To support the flow of credit to households and businesses, the federal bank regulatory agencies today announced an interim final rule to ensure that financial institutions will be able to effectively use a liquidity facility recently launched by the Federal Reserve Board.

The Board launched the Money Market Mutual Fund Liquidity Facility, or MMLF, yesterday to enhance the liquidity and functioning of money markets and to support the economy. The interim final rule modifies the agencies' capital rules so that financial institutions receive credit for the low risk of their MMLF activities, reflecting the fact that institutions would be taking no credit or market risk in association with such activities. The change only applies to activities with the MMLF.

The rule is effective immediately and comments will be accepted for 45 days after publication in the Federal Register.

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Federal Register notice: Regulatory Capital Rule: Money Market Mutual Fund Liquidity Facility

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