



AMERICAN
BANKRUPTCY
INSTITUTE

2020 International Insolvency Forum

Addressing COVID: Local Reactions to a Global Pandemic

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Friday, November 20, 2020
9:30-10:45 a.m. EST



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<https://globalinsolvency.com/covid19>



To highlight individual measures undertaken by the various countries in a comparative format, over 30 ABI International Committee members worked individually and together to create a comprehensive schematic summarizing the macro- and micro-economic efforts in response to COVID-19.

The countries featured include Canada, Cayman Islands, Chile, France, Germany, Channel Islands (Guernsey), Channel Islands (Jersey), Hong Kong, India, Italy, Mexico, Netherlands, Russia, Singapore, Spain, the United Kingdom, and the United States. Summaries of the measures from other countries are forthcoming and will be posted to this page.



If you are interested in contributing to the project, either by helping to update the report on an existing jurisdiction or reporting on another jurisdiction, please contact:

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Addressing COVID-19: Responses from the Federal Reserve

Wenli Li

November 20, 2020

Prepared for the 2020 International Insolvency Forum. The views expressed here are my own. They don't reflect those of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.



FEDERAL RESERVE BANK
OF PHILADELPHIA

The Mandates of the Fed

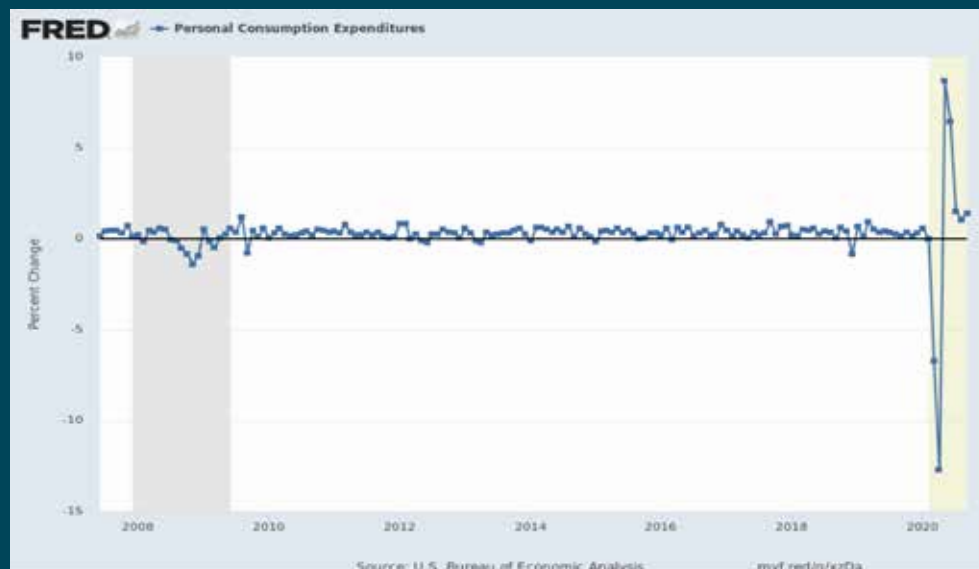
“The Federal Reserve’s response to this extraordinary period has been guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote stability of the financial system.”

— Jerome H. Powell, Chair of the Board of Governors of the Federal Reserve System
(<https://www.federalreserve.gov/monetarypolicy/2020-06-mpr-summary.htm>)

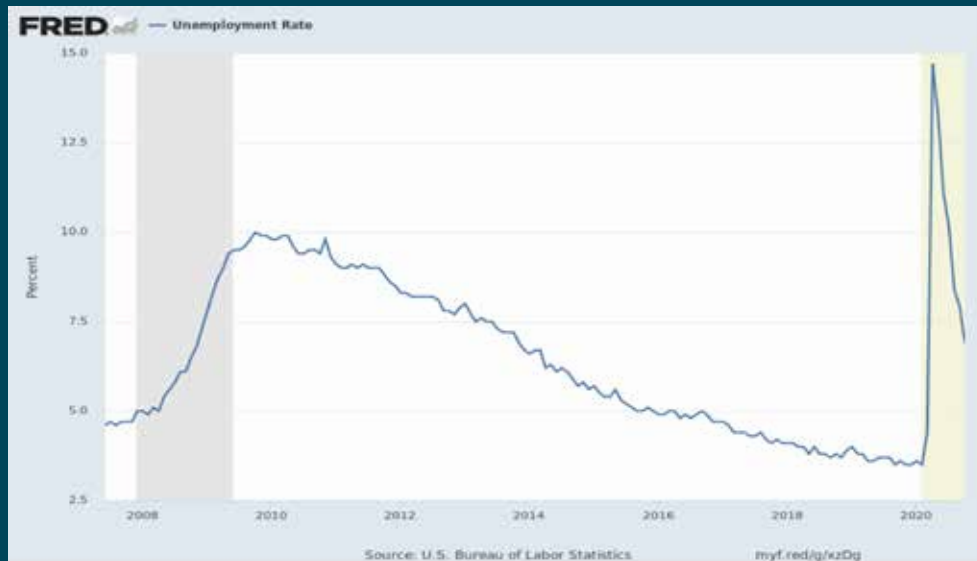
A Few Words About the COVID-19 and its Economic Impact

- This time is indeed different: global health crisis, nonfinancial
 - 2007-2009 mortgage crisis
- But economic and financial impact shares many similarities
 - Spending, investment shrink
 - Financial market freeze

How Did the Economy Look Like? Consumption Plunged



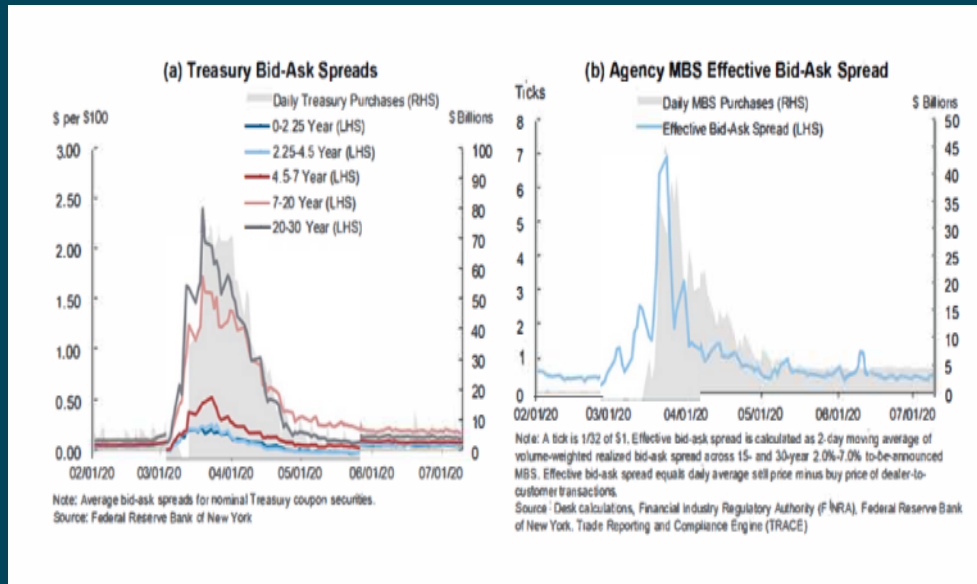
How Did the Economy Look Like? Unemployment Surged



How Did the Economy Look Like? Consumers Got Very Nervous Very Quickly

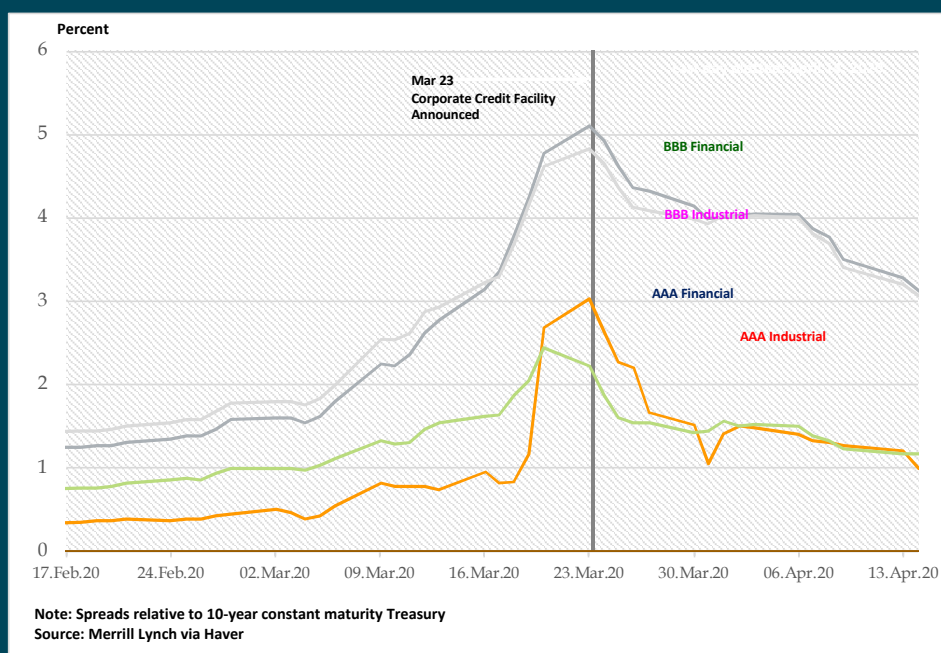


How Did the Economy Look Like? Pressures in the Treasury and Agency MBS Market



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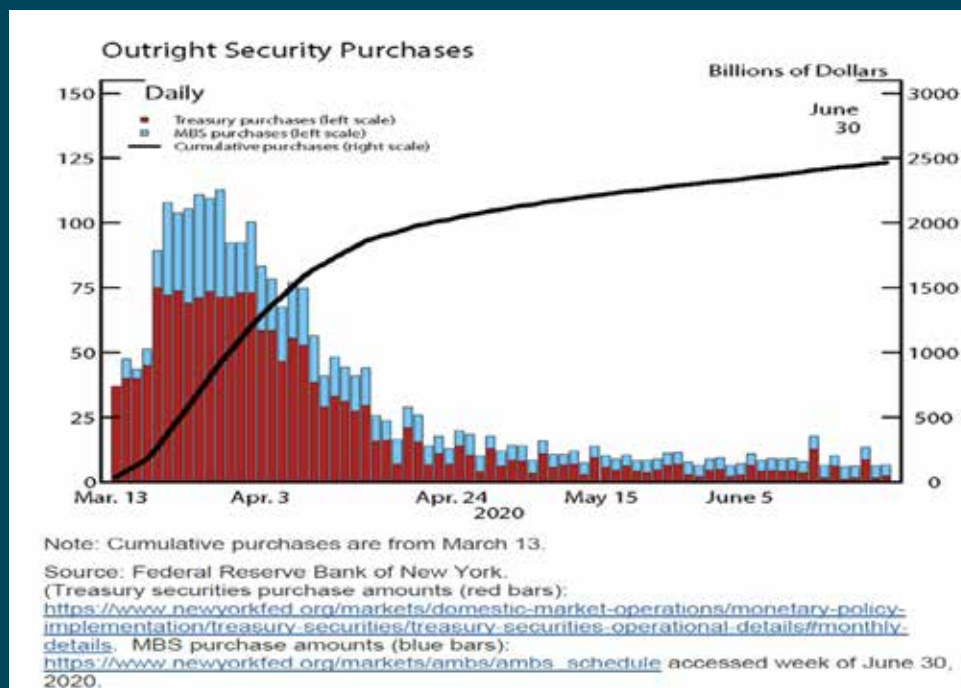
How Did the Economy Look Like? Pressures Also in the Corporate Bond Market



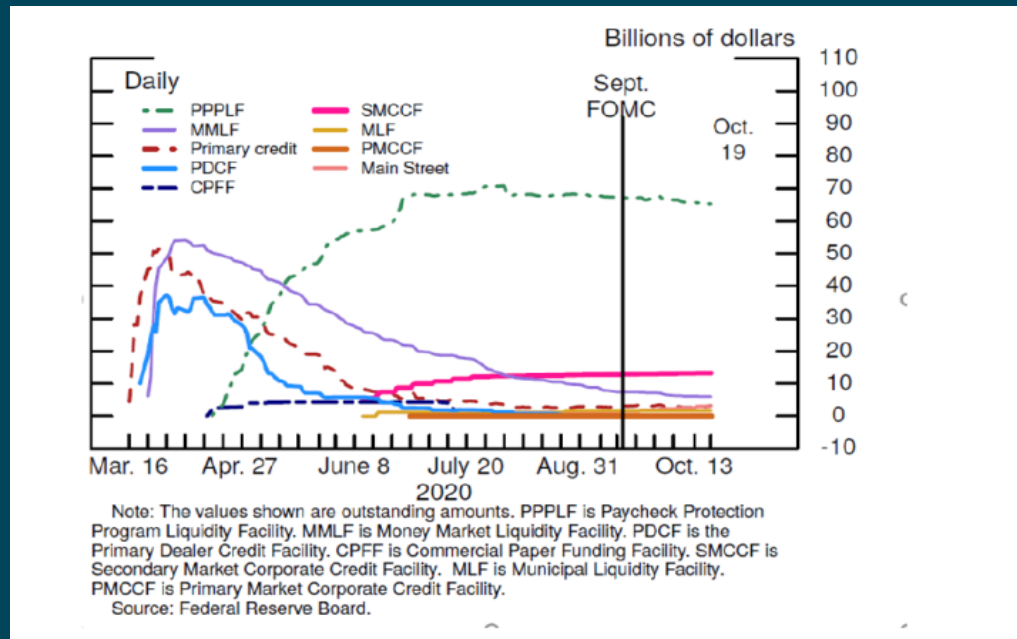
What Has the Fed Done? Dropped Policy Rate to Near Zero



What Has the Fed Done? Asset Purchase (used in the Great Recession)



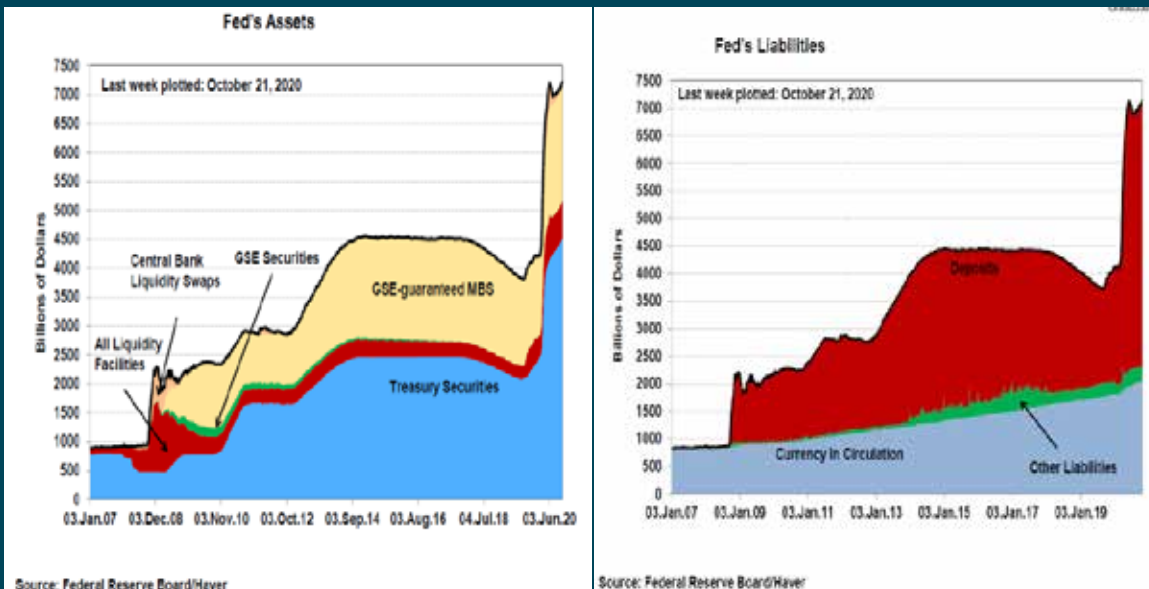
What Has the Fed Done? Lending Facilities (most will expire at the end of 2020)



On the International Stage

- Central Bank Swap Line (expire March 2021)
 - The Fed has standing foreign exchange swap lines among major central banks. The Fed swaps dollars for the foreign currency of the partner central bank, to be repaid (with interest) at a fixed exchange rate at maturity, eliminating currency risk.
- FIMA Repo Facility (expire March 2021)
 - Fed loans made to foreign central banks and monetary authorities, collateralized by Treasury securities. Structured as repurchase agreements with essentially no credit risk. Loans lessen the need for foreign authorities to sell their Treasury securities outright, thereby helping to avoid disruptions in Treasury markets and upward pressure on Treasury yields.

Fed's Balance Sheet



Usage of Fed Lending Facilities

Usage in Federal Reserve emergency credit ("13(3)") programs

Program / facility	Capacity (billions \$)	Current balance (billions \$, 4 Nov 2020)	% of stated capacity
Commercial Paper Funding Facility *	not stated	\$0	N/A
Primary Dealer Credit Facility	not stated	\$0	N/A
Money Market Mutual Fund Liquidity Facility	not stated	\$6	N/A
Term Asset-Backed Securities Loan Facility	up to \$100 billion	\$4	3.7%
Corporate Credit facilities	up to \$750 billion	\$14	1.8%
Main Street loan facilities	up to \$600 billion	\$4	0.7%
Paycheck Protection Program Liquidity Facility	\$659 billion (PPP)	\$62	9.3%
Municipal Liquidity Facility	up to \$500 billion	\$2	0.3%
Totals	\$2,609 **	\$90	3.2% **

*Items in blue are similar to analogous programs used to provide support during the 2008–2009 financial crisis. ** Total capacity and percent of stated capacity for the subset of facilities with a stated capacity.



Thank you for joining us!