

Statement from Secretary Steven T. Mnuchin on the Establishment of a Commercial Paper Funding Facility to Support the Flow of Credit to Households and Businesses

March 17, 2020

WASHINGTON – *U.S. Treasury Secretary Steven T. Mnuchin issued the following statement on the establishment of a Commercial Paper Funding Facility (CPFF) by the Federal Reserve Board:*

“I have just sent Chairman Jerome Powell a letter confirming that I approve the establishment of the CPFF to provide liquidity to the financial system pursuant to Section 13(3) of the Federal Reserve Act and the Board’s Regulation A. The economic disruption and uncertainty created by COVID-19 has created challenges for the commercial paper market, constraining access to short-term credit for American businesses. By providing short-term credit, the CPFF will help American businesses manage their finances through this challenging period. The CPFF will provide a liquidity backstop to U.S. issuers of commercial paper through a special purpose vehicle that will purchase three-month unsecured and asset-backed commercial paper directly from eligible issuers. Specifically, the vehicle would purchase commercial paper that is currently rated A-1/P-1/F1 by a nationally recognized statistical rating organization (NRSRO) and, if rated by multiple major NRSROs, is currently rated at least A-1/P-1/F1 by two or more major NRSROs. The Federal Reserve Bank of New York (FRBNY) would charge rates and fees to eligible issuers based on collateral arrangements, indorsements, or guarantees that the FRBNY determines to be acceptable. This will support the smooth functioning of the financial markets and Treasury will provide \$10 billion of capital to the CPFF from the Exchange Stabilization Fund.”

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