

Secondary Market Corporate Credit Facility

Facility: Under the Secondary Market Corporate Credit Facility (“Facility”), the Federal Reserve Bank of New York (“Reserve Bank”) will lend, on a recourse basis, to a special purpose vehicle (“SPV”) that will purchase in the secondary market corporate debt issued by eligible issuers. The SPV will purchase eligible individual corporate bonds as well as eligible corporate bond portfolios in the form of exchange traded funds (“ETFs”) in the secondary market. 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:

Eligible Individual Corporate Bonds. The Facility may purchase corporate bonds that meet each of the following criteria at the time of purchase by the Facility:

- Issued by an eligible issuer;
- 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;
- Have a remaining maturity of five years or less.

Eligible ETFs. The Facility also may purchase U.S.-listed ETFs whose investment objective is to provide broad exposure to the market for U.S. investment grade corporate bonds.

Eligible Issuers for Individual Corporate Bonds: Eligible issuers for direct purchases of individual corporate bonds on the secondary market are U.S. businesses with material operations in the United States. Eligible issuers do not include companies that are expected to receive direct financial assistance under pending federal legislation.

Limits per Issuer/ETF: The maximum amount of bonds that the Facility will purchase from any eligible issuer will be capped at 10 percent of the issuer’s maximum bonds outstanding on any day between March 22, 2019 and March 22, 2020. The facility will not purchase more than 20 percent of the assets of any particular ETF as of March 22, 2020.

Pricing: The Facility will purchase eligible corporate bonds at fair market value in the secondary market. The Facility will avoid purchasing shares of eligible ETFs when they trade at prices that materially exceed the estimated net asset value of the underlying portfolio.

Program Termination: The Facility will cease purchasing eligible corporate bonds and eligible ETFs no later than 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 holdings either mature or are sold.