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BDA Urges Fed to Provide Additional Support for Muni Market.

Today, following extensive work with the Muni Exec Committee, the BDA submitted a letter to the Federal Reserve and Treasury urging them to take action in the municipal market due to historic price volatility, cancellation or postponements of new issuance, and significant deterioration of liquidity.

The letter can be viewed here.

This call to action follows a March 18th letter in which the Fed followed BDA recommendations to expand the Money Market Mutual Fund Liquidity Facility to include a wider range of securities, including municipal variable rate demand notes and as a response to the passage of the CARES Act.

Background of CARES Act (H.R. 748)

Section 4003 of the Cares Act provides the Treasury and Fed with broader standby authority to support the bond markets during times of particular distress and dysfunction, to the immediate benefit of issuers, investors, tax payers.

H.R. 748 would allocate up to $454 billion of cash from the Treasury Department to:

- Provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus;
- Treasury would "make loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities."

This includes:

- Purchasing obligations or other interests directly from issuers of such obligations or other interests
- Purchasing obligations or other interests in secondary markets or otherwise; and
- Making loans, including loans or other advances secured by collateral.

The bill would also provide up to $125 billion in direct support to localities that can help bridge the gap with lagging revenues, especially in light of delayed tax filing deadlines.

Bond Dealers of America

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