

## **[Banking and Finance Law Daily Wrap Up, TOP STORY—Fed expands MMLF to crucial state and municipal money markets, \(Mar. 20, 2020\)](#)**

Banking and Finance Law Daily Wrap Up

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The Fed has expanded its program to support the flow of credit to the economy by enhancing the liquidity and functioning of crucial state and municipal money markets.

The Federal Reserve Board has [announced](#) that it has expanded its Money Market Mutual Fund Liquidity Facility, or MMLF, to enhance the liquidity and functioning of crucial state and municipal money markets.

The MMLF was initially launched on March 18, 2020, to enhance the liquidity and functioning of money markets and to support the economy. The MMLF program will purchase a broader range of assets, but its structure is very similar to the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility that operated from late 2008 to early 2010. The Department of the Treasury will provide \$10 billion of credit protection to the Federal Reserve in connection with the MMLF from the Treasury's Exchange Stabilization Fund (see [Banking and Finance Law Daily](#), March 19, 2020).

Under the expanded MMLF, the Federal Reserve Bank of Boston will now be able to make loans available to eligible financial institutions secured by certain high-quality assets purchased from single state and other tax-exempt municipal money market mutual funds.

The MMLF's [Term Sheet](#) provides that U.S. municipal short-term debt will be "eligible collateral" provided, it has a maturity that does not exceed 12 months. Also, at the time municipal short-term debt is purchased from the Fund or pledged to the Boston Fed, the municipal short-term debt must meet one of two rating criteria.

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