



## Federal Reserve Bank of New York

July 23, 2020

### **Request for Expressions of Interest for the Commercial Paper Funding Facility, Secondary Market Corporate Credit Facility and Term Asset-Backed Securities Loan Facility**

Pursuant to Section 13(3) of the Federal Reserve Act, and with prior approval of the Secretary of the Treasury, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of New York (“FRBNY”) to establish and operate emergency lending facilities to support the flow of credit to households and businesses and the overall U.S. economy during this challenging time.

The FRBNY is interested in identifying additional commercial paper dealers, eligible sellers and TALF agents (“counterparties and agents”) to facilitate the efficient and effective operation of these facilities. An expanded cohort of counterparties and agents will increase the Bank’s operational capacity and understanding of these markets and extend the access and reach of these programs. The roles are described briefly below:

- For the Commercial Paper Funding Facility (CPFF), eligible issuers at this time may only sell commercial paper (“CP”) to the CP Funding Facility II LLC through FRBNY’s primary dealers. The CPFF is now seeking to expand the network of dealers that can sell newly issued CP to the facility on behalf of eligible issuers. As needed, this may involve supporting the issuer’s completion of CPFF registration materials, potentially including collection of reports about the issuer’s prior CP issuances from the issuing and paying agent.
- For the Secondary Market Corporate Credit Facility (SMCCF), the Corporate Credit Facilities LLC (CCF) is seeking additional broker-dealers with which the CCF may transact to purchase corporate bonds and exchange-traded funds.
- For the Term Asset-Backed Securities Loan Facility (TALF), the TALF II LLC is seeking TALF Agents, which act as the agent for prospective TALF Borrowers and are required to (i) perform a number of important due diligence and other responsibilities to assess the eligibility of prospective borrowers and collateral, (ii) receive interest and principal distributions on the collateral that is for the account of the borrowers and (iii) disburse such interest and principal to the borrowers.<sup>1</sup>

Any new counterparty or agent should be a broker dealer registered with the Securities Exchange Commission (SEC) and regulated as a member of the Financial Industry Regulatory Authority (FINRA) that has a net regulatory capital of at least \$1 million and shareholder’s equity of at least \$1 million. Any new counterparty or agent should have an active, established track record operating in the target market segment(s) related to the 13(3) facility in addition

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<sup>1</sup> Additional information regarding these facilities and the roles is available [here](#) for the CPFF, [here](#) for the SMCCF, and [here](#) for TALF.



to having sound organizational and satisfactory governance practices, financial condition, internal controls, and any other characteristics that would contribute to successful performance of the role. A counterparty or agent will be expected to meet all the requirements of the role for which they are selected, including executing all required documentation and certifications.

If your organization would like to express an interest in becoming a counterparty or agent for one or more of the facilities, please complete **Attachment 1** as well as provide the information requested in both the *General Requirements* and applicable *facility specific* information in **Attachment 2**. The FRBNY may ask for more information before making its decision.

By submitting this expression of interest, your organization acknowledges that the FRBNY may contact your regulators (as applicable) to discuss any substantive regulatory matters involving your organization. The FRBNY will use all information to assess the capabilities of organizations and will have sole discretion in selecting additional counterparties and agents.

The FRBNY is committed to diversity and inclusion in all aspects of its business and to the advancement of these values through our implementation of 13(3) facilities. Smaller firms and minority-, women-, and veteran-owned business enterprises are encouraged to express their interest in serving in these counterparty and agent capacities. All firms submitting an expression of interest are expected to provide information about their equal opportunity and diversity processes, including efforts to promote the fair inclusion of women, minorities and veterans in their workforces.

### **Response Submission Details**

Responses and supporting information/materials should be provided in electronic form to [facility.counterparty@ny.frb.org](mailto:facility.counterparty@ny.frb.org)

Firms should not use their plans to become a 13(3) facility counterparty/agent in any advertising, promotional material, or other publication, without the FRBNY's prior written consent.

Please refer to the [FAQs](#) for more information.



**Attachment 1**

**Information Request for Potential Counterparties and Agents:**

Select the facility(ies) and role(s) you are applying for	<input type="checkbox"/> CPFF Dealer <input type="checkbox"/> SMCCF Eligible Seller <input type="checkbox"/> TALF Agent
Legal name & address of firm	Name: Address:
Broker-dealer SEC registration number	SEC:
Legal name & address of ultimate parent company, if any	Name: Address:
Primary business contact	Name: Address: Tel: Email:
Primary legal or other contact	Name: Address: Tel: Email:
Primary compliance contact	Name: Address: Tel: Email:
Primary regulator & contact at that agency	Regulatory agency: Name: Address: Tel: Email:
How many years has the firm been in existence?	
Please describe the relative experience of the firm in the market related to the facility (ies) you wish to be considered for?	
State the firm's net regulatory capital as of the date this form is submitted (minimum requirement is \$1 million) as well as any excess capital above the required minimum	\$ Date:
Provide the firm's shareholders' equity <sup>2</sup> as of the date this form is submitted (minimum requirement is \$1 million)	\$ Date:

<sup>2</sup> Defined as SEC's Total Ownership Equity that is reported on Line 30 (Field number 1800) on Page 4 of the Focus Report - Part II ([http://www.sec.gov/rules/other/nasdaqllcf1a4\\_5/g\\_secform.pdf](http://www.sec.gov/rules/other/nasdaqllcf1a4_5/g_secform.pdf)).



## Attachment 2

	<b>Summary of Requirements and Requested Supporting Information / Materials for Consideration for CPFF, SMCCF and TALF Roles</b>
<b>Instructions</b>	<i>Please package, label, and submit the requested materials outlined in each section below separately (Section 1, 2, 3, etc.). Please do not submit materials using Zip files.</i>
<b>Section 1:</b> For all 13(3) Facility Applicants	<p><b>a. <i>Entity Type:</i></b> SEC registered broker dealer, regulated as member of FINRA, that has net regulatory capital of at least \$1 million and shareholder’s equity of at least \$1 million</p> <p><b>b. <i>Organization:</i></b></p> <ul style="list-style-type: none"> <li>- Business description of the firm (and the consolidated group to which it belongs, if applicable), including, among other things: a description of type of entity, jurisdiction of formation, number of years of existence, significant shareholders/control persons, number of employees, a business summary, geographic presence, description of business lines (including types of markets and customers served, and percentage of total revenues and/or operating profits), business strategy, main competitors, risk management policies, composition of the firm's securities portfolio and the firm's funding composition and strategy</li> <li>- Organization chart of the firm, listing key management and relevant staff supporting the business line transacting with the relevant 13(3) facility</li> </ul> <p><b>c. <i>Financial Condition:</i></b></p> <ul style="list-style-type: none"> <li>- Description of the financial condition of the firm and the consolidated corporate group to which it belongs, including audited financial statements (with notes) including net capital and other regulatory schedules for the last 3 years (i.e., 2017-2019)</li> </ul> <p><b>d. <i>Regulation:</i></b></p> <ul style="list-style-type: none"> <li>- Description of material past or pending legal or regulatory matters or fraud investigations involving or affecting the firm, its subsidiary or affiliates, its beneficial owners or control persons for the last five (5) years</li> <li>- All FOCUS reports filed in 2020</li> </ul> <p><b>e. <i>Internal Controls:</i></b></p> <ul style="list-style-type: none"> <li>- Description of internal control environment, including related policies and procedures regarding relevant business lines</li> <li>- Copy of 3 most recent internal audit reports regarding relevant business lines and copies of the internal audit’s policies and procedures</li> <li>- Business continuity plans and description of contingency arrangements with respect to relevant business lines</li> </ul> <p><b>f. <i>Description of the firm’s compliance function,</i></b> including organizational chart, number of employees in compliance function, descriptions of their role and responsibilities in implementing the firm’s compliance program, biography (including years of service) for the most senior compliance personnel, and copies of the firm’s BSA/AML/KYC/OFAC policies and procedures.</p> <ul style="list-style-type: none"> <li>- <b><i>Equal Opportunity and Diversity,</i></b> including information about the firm’s organizational commitment/strategy, recruitment practices, retention strategies, and training and development efforts to promote equal opportunity and diversity, including the fair inclusion of women, minorities and veterans in its workforce. Additionally, please fill in the <a href="#">Diversity &amp; Inclusion Good Faith Efforts Questionnaire</a></li> </ul> <p><b>g. <i>Any other information you think the FRBNY may deem relevant, if available,</i></b> including Rating agency and/or investment analyst reports written about the firm</p>



<p><b>Section 2:</b> For CPFF Applicants</p>	<p><b>a. <i>Active, established business presence in primary issuance of commercial paper</i></b></p> <ul style="list-style-type: none"> <li>- Number of outstanding CP programs for which firm is a dealer (and CP type)</li> <li>- Number of issuers</li> <li>- Average amount of outstanding issuance over 5 past years</li> </ul> <p><b>b. <i>Description of the firm's commercial paper business customer base and distribution network</i></b>, including details about the distribution of issuers served by sector/ geography / etc. (U.S. and non-U.S. footprint as relevant) with highlights of percentages operating in High Risk industries and/or jurisdictions, in each case as defined in the firm's anti-money-laundering program and details about the distribution of investor base for commercial paper by investor type/ geography / etc.</p> <p><b>c. <i>Description of any regulatory findings related to CP issuance business for last 5 years</i></b></p>
<p><b>Section 3:</b> For SMCCF Applicants</p>	<p><b>a. <u>Certifications required of eligible sellers</u></b></p> <ul style="list-style-type: none"> <li>- <i>Solvency</i>: Must be a business that is currently not insolvent</li> <li>- <i>U.S. Business</i>: Created/organized in the U.S. or under laws of U.S. with significant U.S. operations and a majority of its employees based in the U.S.</li> <li>- <i>Conflicts of Interest</i>: Compliance with ownership limits in Section 4019 of CARES Act</li> </ul> <p><b>b. <i>Active, established business presence in market-making/transacting in corporate bonds and ETFs</i></b></p> <ul style="list-style-type: none"> <li>- Proportion of total revenues derived from corporate bond and ETF trading operations, average monthly trading inventory, and funding strategy used to support these operations</li> <li>- Total USD transaction volume and average trade size of the firm's corporate bond and ETF trading activity, including both purchases and sales over the past 3 years, detailed quarterly across investment grade and non-investment grade debt and ETFs</li> </ul> <p><b>c. <i>Description of the firm's corporate bond customer base and distribution network</i></b>, including types of customers served and geographic distribution of customers (U.S. and non-U.S. footprint as relevant) with highlights of percentages operating in High Risk industries and/or jurisdictions, in each case as defined in the firm's anti-money laundering program</p> <p><b>d. <i>Compliance with SMCCF's investment manager's counterparty risk and operations requirements</i></b></p>
<p><b>Section 4:</b> For TALF Applicants</p>	<p><b>a. <i>Active, established business presence in the underwriting/trading of at least one of the TALF-eligible asset classes</i></b></p> <ul style="list-style-type: none"> <li>- Number of transactions over past 5 years acting as an underwriter for each TALF-eligible ABS asset class</li> <li>- Number of staff active in the sales, trading or financing of TALF-eligible ABS</li> <li>- Average annual trading volume in TALF-eligible ABS for the past five years, by number of transactions and notional amount.</li> </ul> <p><b>b. <i>Description of the firm's customer base and distribution network for TALF-eligible ABS</i></b>, including types of customers served and geographic distribution of customers (U.S. and non-U.S. footprint as relevant) with highlights of percentages operating in High Risk industries and/or jurisdictions, in each case as defined in the firm's anti-money laundering program</p> <p><b>c. <i>Description of the firm's staffing, systems, or other resources to carry out specific legal, operational, and compliance-related responsibilities that are required of TALF Agents under the <u>FRBNY Conflicts of Interest Policy for TALF Agents</u> and the <u>FRBNY Borrower Due Diligence Policy for TALF Agents</u>, including:</i></b></p> <ul style="list-style-type: none"> <li>- BSA/AML policy and procedures</li> </ul>



- Know Your Customer (KYC) policies and procedures (including Customer Identification Program, Customer Due Diligence and Enhanced Due Diligence)
- Customer risk rating methodology
- OFAC policies and procedures (including details on OFAC transaction monitoring, filtering and reporting, blocking funds, annual OFAC reporting, updating the OFAC list, and the firm's OFAC risk assessment)
- BSA/AML and OFAC training programs
- Policies and procedures to evaluate whether proposed ABS is TALF-eligible
- Policies and procedures for identifying and managing potential conflicts of interest associated with participation in TALF

**d. Description of the firm's plans and ability to allocate/add resources needed to meet TALF agent obligations under the [Master Loan and Security Agreement](#) in a complete and timely manner.**