

Primary Market Corporate Credit Facility: Program Terms and Conditions

Effective March 23, 2020

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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 directly from eligible issuers and (ii) provide loans to eligible issuers. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury, using the Exchange Stabilization Fund, will make an initial \$10 billion equity investment in the SPV in connection with the Facility.

Eligible Assets

The Facility will purchase eligible corporate bonds directly from eligible issuers and will make eligible loans to eligible issuers. Eligible corporate bonds and loans must meet each of the following criteria at the time of bond purchase or loan origination by the Facility:

- Issued by an eligible issuer;
- Issuer is rated at least BBB-/Baa3 by a major nationally recognized statistical rating organization (“NRSRO”) and, if rated by multiple major NRSROs, rated at least BBB-/Baa3 by two or more NRSROs, in each case subject to review by the Federal Reserve; and
- Have a maturity of four years or less.

Eligible Issuers

Eligible issuers are U.S. companies headquartered in the United States and with material operations in the United States. The scope of eligible issuers may be expanded in the future. Eligible issuers do not include companies that are expected to receive direct financial assistance under pending federal legislation.

Limits per Issuer

The maximum amount of outstanding bonds or loans of an eligible issuer that borrows from the Facility may not exceed the applicable percentage of the issuer’s maximum outstanding bonds and loans on any day between March 22, 2019 and March 22, 2020:

- 140 percent for eligible assets/eligible issuers with a AAA/Aaa rating from a major NRSRO;
- 130 percent for eligible assets/eligible issuers with a AA/Aa rating from a major NRSRO;
- 120 percent for eligible assets/eligible issuers with a A/A rating from a major NRSRO; or
- 110 percent for eligible assets/eligible issuers with a BBB/Baa rating from a major NRSRO. I

Interest Rate

The Facility will purchase bonds and make loans that have interest rates informed by market conditions

At the borrower’s election, all or a portion of the interest due and payable on each interest payment date may be payable in kind for 6 months, extendable at the discretion of the Board of Governors of the Federal Reserve System. Such interest amount will be added to, and made part of, the outstanding principal amount of the bond or loan. A borrower that makes this election may not pay dividends or make stock buybacks during the period it is not paying interest.

Commitment Fee

The commitment fee will be set at 100 bps.

Call Right

Bonds and loans under the Facility are callable by the eligible issuer at any time at par.

Program Termination

The Facility will cease purchasing eligible corporate bonds or extending loans on September 30, 2020, unless the Facility is extended by the Board of Governors of the Federal Reserve System. The Reserve Bank will continue to fund the Facility after such date until the Facility's underlying assets mature.
