

## Commercial Paper Funding Facility: Program Terms and Conditions

Effective July 23, 2020

**Facility:** The CPFF will be structured as a credit facility to a special purpose vehicle (“SPV”) authorized under section 13(3) of the Federal Reserve Act. The SPV will serve as a funding backstop to facilitate the issuance of term commercial paper by eligible issuers.

The Federal Reserve Bank of New York will commit to lend to the SPV on a recourse basis. The New York Fed will be secured by all the assets of the SPV. The Department of the Treasury, using the Exchange Stabilization Fund, will make a \$10 billion equity investment in the SPV.

**Assets of the SPV:** The SPV will purchase from eligible issuers three-month U.S. dollar-denominated commercial paper through CPFF Dealers. Eligible issuers are U.S. issuers of commercial paper, including municipal issuers and U.S. issuers with a foreign parent company.

Except as provided below, the SPV will only purchase U.S. dollar-denominated commercial paper (including asset-backed commercial paper (“ABCP”)) that is rated at least A1/P1/F1 by a major nationally recognized statistical rating organization (NRSRO) or, if rated by multiple major NRSROs, is rated at least A1/P1/F1 by two or more major NRSROs, in each case subject to review by the Federal Reserve.

An issuer that, on March 17, 2020, was (1) rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, was rated at least A1/P1/F1 by two or more major NRSROs; and (2) is subsequently downgraded, will be able to make a one-time sale of commercial paper to the SPV so long as the issuer is rated at least A2/P2/F2 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A2/P2/F2 by two or more major NRSROs, in each case subject to review by the Federal Reserve.

The SPV will not purchase ABCP from issuers that were inactive prior to the creation of the CPFF. An issuer will be deemed inactive if it did not issue ABCP to institutions other than the sponsoring institution for any consecutive period of three-months or longer between March 16, 2019 and March 16, 2020.

**Limits per issuer:** The maximum amount of a single issuer’s commercial paper the SPV may own at any time will be the greatest amount of U.S. dollar-denominated commercial paper the issuer had outstanding on any day between March 16, 2019 and March 16, 2020. The SPV will not purchase additional commercial paper from an issuer whose total commercial paper outstanding to all investors (including the SPV) equals or exceeds the issuer’s limit.

For an issuer that, on March 17, 2020, was (1) rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, was rated at least A1/P1/F1 by two or more major NRSROs; and (2) is rated at least A2/P2/F2 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A2/P2/F2 by two or more major NRSROs, the maximum amount of the issuer’s commercial paper that the SPV will purchase is the amount of U.S. dollar-denominated commercial paper the issuer had outstanding the day before it was downgraded.

**Pricing:** For commercial paper rated A1/P1/F1, pricing will be based on the then-current 3-month overnight index swap (“OIS”) rate plus 110 basis points. For commercial paper rated A2/P2/F2, pricing will be based on the then-current 3-month OIS rate plus 200 basis points.

At the time of its registration to use the CPFF, each issuer must pay a facility fee equal to 10 basis points of the maximum amount of its commercial paper the SPV may own.

**Termination date:** The SPV will cease purchasing commercial paper on March 17, 2021, unless the Board extends the facility. The New York Fed will continue to fund the SPV after such date until the SPV's underlying assets mature.<sup>1</sup>

<sup>1</sup> The Board may review and make adjustments to the terms and conditions described in this term sheet. Changes will be announced on the Board's website.