



April 1, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue NW
Washington, D.C. 20551

Dear Chairman Powell:

The American Securities Association¹ appreciates recent actions taken by the Board of Governors of the Federal Reserve System (Board) to stabilize financial markets and provide credit to the economy in the wake of market turmoil caused by the COVID-19 outbreak. In particular, the ASA has closely followed developments related to the credit facilities established by the Board, including the Primary Dealer Credit Facility (PDCF).

The ASA strongly agrees with the Board that facilities, such as the PDCF, are necessary to support “smooth market functioning” and “facilitate the availability of credit to businesses and households.”² However, we are concerned that by excluding a large number of dealers that serve middle market businesses, municipalities, and households all across the country, the overall economic and market impact of these facilities will be muted.

The ASA represents regional financial services firms that in many regions serve critical functions in the corporate debt, municipal, commercial paper, and equity markets. The small and middle market businesses that our members serve are some of the hardest hit as economic activity in some parts of the country has come to a near halt. Without continued access to credit, the liquidity problems these businesses currently face will be insurmountable, and many will be forced to close.

While credit facilities are necessary to stabilize markets, currently only the largest and most financially interconnected firms (i.e. primary dealers of the New York Fed) are eligible to access the PDCF. This makes little sense given that the current downturn is distinct from past crises, in that it is not yet a financial panic primarily impacting Wall Street. Rather, it is a nationwide economic collapse that is impacting every facet and industry of our economy. In other words, the

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA’s mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

² Federal Reserve Board announces establishment of Primary Dealer Credit Facility (PDCF) to support the credit needs of households and businesses. March 17, 2020.
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200317b.htm>



crisis in the real economy can cause a financial crisis if credit does not flow to the companies across America that need it.

We believe the Board should authorize a non-primary dealer credit facility or affirm that non-primary dealers have access to one of the credit facilities the Board has the authorization to create. This decision would play an indispensable role in supporting America's Main Street economy. Continuing to exclude non-primary dealers from a credit facility unintentionally confines credit to only those entities with access to the PCDF and assumes they will provide credit where it's needed across the country, rather than use it for other purposes.

The Board has broad statutory authority under Section 13(3) of the Federal Reserve Act to extend credit in "unusual and exigent circumstances" to borrowers that post sufficient collateral and are unable to secure adequate credit accommodations from other credit institutions. If ever there was a time and opportunity for the Federal Reserve to expand who to provide liquidity to in order to maintain the orderly functioning of our financial markets – and to not pick winners and losers while doing it - this is it.

We thank you for your service to our country during this difficult time and we stand ready to assist you on this issue as you work through the best mechanisms to ensure that credit flows to those who need it and markets across the country continue to function properly.

Sincerely,

Christopher A. Iacovella

Christopher A. Iacovella
Chief Executive Officer
American Securities Association

Cc:

The Honorable Steven Mnuchin, Secretary of the Treasury
Federal Reserve Vice Chairman Randal Quarles