

Use of Federal Reserve Programs - 07/02/2020

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Note on Treasury contributions to Federal Reserve Programs

The Treasury announced on April 9 that it intended to use funds available under the CARES Act to purchase equity in special purpose vehicles established under Fed lending programs. On June 16, the Federal Reserve Bank of New York received the most recent contribution of \$10 billion to [TALF](#). In total, the Treasury has invested a total of \$114 billion in six facilities. Per the facility agreements, 85% of the equity contributions to the [CCF](#), [CPFF](#), [MLF](#), [MSF](#) and [TALF](#) have been invested in nonmarketable Treasury securities; \$31.9 billion for the CCF, \$8.5 billion for the CPFF, \$14.9 billion for the MLF, \$31.9 billion for the MSF, and \$8.5 billion for TALF.

As of July 2, there is \$215 billion outstanding across 10 facilities (Figure 1); \$114 billion out of the total has been used to purchase targeted assets. Figure 1a below reports the outstanding amount of each facility, not including Treasury contributions that are invested in securities, from June 18 onwards.

Note on Federal Reserve Swap lines

Over the last two weeks, central banks significantly reduced their use of the USD swap lines established with the Fed in March. The reduction is due to the expiration of a series of 84-day swaps those central banks entered in March and April. Auctions for these swaps were conducted weekly. As these contracts are reaching maturity, the total outstanding amount declined by over \$260 billion since its peak on May 27. As of July 2, the total amount still outstanding is \$182 billion, down from \$228 billion last week. With \$395 million outstanding, the BoE is now among the three smallest counterparties. The ECB remains the second largest counterparty with \$19 billion outstanding. At \$132 billion outstanding, the BoJ's share now represents 72 percent of the total.

Liquidity Swap Lines

The USD [swap lines](#) are bilateral agreements between the Fed and foreign central banks. They allow foreign central banks to exchange domestic currency for US dollars. The Fed currently maintains swap line agreements with 14 central banks.

Money Market Mutual Fund Liquidity Facility

The [MMLF](#) allows the Fed to fund the purchase of money market mutual fund assets. The program is established under section 13(3) of the Federal Reserve Act. The Fed reported that the U.S. Treasury, to date, has provided credit protection of \$1.5 billion to the Money Market Mutual Fund Liquidity Facility.

Discount Window

The [DW](#) is a standing facility that allows the Fed to provide collateralized loans to depository institutions.

Primary Dealer Credit Facility

The [PDCF](#) allows the Fed to extend collateralized loans to primary dealers. The facility was established under section 13(3).

Paycheck Protection Program Liquidity Facility

The [PPPLF](#) allows the Fed to provide financial institutions with liquidity backed by loans to small and medium-sized businesses extended under the federal government's Paycheck Protection Program and guaranteed by the Small Business Administration. The Program was established under section 13(3).

Commercial Paper Funding Facility

The [CPFF](#) provides a liquidity backstop to issuers of commercial paper and was also established under section 13(3). It is operated by the FRBNY through a special purpose vehicle, the Commercial Paper Funding Facility II LLC (CPFF LLC). The Treasury has made an equity investment of \$10 billion in CPFF LLC.

Primary and Secondary Market Corporate Credit Facilities

The [PMCCF](#) and [SMCCF](#) were set up under section 13(3) to support credit to employers through purchases of newly issued bonds and support market liquidity for outstanding corporate bonds. These facilities operate through a special purpose vehicle, the Corporate Credit Facilities LLC (CCF LLC). The Treasury has made an equity investment of \$37.5 billion in CCF LLC.

Municipal Liquidity Facility

The [MLF](#) provides liquidity to states, counties and cities. The facility was set up to purchase up to \$500 billion of short-term notes and was established under section 13(3). The Treasury has made an equity investment of \$17.5 billion in MLF LLC.

Main Street Lending Programs

The [MSF](#) is established under section 13(3) to provide loans to SMEs. The program operates through three facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), and the Main Street Expanded Loan Facility (MSELF). The loans are extended through a special purpose vehicle, the Main Street Facilities LLC (MSF LLC), established by the Federal Reserve Bank of Boston.

Term Asset-Backed Securities Loan Facility

The [TALF](#) is established under section 13(3) to provide liquidity guaranteed by asset-back securities (ABS). Under the facility the Federal Reserve lends to holders of certain

AAA-rated ABS. The facility operates through a special purpose vehicle to extend its loans, the Term Asset-Backed Securities Loan Facility II LLC (TALF II LLC).