

## Money Market Mutual Fund Liquidity Facility

**Facility:** To provide liquidity to Money Market Mutual Funds (“Funds”), the Federal Reserve Bank of Boston (“Reserve Bank”) would lend to eligible borrowers, taking as collateral certain types of assets purchased by the borrower from Funds (i) concurrently with the borrowing; or (ii) on or after March 18, 2020, but before the opening of the Facility.

**Borrower Eligibility:** All U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer subsidiaries), or U.S. branches and agencies of foreign banks are eligible to borrow under the Facility.

**Funds:** A Fund must identify itself as a Prime, Single State, or Other Tax Exempt money market fund under item A.10 of Securities and Exchange Commission Form N-MFP.

**Advance Maturity:** The maturity date of an advance will equal the maturity date of the eligible collateral pledged to secure the advance made under this Facility except in no case will the maturity date of an advance exceed 12 months.

**Eligible Collateral:** Collateral that is eligible for pledge under the Facility must be one of the following types:

- 1) U.S. Treasuries & Fully Guaranteed Agencies;
- 2) Securities issued by U.S. Government Sponsored Entities;
- 3) Asset-backed commercial paper that is issued by a U.S. issuer, is rated at the time purchased from the Fund or pledged to the Reserve Bank not lower than A1, F1, or P1 by at least two major rating agencies or, if rated by only one major rating agency, is rated within the top rating category by that agency;
- 4) Unsecured commercial paper that is issued by a U.S. issuer, is rated at the time purchased from the Fund or pledged to the Reserve Bank not lower than A1, F1, or P1 by at least two major rating agencies or, if rated by only one major rating agency, is rated within the top rating category by that agency; or
- 5) U.S. municipal short-term debt that:
  - i. Has a maturity that does not exceed 12 months; and
  - ii. At the time purchased from the Fund or pledged to the Reserve Bank:
    1. If rated in the short-term rating category, is rated in the top short-term rating category (e.g., rated SP1, MIG1, or F1, as applicable) by at least two major rating agencies or if rated by only one major rating agency, is rated within the top rating category by that agency; or
    2. If not rated in the short-term rating category, is rated in the top long-term rating category (e.g., AA or above) by at least two major rating agencies or if rated by only one major rating agency, is rated within the top rating category by that agency.

In addition, the facility may accept receivables from certain repurchase agreements. The facility at this time will not take variable rate demand notes or tender option bonds, but the feasibility of adding these and other asset classes to the facility will be considered in the future.

**Rate:** Advances made under the Facility that are secured by U.S. Treasuries & Fully Guaranteed Agencies or Securities issued by U.S. Government Sponsored Entities will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made.

Advances made under the Facility that are secured by U.S. municipal short-term debt will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made *plus* 25 bps.

All other advances will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made *plus* 100 bps.

**Fees:** There are no special fees associated with the Facility.

**Collateral Valuation:** The collateral valuation will either be amortized cost or fair value. For asset-backed commercial paper, unsecured commercial paper and U.S. municipal short-term debt, the valuation will be amortized cost.

**Advance Size:** Each advance shall be in a principal amount equal to the value of the collateral pledged to secure the advance.

**Investment by Department of Treasury:** The Department of Treasury, using the Exchange Stabilization Fund, would provide \$10 billion as credit protection to the Reserve Bank.

**Non-Recourse:** Advances made under the Facility are made without recourse to the Borrower, provided the requirements of the Facility are met.

**Regulatory Capital Treatment:** On March 19, 2020, the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued an interim final rule to allow banking organizations to neutralize the effects of purchasing assets through the program on risk-based and leveraged capital ratios. See <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200319a1.pdf>.

**Program Termination:** No new credit extensions will be made after September 30, 2020, unless the Facility is extended by the Board of Governors of the Federal Reserve System.