

Bond Case Briefs

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Senate Stimulus Takes Steps to Add Liquidity to Municipal Market.

After extensive effort from the BDA and its membership, the Public Finance Network, and issuers and market participants nationwide, the Senate has included provisions aimed to stabilize the municipal market in a [sweeping \\$2 trillion dollar stimulus package](#) that will likely pass later today.

While at this time it is uncertain if the House will return to vote in person, or if they will use a procedure known as “unanimous consent,” meaning no objections from Members allowing the measure to pass without the full House present.

In the draft, which can be viewed [here](#) (bond provisions start on p.513)

Sec. 4003 The Senate gives authority to the Federal reserve to:

Provide up to \$454,000,000 available to make loans, loan guarantees, and other investments in support of programs or facilities established by the Board of Governors of the Federal Reserve System shall be available to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities by:

(A) purchasing obligations or other interests directly from issuers of such obligations or other interests; or

(B) purchasing obligations or other interests in secondary markets or otherwise.

(C) making loans, including loans or other advances secured by collateral.

Additional Conditions

A loan, loan guarantee, or other investment by the Secretary shall be made under this section in such form and on such terms and conditions and contain such covenants, representations warranties, and requirements (including requirements for audits) as the Secretary determines appropriate. Any loans made by the Secretary under this section shall be at a rate determined by the Secretary based on the risk and the current average yield on outstanding marketable obligations of the United States of comparable maturity.

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

Bond Dealers of America

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