



Morgan Stanley

INVESTMENT MANAGEMENT

Market Insights

# Fed Announces Money Market Mutual Fund Liquidity Facility to Assist Prime Funds

LIQUIDITY | GLOBAL LIQUIDITY TEAM | MARKET INSIGHT | March 19, 2020

The Federal Reserve announced the creation of the Money Market Mutual Fund Liquidity Facility (MMLF). The facility is designed to help ensure money market funds continue to provide the daily liquidity that investors require. This is one of several facilities announced this week that are designed to ensure the smooth functioning of the money markets.

## Money Market Mutual Fund Liquidity Facility Overview

- To provide liquidity to prime money market funds, the Federal Reserve Bank of Boston will make loans available to eligible financial institutions secured by high-quality assets purchased by the financial institution from money market funds.
- In addition to the Fed's prior announcements of the Commercial Paper Funding Facility and the Primary Dealer Credit Facility, the overall goal is to ease the flow of credit in the market
- As of March 17, 2020, the U.S. Prime money market fund industry had \$729 billion<sup>1</sup> in assets under management. Providing support to this key area of the market should have positive impacts for the whole funding market and broader fixed income market

## Program Details

- **Fund eligibility:** U.S. prime money market funds
- **Borrower eligibility:** U.S. banks, bank holding companies, broker-dealers, and foreign bank U.S. branches
- **Effective date:** On or after March 18, 2020
- **Loan maturity:** Equal to eligible collateral, maximum of 12 months
- **Eligible collateral:**
  - U.S. Treasuries and Agencies
  - A-1/P-1 Commercial Paper and Asset-backed Commercial Paper from U.S. issuers
  - Receivables from certain repos
- **Rate:** Advances made under the Facility that are secured by U.S. Treasuries & Fully Guaranteed Agencies or Securities issued by U.S. Government Sponsored Entities will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made.
- **Fees:** None

## In Summary

- We are very encouraged by the Fed actions and believe these facilities will result in increased market confidence and improved liquidity

## Morgan Stanley Global Liquidity Solutions

- Our Global Liquidity funds continue to operate as designed during these challenging times
- We have implemented our Business Continuity Planning (BCP) procedures and they are working smoothly as expected
- The MSIM Global Liquidity Team is widely available to discuss market conditions and your investments in our Portfolios, please contact us as needed

Please contact your Morgan Stanley Investment Management Relationship Manager, or our sales desk (800-236-0992) with any questions or visit [www.morganstanley.com/liquidity](http://www.morganstanley.com/liquidity) for more information.

<sup>1</sup>Source: iMoneyNet.

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