

## Term Sheet for Primary Dealer Credit Facility (PDCF)

Effective July 28, 2020

### **Borrower Eligibility**

- Only primary dealers of the New York Fed are eligible to participate in the PDCF.

### **Eligible Collateral**

- Collateral eligible for pledge under the PDCF includes all collateral eligible for pledge in open market operations (OMO);<sup>1</sup> plus investment grade corporate debt securities, international agency securities, commercial paper, municipal securities, mortgage-backed securities, and asset-backed securities;<sup>2</sup> plus equity securities.<sup>3</sup> Foreign currency-denominated securities are not eligible for pledge under the PDCF at this time.
- Collateral that is not priced by the clearing bank will not be eligible for pledge under the PDCF.
- Additional collateral may become eligible at a later date upon further analysis.

### **Term**

- Loans will be made available to primary dealers for a period of up to 90 days.

### **Rate**

- Loans made under the PDCF will be made at a rate equal to the primary credit rate in effect at the New York Fed offered to depository institutions via the Discount Window.

### **Prepayment**

- Borrowers may prepay loans at any time.

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<sup>1</sup> An addition to OMO-eligible securities are Treasury strips.

<sup>2</sup> For the following securities types, only AAA-rated securities are accepted: commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLOs), and collateralized debt obligations (CDOs). Other eligible securities as specified above are accepted if rated investment grade (such that BBB- securities and above). Specifically, investment grade commercial paper is accepted: commercial paper rated both A1/P1 and A2/P2.

<sup>3</sup> The following equities would not be eligible: exchange traded funds (ETFs), unit investment trusts, mutual funds, rights and warrants.

**Time of Day**

- During Fedwire hours.

**Custody Rules and Arrangement**

- Dealers will communicate their demand for funding to their clearing bank. The clearing bank will verify that a sufficient amount of eligible collateral has been pledged by each primary dealer participating in the PDCF and notify the New York Fed accordingly.
- Once the New York Fed receives notice that a sufficient amount of margin-adjusted eligible collateral has been assigned to the New York Fed's account, the New York Fed will transfer the amount of the loan to the clearing bank for credit to the primary dealer.

**Collateral Valuation**

- The pledged collateral will be valued by Bank of New York Mellon according to a schedule designed to be similar to the margin schedule for lending by the discount window, to the extent possible.

**Loan Size**

- Loans will be limited to the amount of margin-adjusted eligible collateral pledged by the dealer and assigned to the New York Fed's account at the clearing bank.

**Recourse**

- Loans made under the PDCF are made with recourse beyond the pledged collateral to the primary dealer entity itself.

**Program Termination**

- The PDCF will remain available to primary dealers until December 31, 2020, unless the Board and the Department of the Treasury extend the PDCF.