



Memo on Status of NY Fed's SMCCF

6/4/2020

Following conversations with staff at the New York Fed, the BDA has learned some additional information about the Federal Reserve's Secondary Market Corporate Credit Facility.

When they begin trading, the Fed will have two ways to obtain offers from dealers who are "eligible sellers" in the program:

- In the first way, which they expect will account for the majority of purchases, Blackrock, the Fed's portfolio manager, will go out to a subset of program dealers with conditions for offers—maturity, rating, industry, etc.—and ask for specific offers. The subset of dealers they inquire from will be on "a rotation". It seems they have not yet worked out all the details.
- The second way will entail dealers making unsolicited offers to Blackrock. The reason the Fed believes this will represent a minority of purchases is that eligible dealers may not know the specifics of what Blackrock is looking for at any given time. Also, if dealers suggest less liquid CUSIPs, there will be a process for determining pricing that could slow transactions.

With regard to program participation, for now, the Fed will be trading only with primary dealers.

- They have been accepting applications from non-PDs to be eligible sellers. However, the only information they have requested so far has been certifications related to CARES Act compliance (primary business in the US, a solvent company, etc.).
- They will soon begin requesting additional information from applicants, however have not finalized yet all what they will request, but it will be the kind of information necessary to comply with a "know your customer" standard.
- **If your firm is interested in participating, they are still really in the earliest stage of the eligible seller vetting process.**