

Davis Polk

Fed Issues FAQs for Commercial Paper Funding Facility

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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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- ¹ If an issuer is rated by multiple nationally recognized statistical rating organizations (**NRSROs**), for the issuer to be treated as having a rating of at least A1/P1/F1, it must have a rating of at least A1/P1/F1 from at least two of those NRSROs.
- Eligible Issuers
 - The March 23, 2020 term sheet had defined eligible issuers as U.S. issuers of CP, including municipal issuers and U.S. issuers with a foreign parent company
 - The FAQs clarify that a U.S. issuer is an entity organized under the laws of the United States or a political subdivision or territory thereof, or is a U.S. branch of a foreign bank
 - Each legal entity issuing CP within a corporate group is considered a separate “issuer” that may be an eligible issuer for purposes of the CPFF
 - Use of Proceeds
 - The FAQs explain that an issuer may repurchase outstanding CP from investors and finance that repurchase through selling CP to the SPV (although the SPV itself will not buy CP on the secondary market)
 - This suggests that the Federal Reserve will be flexible with respect to how eligible issuers use the proceeds of their CP sales
 - Limits
 - The March 23, 2020 term sheet explained that:
 - For an A1/P1/F1¹ eligible issuer, the maximum amount of the SPV's holdings of a particular issuer's CP at any point in time will be equal to the maximum amount of that issuer's outstanding USD-denominated CP on any day between March 16, 2019 and March 16, 2020;
 - For an A1/P1/F1 eligible issuer (as of March 17, 2020) subsequently downgraded to A2/P2/F2,² the SPV may purchase CP in a one-time sale only up to the issuer's outstanding USD-denominated CP on the day before it was downgraded; and
 - The SPV will not purchase additional CP from an issuer whose total CP outstanding to all investors (including the SPV) equals or exceeds the issuer's limit
 - The FAQs clarify that, in calculating this limit, an issuer with multiple CP programs should sum the total outstanding CP across all of its programs
 - Changes in Ratings
 - The FAQs clarify that the relevant credit ratings are those at the time of the sale of CP to an SPV
 - This means that an otherwise eligible issuer that is upgraded to A1/P1/F1 will be able to use the CPFF
 - Ineligible Instruments
 - The March 23, 2020 term sheet stated that the SPV would purchase “three-month U.S. dollar-denominated commercial paper”
 - The FAQs specify that the following instruments are ineligible for purchase by the SPV:
 - CP with an extendable maturity
 - Interest-bearing CP
 - Variable rate demand notes
 - Administration and Logistics
 - The CPFF will become operational in the first half of April 2020
 - Registration is required, but issuers need to register only once
 - The Federal Reserve has stated that it will provide additional details about the timeline and process for registration in subsequent FAQs
 - The Federal Reserve may publicly disclose information about the CPFF, including information on participants, costs, revenues and other fees
 - Questions may be directed via email to CPFF@ny.frb.org
 - Issuers interested in receiving email alerts from the Federal Reserve Bank of New York about the CPFF can sign up [here](#)
- ² If an issuer is rated by multiple NRSROs, for the issuer to be treated as having a rating of at least A2/P2/F2, it must have a rating of at least A2/P2/F2 from at least two of those NRSROs.
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