

March 31, 2020

The Honorable Jerome Powell  
Chairman  
Board of Governors of the Federal  
Reserve System  
20<sup>th</sup> Street and Constitution Avenue,  
NW  
Washington, DC 20551

The Honorable Steven T. Mnuchin  
Secretary  
United States Department of the  
Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Chairman Powell and Secretary Mnuchin:

Thank you for your leadership in addressing the coronavirus pandemic. Please consider the business community your ally in efforts to make sure that no family and no business is bankrupted because of the unexpected economic disruption caused by the pandemic.

The undersigned associations strongly recommend that the Federal Reserve and U.S. Department of the Treasury expand the Commercial Paper Funding Facility (CPFF) to include more issuers of investment grade commercial paper. Expanding the CPFF to include split issuers (e.g., A1/P2 or A2/P1) and Tier 2 issuers will promote liquidity more broadly across the commercial paper market without subjecting the CPFF to substantially higher credit risk.

The commercial paper market is a vital source of financing for many businesses to meet short-term funding needs. Commercial paper is a cost-efficient method for businesses to meet payroll, manage inventory, and other expenses so they can continue to contribute to our economy.

Extending the CPFF to Tier 2 and split issuers would not increase risk to the Federal Reserve to a significant extent. The historical default rate on 180-day P-2 paper is 0.027%, as compared to 0.018% for P-1 paper.<sup>1</sup> However, the CPFF leaves out split and Tier 2 issuers of commercial paper despite the relatively low credit risk. By comparison, the Secondary Market Corporate Credit Facility (SMCCF), which includes debt with a remaining maturity of up

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<sup>1</sup> Default and Recovery Rates of Corporate Commercial Paper Issuers, 1972 - 2017 H1, Moody's Investors Service, 23 April, 2018

to five years, and is typically considered riskier than commercial paper, includes Tier 2 paper as an eligible investment.<sup>2</sup>

Thank you for considering our recommendation. If you have questions about this letter, please do not hesitate to contact us.

Very Respectfully,

U.S. Chamber of Commerce  
Association for Financial Professionals  
National Association of Corporate Treasurers  
Edison Electric Institute  
American Gas Association  
American Financial Services Association  
Business Roundtable  
National Association of Water Companies

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<sup>2</sup> Secondary Market Corporate Credit Facility Term Sheet, March 23, 2020, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b2.pdf>