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# Fed to Relaunch Primary Dealer Credit Facility

Crisis-era facility allows large financial institutions access to short-term loans



The Fed's Primary Dealer Credit Facility, originally established in 2008, will seek to tamp down strains in funding markets.

PHOTO: ANDREW HARRER/BLOOMBERG NEWS

By *Nick Timiraos*

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The Federal Reserve said Tuesday it would relaunch a crisis-era facility that allows large financial institutions access to short-term loans.

The Primary Dealer Credit Facility, originally established in 2008, will seek to tamp down strains in funding markets by expanding loans to the 24 large financial institutions. Known as primary dealers, they function as the Fed's exclusive counterparties when trading in financial markets.

The program will essentially function as an overnight loan facility for primary dealers, similar to how the Fed's discount window provides a round-the-clock backup source of funding to banks.

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The facility will offer terms as generous as those made available in late 2008. Primary dealers will be able to pledge a broader range of collateral than the government-backed debt

required for open-market operations, and the Fed will charge the same 0.25% rate being made available for banks at the discount window.

It is the second lending facility created Tuesday under the Fed's emergency powers. The facility will be available on Friday and in place for up to six months.

Earlier Tuesday, the central bank said it would establish a facility to make loans to U.S. corporations in an effort to ease dysfunction in the \$1.1 trillion market for short-term corporate IOUs called commercial paper.

Both facilities required the Fed to cite "unusual and exigent" circumstances to authorize one of its reserve banks to extend credit and to gain approval of the Treasury secretary to launch. In 2010, Congress required the Fed to seek the approval of the Treasury secretary before using these so-called 13(3) powers, named for the section of the Fed's charter that allows it to engage in such lending.

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