

Primary Market Corporate Credit Facility: Program Terms and Conditions

Effective July 28, 2020¹

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Facility

The Primary Market Corporate Credit Facility (“Facility”) will serve as a funding backstop for corporate debt issued by eligible issuers. Under the Facility, the Federal Reserve Bank of New York (“Reserve Bank”) will commit to lend to a special purpose vehicle (“SPV”) on a recourse basis. The SPV will (i) purchase qualifying bonds as the sole investor in a bond issuance; and (ii) purchase portions of syndicated loans or bonds at issuance. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury will make a \$75 billion equity investment in the SPV to support both the Facility and the Secondary Market Corporate Credit Facility (“SMCCF”). The initial allocation of the equity will be \$50 billion toward the Facility and \$25 billion toward the SMCCF. The combined size of the Facility and the SMCCF will be up to \$750 billion.

Eligible Assets

Eligible corporate bonds as sole investor. The Facility may purchase eligible corporate bonds as the sole investor in a bond issuance. Eligible corporate bonds must meet each of the following criteria at the time of bond purchase by the Facility: (i) issued by an eligible issuer; and (ii) have a maturity of 4 years or less.

Eligible syndicated loans and bonds purchased at issuance. The Facility also may purchase portions of syndicated loans or bonds of eligible issuers at issuance. Eligible syndicated loans and bonds must meet each of the following criteria at the time of purchase by the Facility: (i) issued by an eligible issuer; and (ii) have a maturity of 4 years or less. The Facility may purchase no more than 25 percent of any loan syndication or bond issuance.

Eligible Issuers

To qualify as an eligible issuer, the issuer must satisfy the following conditions:

- The issuer is 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.
- The issuer was 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 be rated at least BBB-/Baa3 by two or more NRSROs 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 Facility makes a purchase. If rated by multiple major NRSROs, such an issuer must be rated at least BB-/Ba3 by two or more NRSROs as of the date on which the Facility makes a purchase.
- In every case, issuer ratings are subject to review by the Federal Reserve.
- 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.
- The issuer has not received specific support pursuant to the CARES Act or any subsequent federal legislation.
- The issuer must satisfy the conflicts-of-interest requirements of section 4019 of the CARES Act.

Leverage

The Facility will leverage the Treasury equity at 10 to 1 when acquiring corporate bonds or syndicated loans from issuers that are investment grade at the time of purchase. The Facility will leverage its equity at 7 to 1 when acquiring any other type of eligible asset.

Limits per Issuer

Issuers may approach the Facility to refinance outstanding debt, from the period of three months ahead of the maturity date of such outstanding debt. Issuers may additionally approach the Facility at any time to issue additional debt, provided their rating is reaffirmed at BB-/Ba3 or above with the additional debt by each major NRSRO with a rating of the issuer. The maximum amount of outstanding bonds or loans of an eligible issuer that borrows from the Facility may not exceed 130 percent of the issuer's maximum outstanding bonds and loans on any day between March 22, 2019, and March 22, 2020.

The maximum amount of instruments that the Facility and the SMCCF combined will purchase with respect to any eligible issuer is capped at 1.5 percent of the combined potential size of the Facility and the SMCCF.

Pricing

Eligible corporate bonds as sole investor. Pricing will be issuer-specific, informed by market conditions, plus a 100 bps facility fee. Pricing also will be subject to minimum and maximum spreads over yields on comparable maturity U.S. Treasury securities, and such spread caps and floors will vary based on an eligible issuer's credit rating as of the date on which the Facility makes a purchase.

Eligible syndicated loans and bonds. The Facility will receive the same pricing as other syndicate members, plus a 100 bps facility fee on the Facility's share of the syndication.

Program Termination

Facility will cease purchasing eligible assets no later than December 31, 2020, unless the Facility is extended by the Board of Governors of the Federal Reserve System and the Treasury Department. The Reserve Bank will continue to fund the Facility after such date until the Facility's holdings either mature or are sold.

Program Terms and Conditions: June 29, 2020

¹ The Board of Governors of the Federal Reserve System ("Board") and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.
