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[Fed Announces Municipal Liquidity Facility.](#)

Announcement Follows BDA Letter / Recommendations to the Fed

The Federal Reserve today [announced the guidelines](#) of the Municipal Liquidity Facility, authority that was provided by the recent passage of the CARES Act.

The fact sheet can be viewed [here](#).

Last week, the BDA urged to the Fed and Treasury to take action in the primary market by through direct purchases. The Fed also left the door open to further actions, including limited secondary market activity in which the BDA wrote in favor of.

The letter can be viewed [here](#).

Facility Facts

The Municipal Liquidity Facility will support lending to states, cities with a population exceeding one million residents, and counties with a population exceeding two million residents.

Under the Facility, a Federal Reserve Bank will commit to lend to a special purpose vehicle on a recourse basis. The SPV will purchase Eligible Notes directly from Eligible Issuers at the time of issuance.

The Reserve Bank will be secured by all the assets of the SPV. Treasury will make an initial equity investment of \$35 billion steaming from the \$454 billion allotted in Sec. 4003 of the CARES Act, in the SPV in connection with the Facility.

The SPV will have the ability to purchase up to \$500 billion of Eligible Notes.

Eligible Notes:

- TANS,
- TRANS
- BANS, and
- Other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than 24 months from the date of issuance

Termination Date

The SPV will cease purchasing Eligible Notes on September 30, 2020, unless the Board and the Treasury Department extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

The BDA will continue to provide updates as they become available.

Bond Dealers of America

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