# Case Studies and Policy Changes

## Fed Introduces Modified Primary Dealer Credit Facility

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*Original post here.*

On March 17, the Federal Reserve authorized the Primary Dealer Credit Facility (PDCF) "to support the credit needs of American households and businesses" by enabling primary dealers to support normal market functioning.

The Fed used its authority under section 13(3) of the Federal Reserve Act to implement the new program (see here). Section 13(3) allows the Fed to lend to nonfinancial organizations when the Federal Reserve Board determines there are "unusual and exigent circumstances."

The Fed last employed a PDCF in March 2008 during the Global Financial Crisis to improve the ability of primary dealers to provide financing to participants in securitization markets and promote the orderly functioning of financial markets.

The terms of the current PDCF (see here) closely follow the terms of the 2008 PDCF (see here). As in 2008, the Federal Reserve Bank of New York will offer loans to primary dealers. The loans will be made available for terms of up to 90 days at a primary credit rate or discount rate. Loans can be secured by collateral eligible for pledge in the Fed's open-market operations. Also eligible are investment-grade corporate debt securities, international agency securities, investment grade commercial paper, municipal securities, mortgage-backed securities, asset-backed securities, and equity securities. The Fed will accept commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLOs), and collateralized debt obligations (CDOs) that are AAA-rated.

The Fed plans to make the PDCF available for at least six months and may extend the facility if conditions warrant. The primary dealers will be able to access the facility starting on March 20, 2020.

***Click here to read a YPFS case study that discusses the 2008 PDCF in detail and provides access to the key documents utilized with that facility.***