

## Fed Opens Registration Process for Commercial Paper Funding Facility

April 7, 2020 | Client Update | 4-minute read

The Federal Reserve yesterday [announced](#) the opening of the [registration process](#), and issued [registration instructions](#) and [revised FAQs](#), for its Commercial Paper Funding Facility (CPFF), originally [announced](#) on March 17, 2020, [expanded](#) on March 23, 2020 and further detailed in initial [FAQs](#) on March 25, 2020. The CPFF materials, and materials for other Federal Reserve and legislative programs, are available through our [Government Support for Businesses](#) landing page. The CPFF registration information and revised FAQs provide additional details on how the facility will work, including the timeline of CPFF opening and registration deadlines, issuer registration requirements, additional information on issuer and instrument eligibility and administrative matters.

For more information on the CPFF, please see our [memorandum](#) dated March 17, 2020, our [blog post](#) covering the March 23, 2020 expansion, the updated [term sheet released](#) by the Federal Reserve on March 23, 2020 and our [blog post](#) covering the March 25, 2020 FAQs. This post highlights some of the key takeaways from the registration information and revised FAQs issued on April 6, 2020.

Under the CPFF, the Federal Reserve Bank of New York will provide a full recourse loan to a special purpose vehicle (SPV), supported by a \$10 billion equity investment in the SPV by the Department of the Treasury and collateralized by all the assets of the SPV. The SPV, through Federal Reserve Bank of New York primary dealers, will purchase 90-day U.S. dollar-denominated commercial paper (CP) from **eligible issuers**. The SPV will be limited in how much CP it can purchase from a particular issuer.

Key takeaways from the April 6, 2020 registration announcement include:

- Opening of CPFF and Initial Registration
  - The CPFF will open on April 14, 2020
  - Registration opens on April 7, 2020 at 9:00 am ET
  - To participate in the facility when it opens on April 14, 2020, an eligible issuer must register by April 9, 2020 at 5:00 pm ET
  - Following this April 9, 2020 deadline, eligible issuers must register at least two business days prior to participation in the facility
- Issuer Registration Form and Qualification Certification
  - Registration is done by completing and submitting to PIMCO (i) a registration form, (ii) a certification, (iii) offering documents or private placement memoranda for the issuer's CP programs, (iv) financial statements (or, in the case of asset-backed commercial paper (ABCP), a surveillance report) and (v) verification by the issuer's issuing and paying agent of the issuer's outstanding face value amounts of CP reported on the registration form
    - The eligible issuer must also pay a non-refundable 10 bps facility fee on the day the registration form is filed
  - The registration form requires the eligible issuer to provide a certification regarding several items, including:

- Maximum outstanding U.S. dollar-denominated CP on any day between March 16, 2019 and March 16, 2020, which will feed into limits on how much CP the SPV may purchase from that issuer;
  - For each of that issuer's CP programs, any current ratings and ratings as of March 17, 2020 from Moody's, Standard & Poor's and Fitch, including that the eligible issuer will provide a notification should its ratings change;
  - The CP dealer(s) through which the eligible issuer will access the CPFF;
  - An indication whether it is an active ABCP issuer, which will affect whether it may sell ABCP to the SPV;
  - Payment of the facility fee;
  - Potential disclosures of information associated with use of the CPFF; and
  - A certification pursuant to Section 13(3) of the Federal Reserve Act that it is not insolvent and that it is unable to secure adequate credit accommodations from other banking institutions
- Administration
    - Registration materials must be emailed or faxed to PIMCO at [CPFFRegistration@pimco.com](mailto:CPFFRegistration@pimco.com) or 949-720-8622, attention: CPFF Registration
    - PIMCO will contact registrants to confirm registration
    - Questions about registration may be directed via email to [CPFFRegistration@pimco.com](mailto:CPFFRegistration@pimco.com)

Additional key takeaways from the April 6, 2020 FAQs include:

- Eligible Issuers
  - The term “issuer” is defined in greater detail, as follows:
    - For issuers of corporate unsecured CP, “issuer” is the legal entity issuing the CP;
    - For issuers of ABCP, “issuer” is the special-purpose entity issuing the CP; and
    - For issuers of municipal CP, “issuer” is the municipal entity issuing the CP for each CP ticker or associated CUSIP
  - Ineligible Instruments
    - Variable rate demand obligations are ineligible for purchase by the SPV
    - Outstanding variable rate demand obligations and variable rate demand notes, both of which are ineligible for purchase by the SPV, will not be counted towards the limit of the maximum amount the SPV may purchase from a particular issuer
    - In contrast, outstanding interest-bearing CP, which is also ineligible for purchase by the SPV, will count towards the limit of the maximum amount the SPV may purchase from a particular issuer
  - Administration
    - PIMCO will serve as asset investment manager and State Street will serve as custodian and administrator
    - Issuers need register only once but must certify to PIMCO any change in credit ratings subsequent to registration
    - On a given day, primary dealers must notify PIMCO by 10:30 am ET of the amount of CP eligible issuers that dealer supports would like to sell to the SPV
    - CP purchased by the SPV will settle at T+0, will settle in accordance with standard times established by the Depository Trust Company (**DTC**) and will flow through the DTC settlement system

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If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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