Federal Reserve Expands Support to Corporate Bond Markets Again

By Manuel Leon Hoyos

Original post here.

On June 15, the Federal Reserve (Fed) updated and expanded the Secondary Market Corporate Credit Facility (SMCCF), one of the Fed's corporate bond-buying programs, to support market liquidity and the availability of credit for large employers. The recent change allows the facility to buy U.S. corporate bond portfolios that track a broad market index.

Bonds eligible for the Broad Market Index must:

- have remaining maturity of up to 5 years
- be issued in the U.S. or under the laws of the U.S
- meet the same rating requirements for eligible individual corporate bonds under the SMCCF
- not be issued by an insured depository institution, depository institution holding company, or subsidiary of a depository institution holding company, as defined in the Dodd-Frank Act.

Ratings are subject to review by the Fed. This expansion will complement the Fed’s purchases of exchange-traded funds. As of May 19, the Fed’s total outstanding amount of loans under the SMCCF was $1.29 billion. For more information about the SMCCF and the Primary Market Corporate Credit Facility, see the previous YPFS blog post.