact that.

YPFS: Sure. So just on the point of loss-sharing, maybe half or so of the facilities are announced pre-CARES Act, and then we get a few more post-CARES Act. But another thing that happened is that for some of the pre-CARES facilities, which were originally going to use preexisting Exchange Stabilization Fund funds, the funding got supplanted by CARES Act-specific funding. And the two that didn't were the MMLF and the CPFF [Money Market Mutual Fund Liquidity Facility and the Commercial Paper Funding Facility]. I assume this was a conscious decision. What were the reasoning and the justification behind that?

Held: Yeah, and so that, you really need to talk to Treasury about. I was not privy to that. We were just happy to get the money to help. Where it came from was less relevant to us. Obviously, we want to make sure we comply with the restrictions that are imposed on the CARES Act funding. My sense, though, is again that this goes to what I said before in terms of the spirit of the CARES Act. The restrictions in the CARES Act were the clear intent of Congress, and so trying to use the CARES Act funding, I think, was adhering to the will of Congress.

On the CPFF, I really can't even begin to address what Treasury was thinking about whether to use CARES Act funding or not in the CPFF.

YPFS: **Okay, and maybe this question is in the same vein then, where the answer lies in Treasury, but, for all the facilities that used Treasury funding support, that support was structured as an equity injection—no matter where the funds came from—except for the MMLF, which was structured as a credit guarantee. Do you know what gives there?**

Held: No, I don't. I noted that when I was reviewing this as well; I had forgotten that point. That would be something for Treasury to answer, not me.

YPFS: **Okay, and this is semi-related, but I think would be more in your wheelhouse, especially given that it's semi-related to 2008, pre-CARES and all that. The two money markets facilities that had Treasury support were not attached to specific leverage ratios in the way that the CARES Act facilities were. All the CARES Act facilities, you could leverage Treasury equity, say, 10-to-1 or whatever. And the CPFF and MMLF had no such ratio. You just got $10 billion [of Treasury support]. My read of the various documents from 2008 through 2020 is that this was really about the fact that they were doing unsecured lending and having some collateral in place for that, as opposed to worried about a loss ratio. But—you talk.**

Held: I think that's right, and I also think that there's a little bit of shock and awe. So, if there's a ratio, that might imply there's a limit on it. And so, for both of those reasons, that's just not the way to work for those two facilities. Also, with respect to the old facilities, the 2008 facilities, there was also a little bit of: any deviation from how we did it before creates a new layer of complexity and something that people will ask questions about—why we did it differently. So, there's a little bit of, "If it ain't broke, don't fix it," for something like that. It worked last time. If it's different, then that might cause confusion in our stakeholders about why it's different. As I said before, there's a bit of wanting to take full advantage of the announcement effect. So, to the extent it's similar, that can be helpful. And if it's different, then that can create confusion and can impair the announcement effect.

YPFS: **All right, so let's shift gears a bit and talk about the use of SPVs [special purpose vehicles]. If you could just talk about them in general, the purpose for using them, and the benefits that may come—and maybe why they're also not used in some cases.**

Held: Sure. A couple of reasons why they were used. One is, it helps with the accounting, and the transparency, and keeping track of exactly how the public money is being used. That's number one. Number two is, again, for many of the old facilities, there was a little bit of wanting to replicate so that we don't cause unnecessary confusion in the market about why we're doing it differently. It wasn't like a need to do it in some instances, but there was a feeling that it worked before, and why do something different, particularly for the same types of facilities we did previously?

For some of the other things, like the PDCF [Primary Dealer Credit Facility], obviously there was no funding coming in, so there was no need to have any sort of structure like that. It wasn't the way we had done it previously, so it didn't make sense to do it that way for that kind of facility. The MMLF, likewise, as you noted, had a guarantee. Again, there was no funding coming in, so there wasn't really a need to have an SPV for that kind of facility.[4]

YPFS: **Okay, so when you say, "It's about the funding," are you thinking it's about because it has a simpler capital structure, or because you're not using the taxpayer injection, that you feel like there's less need to go through that process of, "Here is how the taxpayer injection is being processed and used"?**

Held: Generally, the latter. I think where there's no taxpayer money—don't get me wrong: All Fed money, I recognize, is money from the public—but the money coming from Treasury, that's where you really want to make sure there's clarity around how the funds are being used. And it makes for better, clearer accounting when it's separate facilities. You have separate financial statements. People would be looking for those. It's something that it's easy to point to with respect to each facility. So, it just provides a bit of clarity around what we're doing.

YPFS: **Are those audits required, or do you opt into those external audits?**

Held: Well, it's a good question. The Fed has its own audit rules, and so, is it required? It may be that there's a policy coming from the Board that would say that because these are Fed facilities that ultimately could be consolidated on our balance sheets, that therefore they need to be audited. But the issue is less, "was it legally required?" than, "is it just helpful in terms of meeting our accountability requirements to all of our stakeholders?" So, we would do it regardless of whether it was required or not.

[4] The MMLF, unlike the other facilities receiving first-loss protection from Treasury, indeed did not have an equity injection. Instead, it had a $10 billion credit guarantee from the core (non–CARES Act) funds in the ESF. However, some funds were provided: the Treasury transferred $1.5 billion of the $10 billion from the ESF to a deposit account at the Fed. See the "Money Market Mutual Fund Liquidity Facility Credit Support Agreement": https://ypfs.som.yale.edu/library/document/money-market-mutual-fund-liquidity-facility-credit-support-agreement. The GFC-era predecessor to the MMLF, the AMLF, did not have any fiscal support from Treasury and, like the MMLF, did not use an SPV structure.

I do think that probably one of the policies coming out of the Board of Governors was that there would be an expectation that this would be subject to external audit.

YPFS: **Okay, sure. And then, maybe the answer's the same, but one of the benefits of doing broad-based lending is that you have this diversification effect. You have this pooling of interest payments, etc., that can sort of capitalize the facility in their own right. So why not just smoosh them all into one SPV? Let's say you have $30 billion of external credit support funding. You do one $300 billion facility as opposed to three $100 billion facilities that would lose the pooling effect.**

Held: Yeah, you do sacrifice a little bit more agility and flexibility if you don't use one SPV, but you sacrifice a little bit. You make the accounting and the transparency more complicated if it's all in one SPV, so I think the idea was that you're just being a little bit clearer on how the money is being used by creating separate facilities. Obviously, they were all very, very different, both in terms of design and collateral, and everything else. And so, it just felt like given that they were so different, that it made more sense to keep the SPVs separate.

YPFS: **Sure. So, thinking about maybe some of the newer facilities, obviously the MSLP was up in Boston, but the FRBNY had the rest of the new ones there in New York. Can you talk a little bit about that process of designing? Did you have the bones of anything beforehand? Were you really designing it from scratch? Talk about how that came together. I guess we'll start particularly with the municipal bond facility[5] and the corporate bond facilities[6] in particular. TALF (Term Asset-Backed Securities Loan Facility) varied a little bit, but we can get to that later.**

Held: Yeah, so the muni facility, that was really different for us, and really outside our normal wheelhouse. And we retained outside counsel to help design that facility. That is such an idiosyncratic market—how those deals are done, what the conventions are, how the fees work—and so we relied heavily on outside counsel, and the Board brought on a guy, Kent Hiteshew, who really was an expert in this space and was assigned full-time to help with the design of this facility—and to do it in a way that really fit within the market so that it would work while also making sure that we were being effective stewards of

[5] The Municipal Liquidity Facility (MLF). For a study of the facility's design, see: Kelly, Steven. 2022. "United States: Municipal Liquidity Facility." *Journal of Financial Crises* 4, No. 2, 1904-1932. https://elischolar.library.yale.edu/journal-of-financial-crises/vol4/iss2/86/.

[6] The Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF). For a study of the facilities' design, see: Leonard, Natalie. 2022. "United States: Municipal Liquidity Facility." *Journal of Financial Crises* 4, No. 2, 1797-1823. https://elischolar.library.yale.edu/journal-of-financial-crises/vol4/iss2/82/.

taxpayer money. It took a lot of work, and there were different types of structures.

It was a long road to get to where we ended up in that. We really went down a number of different paths before ending up where we did. We thought about options; we thought about all sorts of different things. We also had retained not just one outside counsel but two. One that had experience with the lender side and one that had experience with the borrower side, to make sure we really had covered both sides of the market as we designed this facility. Now, it wasn't used that much. We do think that the announcement effect there really did help to calm the market. So, there were a bunch of people within the Fed that were staffed on that who learned as we went, and it really took a lot of creativity on the part of Fed and our outside advisers to really try and find a structure that would work for that.

And then the corporate credit facilities. That was a little bit more adjacent to some of the other facilities that we had done previously. Obviously, it was a big step from a theoretical perspective, at least in my—again, this is my personal view. Going into the real economy with these facilities was a real step for the Fed and not one that was taken lightly. Concerns about the slippery slope and "are we supplanting the responsibilities of other entities within USG or the private sector?" … Really a lot of concern about that, but ultimately deciding that this is—again, this goes back to how I started our conversation: really thinking about this crisis rather than the last crisis—and thinking about what was needed.

And that one, again, was one that was announced very early. We did a lot of initial work over a weekend. The term sheets for both the primary and the secondary facilities evolved a lot over time before it finally went live. It was very important to the principals to go out with an announcement early that was concrete enough so that everyone would know that we were serious. Part of that included also, shortly after the announcement of the facilities, to announce that we had hired a vendor to run the facility, BlackRock. And there, it was very important to everybody to make sure that we addressed all of the inevitable concerns and justified concerns that people would have about retaining a firm to do this type of work in terms of conflicts, and controls, and all that kind of stuff. So, we went out not just with a term sheet—but that week with an outline of what we were doing with respect to the firm to allay concerns in the public, or Congress, or anybody else about the use of a particular firm to help do this work.

So that was all done in the first week, in that first week of mid-March when we were really ramping up. It was still a long road to go live with both of those facilities, but we do think that that announcement did a lot to help start the healing in the markets.

YPFS: **One restriction that came with that facility was that the bond-buying excluded banks. Banks are something like a quarter of the bond market. What was the genesis of that restriction? I mean, ex post, it doesn't seem to have mattered. Like you said, the announcement effect was huge. And banks held up well and had other support. But what was the genesis of that restriction?**

Held: Well, I do think that that was part of what you just said: really trying to focus the facilities on where we thought the issues were. The stuff that was done between the last crisis and this one from a supervisory and regulatory perspective left the banks in pretty good shape. They were resilient to what was happening in 2020, and so I do think a big part of this was really focusing on and helping to focus the facilities on really where the need was.

YPFS: **So, the idea was, if you include the banks, it's 25% less that you can shower the rest of the market with, essentially?**

Held: Yeah.

YPFS: **Okay, interesting. On the muni facility, and this was the subject of a little bit of congressional furor, but there was no secondary market facility in the way that there was for the corporate bonds. Do you remember what the thinking was around that distinction, and what the discussion was like?**

Held: Yeah, I do have some recollection of this. What I referenced earlier about going into these markets with some trepidation, I think really trying to think about what was needed and not doing more than was needed. And I know that's always going to be a little bit of a moving target. With respect to the muni market, I think that the feeling was: It is a really idiosyncratic market, and let's make sure we don't get too far out over our skis in terms of affecting and displacing markets where it may not be entirely useful or needed. And the feeling was: Let's start at least with a direct issuance rather than doing something in the secondary market.

YPFS: **So, I'm getting the sense that, all else equal, there was more comfort with taking on a corporate bond than a muni bond. What were some of the concerns? Maybe correct me if I'm wrong, but what were the general concerns about muni intervention?**

Held: Some of the concerns about muni interventions were—In the unlikely event that there would be a default: a little bit of a concern around being secured to our satisfaction given what happens with respect to municipalities when they get into trouble. That was number one.

YPFS: **Meaning what?**

Held: Meaning the availability of bankruptcy laws and all that kind of stuff. It's a whole different regime for munis, and so the ability to be secured to our satisfaction, and ultimately liquidate and recover any losses we might realize would be more challenging in the muni market. Both because there was a different legal framework around it, as well as the political economy. So obviously the muni market is a little bit more fraught than just the corporate bond market in terms of the Fed intervening in those markets when you're talking about local government and states. And so, I think there's a feeling that we want to be helpful, but we also don't want to get crosswise if things go south. So, I think there was a little bit of that as well.

YPFS: Sure. And was there a process in place, say in the corporate facilities, if the Fed was party to a bankruptcy restructuring? Would BlackRock handle that?

Held: They may have. I mean, we had a lot of experience from 2008 with toxic assets—the Maiden Lane facilities—and holding those, and negotiating, and all sorts of negotiating with other creditors in various bankruptcy proceedings. And so, I do feel like there was a little bit more experience and comfort in being able to navigate that as compared to, say, the muni market. I think that it's hard to say now how that would have been handled—if we would have needed BlackRock or some other adviser to help us navigate that, or whether we would have relied on expertise in-house.

YPFS: Just thinking about continued operation of these facilities, notably the SMCCF [Secondary Market Corporate Credit Facility] was wound down. This hasn't been the case with the muni facility. What was the thinking behind that distinction or purpose there?

Held: I think that there's no current plans to sell or otherwise dispose of assets in other facilities. I think the idea is we don't want to be disruptive to any markets. The muni facility obviously was not as widely used as the corporate credit facilities, and there really was a desire to let those markets get back to a place where the Fed isn't holding a lot of assets and getting into the private market any more than we had to. And so, there was really a desire to get out of it as quickly as possible. On the muni market, I think it's more just things seem to be proceeding along. There doesn't seem to be a huge disruption in the market. It's not at some ginormous scale, and so it's kind of fine bubbling along.

YPFS: Sure. All right, we only have a few minutes left. So, anything else that we haven't covered, or any broad takeaways for future crisis fighters that you wanted to put in the record before we go?

Held: The only things I'd say are a couple things that I started with. One is we really did learn something from 2008 in terms of the importance of acting with force and alacrity as quickly as possible. There really was a desire to be as transparent as possible. Whereas I think we adjusted in 2008, but in the beginning, the approach was: unless there's compelling reason to disclose, we're not going to disclose. And [during the pandemic], it was entirely the opposite: Unless there's a compelling reason not to disclose, and where we're allowed to… We have the disclosure requirements that were imposed after DFA, but we went beyond that here. And the reason was really wanting to be as transparent as possible, unless doing so would impair the facilities. And so that was another lesson learned.

And then thirdly, really making sure that everything was buttoned up from a control perspective in terms of conflicts, and ethics, and working with outside vendors to make sure that when our overseers came in and wanted to make sure that we were doing things in a well-controlled manner, we really could demonstrate that.

And then finally, just my own personal observation of being in awe of the people in the Fed and in the Treasury who did this, often 24/7, with everything else going on in their personal lives. It was really amazing, amazing to see, and it's something I'll remember for the rest of my life.

YPFS: **That's great. Well, thanks, Mike, both for your service in the many crises that you faced, as well as on this interview today. We really appreciate it.**

Held: No problem, Steve. Thanks very much. Take care.

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