

## **“The Role of Dealers as Liquidity Providers in the ABCP Market”**

Kleopatra Nikolaou  
Board of Governors of the Federal Reserve System

**Abstract:** This paper studies whether dealer intermediation increases issuer trading liquidity in the ABCP market. Dealers act as placement agents in the ABCP market in order to coordinate and facilitate the sale of the ABCP. A number of SEC rules enables this role by making the dealers the unique vehicles of intermediation in this market and by allowing them to hold inventories of ABCP on their balance sheet to facilitate trade. Therefore, all ABCP programs appoint at least one CP placement agent, but typically, they employ more, in order to ensure that funding of ABCP products is done in more competitive terms. We build a unique database by combining data on the number of dealers used as placement agents in the ABCP market (provided on a quarterly basis by Moody’s) and data on the yields and issuance amounts of ABCP from the DTCC. We then explore whether liquidity in the ABCP market is affected by the number of dealers participating in each program. Liquidity is measured in volumes (issuance amounts) and the volatility of the yields. Preliminary results suggest that using a larger number of dealers is associated with higher liquidity for individual issuers.