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Capital Markets  
Accounting Developments  
Advisory 2008-4  
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## *The Federal Reserve Liquidity Programs*

### Mission

The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide to enhance the safety of the monetary and financial system.

The Federal Reserve's responsibilities include:

- Overseeing the nation's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates
- Supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers
- Maintaining the stability of the financial system and containing systemic risk that may arise in financial markets
- Providing financial services to depository institutions, the U.S. government, and foreign official institutions, including a major role in operating the nation's payments system

### Implementation of Monetary Policy

The Federal Reserve implements monetary policy using three major tools:

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- Open market operations,
- Discount window lending, and
- Reserve requirements.

### **Open market operations**

The buying and selling of U.S. Treasury and federal agency securities in the open market

### **Discount window lending**

The lending to depository institutions directly from their Federal Reserve Bank's lending facility (the discount window), at the discount rate set by the Reserve Banks and approved by the Board of Governors.

The rate may vary from depository institution to depository institution and from day to day. The target federal funds rate is set by the Federal Open Market Committee (FOMC). The Fed establishes a target federal funds rate and uses its monetary policy tools to achieve that target rate.

### **Reserve requirements**

Requirements regarding the amount of funds that depository institutions must hold in reserve against deposits made by their customers.

## **The Fed Funds Rate**

The Fed influences the demand and supply of balances that depository institutions hold on deposit at Federal Reserve Banks (the key component of bank reserves) by using their monetary tools.

The federal funds rate is the interest rate charged by one depository institution on an overnight sale of reserve balances at the Fed to another depository institution. The funds are immediately available to the borrowing entity.

Changes in the federal funds rate affect other short-term interest rates, foreign exchange rates, long-term interest rates, the amount of money and credit in the economy. The management of rates affects a range of economic variables, including employment, production output, and the prices of goods and services.

At each FOMC meeting, a number of economic indicators are evaluated to decide whether to alter its target for the federal funds rate. A decline in the Fed Funds rate generally stimulates economic growth. The level of economic activity influences the rate of inflation and the sustainability of an economic expansion.

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The FOMC's actions are used to achieve the maximum rate of economic growth consistent with price stability and moderate long-term interest rates.

### **The Fed's Actions in Response to The Credit Crisis**

On December 12, 2007, the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve, and the Swiss National Bank announced several actions to address illiquidity in the short-term funding markets.

The Federal Reserve established:

1. a temporary Term Auction Facility (approved by the Board of Governors of the Federal Reserve System) – December 12<sup>th</sup>,
2. foreign exchange swap lines with the European Central Bank and the Swiss National Bank (approved by the Federal Open Market Committee) – December 12<sup>th</sup>,
3. Term Repurchase Transactions – March 7<sup>th</sup>,
4. Term Securities Lending Facility – March 11<sup>th</sup>, and
5. Primary dealer lending facility – March 16<sup>th</sup>.

### **Term Auction Facility (TAF)**

Under the Term Auction Facility (TAF) program, the Federal Reserve auctions term funds to depository institutions using collateral that can be used to secure loans at the discount window.

All depository institutions that are considered sound by their local Reserve Bank and are eligible to borrow under the primary credit discount window program can participate in TAF auctions. The primary credit window rate is above the federal funds for short term funding.

All TAF advances must be fully collateralized. The expansion of lending by the Federal Reserve to a broader range of counterparties using a wider range of collateral was designed to promote the efficient dissemination of liquidity as the unsecured inter-bank markets are under stress.

Each TAF auction is for a fixed amount with the rate determined by an auction process (subject to a minimum bid rate). The TAF funding size for each auction is determined by the Federal Reserve based on current and expected market conditions.

Depositories submit bids through their local Reserve Banks. The minimum bid rate for the auctions is established at the overnight indexed swap (OIS) rate corresponding to the maturity of the credit being auctioned. The OIS rate is a

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measure of market participants' expected average federal funds rate over the relevant term.

The TAF augments the Federal Reserve's primary current monetary policy tools which are open market operations and term discount window.

On March 7<sup>th</sup>, the Fed announced that the amounts outstanding in the Term Auction Facility (TAF) will be increased to \$100 billion. The Federal Reserve will increase auction sizes further if conditions warrant. The Federal Reserve committed to TAF auctions for at least the next six months unless evolving market conditions clearly indicate that such auctions are no longer necessary.

On May 2<sup>nd</sup>, the Fed increased the amounts outstanding under the TAF to \$150 billion.

Date	Amount (billions)	Term	Rate
December 17th	\$20	28 days	4.65%
December 20th	\$20	35 days	4.67%
January 14th	\$30	28 days	3.95%
January 28th	\$30	28 days	3.12%
February 12th	\$30	28 days	3.01%
February 25th	\$30	28 days	3.08%
March 24th	\$50	28 days	2.62%
April 7th	\$50	28 days	2.82%
April 21st	\$50	28 days	2.87%

### **Currency Arrangements**

The Federal Open Market Committee authorized temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB).

Date	ECB (billions)	SNB (billions)
December 12 <sup>th</sup> – 6 months	\$20	\$4
March 11 <sup>th</sup> – September 30th	\$30	\$6
May 2 <sup>nd</sup> – January 30th	\$50	\$12

On May 2<sup>nd</sup>, in conjunction with the increase in the size of the TAF, the Federal Open Market Committee has authorized further increases in the temporary reciprocal currency arrangements with the European Central Bank (ECB) and the Swiss National Bank (SNB). These arrangements will now provide dollars in

amounts of up to \$50 billion and \$12 billion to the ECB and the SNB, respectively, representing increases of \$20 billion and \$6 billion. The FOMC extended the term of these reciprocal currency arrangements through January 30, 2009.

On March 16<sup>th</sup>, the Federal Reserve Board authorized the Federal Reserve Bank of New York to create a lending facility to improve the ability of primary dealers to provide financing to participants in securitization markets. The facility started on Monday, March 17, and is in place for at least six months. The Fed may extend the program as conditions warrant.

Any credit extended to primary dealers under this facility may be collateralized by a broad range of investment-grade debt securities. The interest rate charged on such credit will be the same as the primary credit rate, or discount rate, at the Federal Reserve Bank of New York.

### **Repurchase Agreements**

On March 7<sup>th</sup>, the Federal Reserve will initiate a series of term repurchase transactions that are expected to accumulate to \$100 billion.

The repurchase transactions (RP) will be conducted with 28-day terms in which primary dealers may elect to deliver the following collateral:

- Treasury,
- Agency debt, or
- Agency mortgage-backed securities.

Any qualifying open market operations collateral can be used for the RPs. The Federal Reserve will increase the sizes of the term RP operations if conditions warrant.

### **Term Securities Lending Facility (“TSLF”)**

On March 11<sup>th</sup>, the Federal Reserve announced an expansion of its securities lending program. Under this new Term Securities Lending Facility (TSLF), the Federal Reserve will lend up to \$200 billion of Treasury securities to primary dealers on a secured basis for a term of 28 days (rather than overnight).

The pledged collateral securities may include:

- Federal agency debt,
- Federal agency residential-mortgage-backed securities (MBS),

- Non-agency AAA/Aaa-rated private-label residential MBS, and
- AAA/Aas rated ABS.

The TSLF is intended to promote liquidity in the financing markets for Treasury and other collateral. Securities are made available through an auction process. Auctions are held on a weekly basis, and started on March 27, 2008.

### **Primary Dealer Lending Facility**

On March 16<sup>th</sup>, the Fed voted unanimously to authorize the Federal Reserve Bank of New York to create a lending facility to improve the ability of primary dealers to provide financing to participants in securitization markets.

The lending facility started on Monday, March 17. It will be in place for at least six months and may be extended as conditions warrant.

Credit extended to primary dealers under this facility may be collateralized by a broad range of investment-grade debt securities.

The interest rate charged on such credit will be the same as the primary credit rate, or discount rate, at the Federal Reserve Bank of New York.

**Note: the content of this Advisory and the Appendixes are taken substantially from the Federal Reserve Website.**

## **Appendix A -- Federal Reserve Regulations:**

### **Extensions of Credit by Federal Reserve Banks**

Governs borrowing by depository institutions and others at the Federal Reserve discount window

### **Equal Credit Opportunity**

Prohibits lenders from discriminating against credit applicants, establishes guidelines for gathering and evaluating credit information, and requires written notification when credit is denied

### **Home Mortgage Disclosure**

Requires certain mortgage lenders to disclose data regarding their lending patterns

### **Reserve Requirements of Depository Institutions**

Sets uniform requirements for all depository institutions to maintain reserves either with their Federal Reserve Bank or as cash in their vaults

### **Electronic Funds Transfers**

Establishes the rights, liabilities, and responsibilities of parties in electronic funds transfers and protects consumers when they use such systems

### **Limitations on Interbank Liabilities**

Prescribes standards to limit the risks that the failure of a depository institution would pose to an insured depository institution

### **Disclosure and Reporting of CRA-Related Agreements**

Implements provisions of the Gramm-Leach-Bliley Act that require reporting and public disclosure of written agreements between

- (1) insured depository institutions or their affiliates and
- (2) nongovernmental entities or persons, made in connection with fulfillment of Community Reinvestment Act requirements

## **Membership of State Banking Institutions in the Federal Reserve System**

Defines:

- the requirements for membership of state-chartered banks in the Federal Reserve System;
- sets limitations on certain investments and requirements for certain types of loans;
- describes rules pertaining to securities-related activities;
- establishes the minimum ratios of capital to assets that banks must maintain and procedures for prompt corrective action when banks are not adequately capitalized;
- prescribes real estate lending and appraisal standards; sets out requirements concerning bank security procedures, suspicious-activity reports, and compliance with the Bank Secrecy Act; and
- establishes rules governing banks' ownership or control of financial subsidiaries

## **Issue and Cancellation of Capital Stock of Federal Reserve Banks**

Sets out stock-subscription requirements for all banks joining the Federal Reserve System

## **Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire**

Establishes procedures, duties, and responsibilities among

- (1) Federal Reserve Banks,
- (2) the senders and payors of checks and other items, and
- (3) the senders and recipients of Fedwire funds transfers

## **International Banking Operations**

Governs the international banking operations of U.S. banking organizations and the operations of foreign banks in the United States

## **Management Official Interlocks**

Generally prohibits a management official from serving two nonaffiliated depository institutions, depository institution holding companies, or any combination thereof, in situations where the management interlock would likely have an anticompetitive effect

## **Consumer Leasing**

Implements the consumer leasing provisions of the Truth in Lending Act by requiring meaningful disclosure of leasing terms

## **Relations with Foreign Banks and Bankers**

Governs relationships and transactions between Federal Reserve Banks and foreign banks, bankers, or governments

## **Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks**

Restricts credit that a member bank may extend to its executive officers, directors, and principal shareholders and their related interests

## **Privacy of Consumer Financial Information**

Governs how financial institutions use nonpublic personal information about consumers

## **Prohibition against Payment of Interest on Demand Deposits**

Prohibits member banks from paying interest on demand deposits

## **Reimbursement to Financial Institutions for Assembling or Providing Financial Records; Recordkeeping Requirements for Certain Financial Records**

Establishes rates and conditions for reimbursement to financial institutions for providing customer records to a government authority and prescribes recordkeeping and reporting requirements for insured depository institutions making domestic wire transfers and for insured depository institutions and nonbank financial institutions making international wire transfers

## **Credit by Brokers and Dealers**

Governs extension of credit by securities brokers and dealers, including all members of national securities exchanges (See also Regulations U and X.)

## **Credit by Banks and Persons Other Than Brokers and Dealers for the Purpose of Purchasing or Carrying Margin Stock**

Governs extension of credit by banks or persons other than brokers or dealers to finance the purchase or the carrying of margin securities (See also Regulations T and X.)

## **Fair Credit Reporting**

Implements the provisions of the Fair Credit Reporting Act applicable to financial institutions regarding obtaining and using consumer reports and other information about consumers, sharing such information among affiliates, furnishing information to consumer reporting agencies, and preventing identity theft

## **Transactions Between Member Banks and Their Affiliates**

Implements sections 23A and 23B of the Federal Reserve Act, which establish certain restrictions on and requirements for transactions between a member bank and its affiliates

## **Borrowers of Securities Credit**

Applies the provisions of Regulations T and U to borrowers who are subject to U.S. laws and who obtain credit within or outside the United States for the purpose of purchasing securities

## **Bank Holding Companies and Change in Bank Control**

Regulates the acquisition of control of banks and bank holding companies by companies and individuals, defines and regulates the nonbanking activities in which bank holding companies (including financial holding companies) and foreign banking organizations with United States operations may engage, and establishes the minimum ratios of capital to assets that bank holding companies must maintain

## **Truth in Lending**

Prescribes uniform methods for computing the cost of credit, for disclosing credit terms, and for resolving errors on certain types of credit accounts

## **Unfair or Deceptive Acts or Practices**

Establishes consumer complaint procedures and defines unfair or deceptive practices in extending credit to consumers

## **Community Reinvestment**

Implements the Community Reinvestment Act and encourages banks to help meet the credit needs of their entire communities

### **Availability of Funds and Collection of Checks**

Governs the availability of funds deposited in checking accounts and the collection and return of checks

### **Truth in Savings**

Requires depository institutions to provide disclosures to enable consumers to make meaningful comparisons of deposit accounts

### **Netting Eligibility for Financial Institutions**

Defines financial institutions to be covered by statutory provisions that validate netting contracts, thereby permitting one institution to pay or receive the net, rather than the gross, amount due, even if the other institution is insolvent

## **Appendix B: Glossary of Terms**

### **Agreement corporation**

Corporation chartered by a state to engage in international banking; so named because the corporation enters into an “agreement” with the Board of Governors to limit its activities to those permitted an Edge Act corporation.

Typically organized as a subsidiary of a bank, an agreement corporation may conduct activities abroad that are permissible to foreign banks abroad but that may not otherwise be permissible for U.S. banks.

### **Automated clearinghouse (ACH)**

Electronic clearing and settlement system for exchanging electronic credit and debit transactions among participating depository institutions. The Federal Reserve Banks operate an automated clearinghouse, as do private organizations.

**Balances -- See Federal Reserve balances.**

### **Bank for International Settlements (BIS)**

International organization established in 1930 and based in Basel, Switzerland, that serves as a forum for central banks for collecting information, developing analyses, and cooperating on a wide range of policy-related matters; also provides certain financial services to central banks.

### **Bank holding company**

Company that owns, or has controlling interest in, one or more banks. The Board of Governors is responsible for regulating and supervising bank holding companies, even if the bank owned by the holding company is under the primary supervision of a different federal agency (the Comptroller of the Currency or the Federal Deposit Insurance Corporation).

### **Bank Holding Company Act of 1956**

Federal legislation that establishes the legal framework under which bank holding companies operate and places the formation of bank holding companies and their acquisition of banking and nonbanking interests under the supervision of the Federal Reserve.

## **Banking organization**

A bank holding company (consolidated to include all of its subsidiary banks and nonbank subsidiaries) or an independent bank (a bank that is not owned or controlled by a bank holding company).

## **Bank regulation**

Actions to make and issue rules and regulations and enforce those rules and other laws governing the structure and conduct of banking.

## **Bank supervision**

Oversight of individual banks to ensure that they are operated prudently and in accordance with applicable statutes and regulations.

## **Basel Committee on Banking Supervision**

An international committee of bank supervisors, associated with the BIS, that is headquartered in Basel, Switzerland, and is composed of bank supervisors from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

## **Basel I**

Informal name for the 1988 agreement—the International Convergence of Capital Measurement and Capital Standards—under which national bank supervisors for the first time agreed on an international framework for capital adequacy guidelines. Also known as the Basel Accord.

## **Basel II**

Informal name for the 2004 agreement updating the Basel Accord. Also known as the New Basel Accord, Basel II has three pillars: minimum capital requirements, supervisory oversight, and market discipline.

## **Board of Governors**

Central, governmental agency of the Federal Reserve System, located in Washington, D.C., and composed of seven members, who are appointed by the President and confirmed by the Senate.

The Board, with other components of the System, has responsibilities associated with the conduct of monetary policy, the supervision and regulation of certain banking organizations, the operation of much of the nation's payments system,

and the administration of many federal laws that protect consumers in credit transactions.

The Board also supervises the Federal Reserve Banks.

### **Book-entry securities**

Securities that are recorded in electronic records, called book entries, rather than as paper certificates. (*Compare* **definitive securities**.)

### **Call Report**

Informal name for quarterly Reports of Condition and Income.

### **Capital**

In banking, the funds invested in a bank that are available to absorb loan losses or other problems and therefore protect depositors.

Capital includes all equity and some types of debt. Bank regulators have developed two definitions of capital for supervisory purposes:

- tier 1 capital, which can absorb losses while a bank continues operating, and
- tier 2 capital, which may be of limited life and may carry an interest obligation or other characteristics of a debt obligation, and therefore provides less protection to depositors than tier 1 capital.

### **Capital market**

The market in which corporate equity and longer-term debt securities (those maturing in more than one year) are issued and traded. (*Compare* **money market**.)

### **Cash**

U.S. paper currency plus coin.

### **Central bank**

Principal monetary authority of a nation, which performs several key functions, including conducting monetary policy to stabilize the economy and level of prices. The Federal Reserve is the central bank of the United States.

## **Check clearing**

The movement of a check from the depository institution at which it was deposited back to the institution on which it was written, the movement of funds in the opposite direction, and the corresponding credit and debit to the accounts involved. Check clearing also encompasses the return of a check (for insufficient funds, for example) from the bank on which it was written to the bank at which it was deposited, and the corresponding movement of funds. The Federal Reserve Banks operate a nationwide check-clearing system.

## **Check truncation**

The practice of removing an original paper check from the check-clearing process and sending in its place an alternative paper or electronic version of the essential information on the check.

## **Clearing**

General term that may refer to check clearing or to the process of matching trades between the sellers and buyers of securities and other financial instruments and contracts.

## **Commercial bank**

Bank that offers a variety of deposit accounts, including checking, savings, and time deposits, and extends loans to individuals and businesses. Commercial banks can be contrasted with investment banking firms, which generally are involved in arranging for the sale of corporate or municipal securities, and broker-dealer firms, which buy and sell securities for themselves and others. (*Compare* **savings bank**.)

## **Commercial paper**

Short-term, unsecured promissory note issued by an industrial or commercial firm, a financial company, or a foreign government.

## **Consumer Advisory Council**

Group, created under the Federal Reserve Act, composed of thirty members who represent the interests of a broad range of consumers and creditors. The council meets with the Board of Governors three times a year on matters concerning consumers and the consumer protection laws administered by the Board.

## **Corporate bond**

Interest-bearing or discounted debt obligation issued by a private corporation.

### **Contractual clearing balance**

An amount a depository institution may contract to maintain in its account at a Federal Reserve Bank in addition to any reserve balance requirement. This amount helps ensure that the institution can meet its daily transaction obligations without overdrawing its account. Balances maintained to satisfy the contractual clearing balance earn credits that can be used to pay for services provided by the Federal Reserve Banks.

### **Correspondent bank**

Bank that accepts the deposits of, and performs services for, another bank (called a respondent bank).

### **Credit risk**

The risk that economic loss will result from the failure of an obligor to repay financial institutions according to the terms and conditions of a contract or agreement.

### **Credit union**

Financial cooperative organization whose membership consists of individuals who have a common bond, such as place of employment or residence or membership in a labor union.

Credit unions accept deposits from members, pay interest (in the form of dividends) on the deposits out of earnings, and use their funds mainly to provide consumer installment loans to members.

### **Currency**

Paper money that consists mainly of Federal Reserve notes. Other types of currency that were once issued by the United States include silver certificates, United States notes, and national bank notes.

### **Daylight overdraft**

A negative balance in an institution's Federal Reserve Bank account at any time during the operating hours of the Fedwire Funds Service.

## **Daylight-overdraft posting rules**

A schedule used to determine the timing of debits and credits to an institution's Federal Reserve Bank account for various transactions processed by the Reserve Banks.

## **Definitive securities**

Securities that are recorded on engraved paper certificates and payable to the bearers or to specific, registered owners. (*Compare* **book-entry securities**.)

## **Demand deposit**

A deposit that the depositor has a right to withdraw at any time without prior notice to the depository institution. By law, no interest can be paid on such deposits. Demand deposits are commonly offered in the form of checking accounts.

## **Depository institution**

Financial institution that makes loans and obtains its funds mainly through accepting deposits from the public; includes

- commercial banks,
- savings and loan associations,
- savings banks, and
- credit unions.

## **Derivative**

A financial instrument whose value depends upon the characteristics and value of an underlying commodity, currency, or security.

## **Discounting**

Practice of extending credit in which the borrower endorses a negotiable instrument or other commercial paper in the borrower's portfolio over to the lender in exchange for funds from the lender in the amount of the instrument's face value less the interest due over the term of the loan, that is, the "discounted" value.

## **Discount rate**

Officially the primary credit rate, it is the interest rate at which an eligible depository institution may borrow funds, typically for a short period, directly from a Federal Reserve Bank.

The law requires that the board of directors of each Reserve Bank establish the discount rate every fourteen days, subject to review and determination by the Board of Governors.

### **Discount window (the window)**

Figurative expression for the Federal Reserve facility that extends credit directly to eligible depository institutions (those subject to reserve requirements); so named because, in the early days of the Federal Reserve System, bankers would come to a Reserve Bank teller window to obtain credit.

### **Discount window credit**

Credit extended by a Federal Reserve Bank to an eligible depository institution. All discount window borrowing must be secured by collateral. Three types of discount window credit are available to eligible depository institutions:

- **primary credit**

Credit extended to generally sound depository institutions at a rate above the target federal funds rate on a very short-term basis as a backup source of funding.

- **seasonal credit**

Credit extended by a Federal Reserve Bank to depository institutions that have difficulty raising funds in national money markets to help meet temporary needs for funds resulting from regular, seasonal fluctuations in loans and deposits. The interest rate charged is based on market rates.

- **secondary credit**

Credit extended to depository institutions ineligible for primary credit, at a rate above the primary credit rate, either on a very short-term basis (when consistent with a timely return to market sources of funds) or for a longer term (to facilitate the orderly resolution of serious financial difficulties).

## **Easing**

Federal Reserve action to lower the federal funds rate. The action is undertaken when economic activity needs to be stimulated. (*Compare tightening.*)

## **Edge Act corporation (or Edge corporation)**

Corporation chartered by the Federal Reserve to engage in international banking. The Board of Governors acts on applications to establish Edge Act corporations and also examines the corporations and their subsidiaries.

Typically organized as a subsidiary of a bank, an Edge Act corporation may conduct activities abroad that are permissible to foreign banks abroad but that may not otherwise be permissible to U.S. banks.

Named after Senator Walter Edge of New Jersey, who sponsored the original legislation to permit formation of such organizations. (*Compare agreement corporation.*)

## **Elastic currency**

Currency that can, by the actions of the central monetary authority, expand or contract in amount warranted by economic conditions.

## **Electronic funds transfer (EFT)**

Transfer of funds electronically rather than by check or cash. The Federal Reserve's Fedwire Funds Service and automated clearinghouse services are EFT systems. (EFTs subject to the Electronic Funds Transfer Act are more narrowly defined.)

## **Eurocurrency liabilities**

A generic term referring to liabilities in a bank located in a country other than the one that issues the currency in which the liability is denominated.

Despite its name, Eurocurrency need not be a liability of a European banking office nor denominated in European currency. Not to be confused with the euro, the name of the common currency of twelve (as of 2004) European Union countries.

## **Eurodollar deposits**

Dollar-denominated deposits in banks and other financial institutions outside the United States; includes deposits at banks not only in Europe, but in all parts of the world.

## **Excess reserves**

Amount of funds held by an institution in its account at a Federal Reserve Bank in excess of its required reserve balance and its contractual clearing balance.

## **Federal Advisory Council**

Advisory group made up of one representative (in most cases a banker) from each of the twelve Federal Reserve Districts. Established by the Federal Reserve Act, the council meets periodically with the Board of Governors to discuss business and financial conditions and to make recommendations.

## **Federal agency securities**

Interest-bearing obligations issued by federal agencies and government-sponsored entities, such as the

- Federal Home Loan Banks,
- the Federal Farm Credit Banks,
- the Federal National Mortgage Association (Fannie Mae),
- the Federal Home Loan Mortgage Corporation (Freddie Mac), and
- the Tennessee Valley Authority.

Some federal agency securities are backed by the U.S. government while others are not.

## **Federal Financial Institutions Examination Council (FFIEC)**

Group of representatives of the federal banking regulatory agencies—

- the Board of Governors,
- the Office of Thrift Supervision, the
- Federal Deposit Insurance Corporation, the
- Office of the Comptroller of the Currency, and the
- National Credit Union Administration

established to help maintain uniform standards for examining and supervising federally insured depository institutions.

## **Federal funds transactions**

Short-term transactions in immediately available funds—between depository institutions and certain other institutions that maintain accounts with the Federal Reserve—that involve lending balances at the Federal Reserve; usually not collateralized.

## **Federal funds rate**

Rate charged by a depository institution on an overnight loan of federal funds to another depository institution; rate may vary from day to day and from bank to bank.

## **Federal Open Market Committee (FOMC, or the Committee)**

Twelve-voting-member committee made up of the

- seven members of the Board of Governors;
- the president of the Federal Reserve Bank of New York; and,
- on a rotating basis, the presidents of four other Reserve Banks.

Nonvoting Reserve Bank presidents also participate in Committee deliberations and discussion. The FOMC generally meets eight times a year in Washington, D.C., to set the nation's monetary policy. It also establishes policy relating to System operations in the foreign exchange markets.

## **Federal Reserve Act**

Federal legislation, enacted in 1913, that established the Federal Reserve System.

## **Federal Reserve balances**

The amount of funds held by a depository institution in its account at its Federal Reserve Bank.

## **Federal Reserve Bank**

One of the twelve operating arms of the Federal Reserve System, located throughout the nation, that together with their Branches carry out various System functions, including providing payment services to depository institutions, distributing the nation's currency and coin, supervising and regulating member banks and bank holding companies, and serving as fiscal agent for the U.S. government.

## **Federal Reserve District (Reserve District, or District)**

One of the twelve geographic regions served by a Federal Reserve Bank.

## **Federal Reserve float**

Float is credit that appears on the books of the depository institution of both the check writer (the payor) and the check receiver (the payee) while a check is being processed. Federal Reserve float is float present during the Federal Reserve Banks' check-clearing process.

To promote efficiency in the payments system and provide certainty about the date that deposited funds will become available to the receiving depository institution (and the payee), the Federal Reserve Banks credit the accounts of banks that deposit checks according to a fixed schedule. However, processing certain checks and collecting funds from the banks on which these checks are written may take more time than the schedule allows.

Therefore, the accounts of some banks may be credited before the Federal Reserve Banks are able to collect payment from other banks, resulting in Federal Reserve float.

## **Federal Reserve note**

Paper currency issued by the Federal Reserve Banks. Nearly all the nation's circulating currency is in the form of Federal Reserve notes, which are printed by the Bureau of Engraving and Printing, a bureau of the U.S. Department of the Treasury. Federal Reserve notes are obligations of the Federal Reserve Banks and legal tender for all debts.

## **Federal Reserve Regulatory Service**

Monthly subscription service that includes all statutes and regulations for which the Federal Reserve has responsibility, Board of Governors interpretations and rulings, official staff commentaries, significant staff opinions, and procedural rules under which the Board operates.

## **Federal Reserve System**

The central bank of the United States, created by the Federal Reserve Act and made up of a seven-member Board of Governors in Washington, D.C., twelve regional Federal Reserve Banks, and Branches of the Federal Reserve Banks.

## **Fedwire Funds Service**

Electronic funds transfer network operated by the Federal Reserve Banks. It is usually used to transfer large amounts of funds from one institution's account at the Federal Reserve to another institution's account. It is also used by the U.S. Department of the Treasury, other federal agencies, and government-sponsored enterprises to collect and disburse funds.

## **Fedwire Securities Service**

Electronic vault that stores records of book-entry securities holdings and a transfer and settlement mechanism used by depository institutions to transfer custody of book-entry securities from one depository institution to another.

The securities on the Fedwire Securities Service include

- U.S. Treasury securities,
- U.S. agency securities,
- mortgage-backed securities issued by government-sponsored enterprises, and
- securities of certain international organizations.

## **Financial holding company**

A bank holding company that has met the capital, managerial, and other requirements to take advantage of the expanded affiliations allowed under the Gramm-Leach-Bliley Act.

## **Financial institution**

Institution that uses its funds chiefly to purchase financial assets, such as loans or securities (as opposed to tangible assets, such as real estate). Financial institutions can be separated into two major groups according to the nature of the principal claims they issue:

(1) depository institutions (also called depository intermediaries), such as commercial banks, savings and loan associations, savings banks, and credit unions, which obtain funds largely by accepting deposits from the public and

(2) non-depositories (sometimes called nondepository intermediaries), such as life insurance and property-casualty insurance companies and pension funds, whose claims are the policies they sell or their promise to provide income after retirement.

## **Fiscal agency services**

Services performed by the Federal Reserve Banks for the U.S. government and other organizations, including maintaining accounts for the U.S. Department of the Treasury, paying checks and making electronic payments on behalf of the Treasury, and selling and redeeming marketable Treasury securities and savings bonds.

## **Fiscal policy**

Federal government policy regarding taxation and spending, set by Congress and the President.

## **Flexible exchange rates**

Arrangements in which the rate of exchange between countries' currencies (the foreign exchange rate) is allowed to fluctuate in response to market forces of supply and demand.

## **Foreign currency operations**

Transactions in the foreign exchange markets involving the purchase of the currency of one nation with that of another. Also called foreign exchange transactions.

## **Foreign exchange intervention**

A foreign currency operation (see above) designed to influence the value of the dollar against foreign currencies, typically with the aim of stabilizing disorderly markets.

## **Foreign exchange markets**

Markets in which foreign currencies are purchased and sold.

## **Foreign exchange rate**

Price of the currency of one nation in terms of the currency of another nation.

## **Government securities**

Securities issued by the U.S. Treasury or federal agencies.

## **Gramm-Leach-Bliley Act**

Federal legislation that allowed affiliations among banks, securities firms, and insurance companies under a financial holding company structure. The act reaffirmed the Federal Reserve's role as "umbrella supervisor" over organizations that control banks, while also requiring that bank regulators and functional regulators supervise subsidiaries within a financial holding company.

## **Gross domestic product (GDP)**

Total value of goods and services produced by labor and property located in the United States during a specific period.

## **Group of Seven (G-7)**

International group made up of seven leading industrial nations—

- Canada,
- France,
- Germany,
- Italy,
- Japan,
- the United Kingdom, and
- the United States

whose finance ministers and central bank governors meet occasionally to discuss economic policy.

## **Interest-rate risk**

Risk of gain or loss in the value of a portfolio as a result of changes in market interest rates.

## **International banking facility**

Specially designated activities of a bank located in the United States that are treated as those of an offshore bank by U.S. regulatory authorities. Dollar deposits in such a facility are considered to be Eurodollars.

## **International Monetary Fund (IMF)**

International organization established for lending funds to member nations to promote international monetary cooperation among nations, to facilitate the expansion and balanced growth of international trade, and to finance temporary balance-of-payments deficits, usually in conjunction with macroeconomic adjustment programs.

## **Liquidity**

Quality that makes an asset easily convertible into cash with relatively little loss of value in the conversion process.

Sometimes used more broadly to encompass cash and credit in hand and promises of credit to meet needs for cash.

## **Liquidity risk**

In banking, the risk that a depository institution will not have sufficient cash or liquid assets to meet the claims of depositors and other creditors.

## **M1**

Measure of the U.S. money stock that consists of currency held by the public, traveler's checks, demand deposits, and other checkable deposits.

## **M2**

Measure of the U.S. money stock that consists of M1, savings deposits (including money market deposit accounts), time deposits in amounts of less than \$100,000, and balances in retail money market mutual funds.

Excludes individual retirement account (IRA) and Keough balances at depository institutions and retail money funds.

## **M3**

Measure of the U.S. money stock that consists of M2, time deposits of \$100,000 or more at all depository institutions, repurchase agreements in amounts of \$100,000 or more, Eurodollars, and balances held in institutional money market mutual funds.

## **Margin requirement**

Buying on margin refers to buying stocks or securities with borrowed money (usually borrowed from a brokerage firm or bank). The margin requirement is the minimum amount (expressed as a percentage) the buyer must put up (rather than borrow). The Federal Reserve Board sets margin requirements.

## **Market interest rates**

Rates of interest determined by the interaction of the supply of and demand for funds in freely functioning markets.

## **Market risk**

The risk that a banking organization may incur losses due to the change in market value of an asset or liability on its balance sheet.

## **Member bank**

Depository institution that is a member of the Federal Reserve System. All national banks are automatically members of the System; state-chartered banks may choose to apply to join the System.

## **Monetary aggregates**

Aggregate measures through which the Federal Reserve monitors the nation's monetary assets: M1, M2, and M3.

## **Monetary policy**

A central bank's actions to influence the availability and cost of money and credit, as a means of helping to promote national economic goals. Tools of monetary policy include open market operations, direct lending to depository institutions, and reserve requirements.

## **Monetize**

Action in which a central bank purchases an object that is not money (for example, gold) and pays for it by creating balances at the central bank. The action permits an increase in the money stock.

## **Money**

Anything that serves as a generally accepted medium of exchange, a standard of value, and a means of saving or storing purchasing power. In the United States, currency (the bulk of which is Federal Reserve notes) and coin as well as funds in deposit accounts at depository institutions are examples of money.

## **Money market**

Figurative expression for the informal network of dealers and investors over which short-term debt securities are purchased and sold. Money market securities generally are highly liquid securities that mature in less than one year, often less than ninety days. (*Compare* **capital market**.)

## **Money stock**

Total quantity of money available for transactions and investment; measures of the U.S. money stock include M1, M2, and M3. (Also referred to as the money supply or, simply, money.)

## **Mutual savings bank**

Savings bank owned by its depositors (contrasted with a stock savings bank, which issues common stock to the public).

## **National bank**

A commercial bank that is chartered by the Office of the Comptroller of the Currency, which is a bureau of the U.S. Department of the Treasury; by law, national banks are members of the Federal Reserve System.

## **Net debit cap**

The maximum uncollateralized daylight-overdraft position that a depository institution is permitted to incur in its Federal Reserve Bank account at any point in the day, or on average over a two-week period.

## **Nominal interest rates**

Current stated rates of interest paid or earned. (*Compare real interest rates.*)

## **Nonmember bank**

State-chartered commercial bank that is not a member of the Federal Reserve System.

## **Non-personal time deposit**

Time deposit held by a depositor other than an individual (for example, a corporation).

## **Official foreign exchange reserves**

Assets denominated in foreign currencies held by a country's monetary authorities (in the United States, held by the Federal Reserve System and the Treasury Department).

## **Open market**

Freely competitive market.

## **Open market operations**

Purchases and sales of securities, typically U.S. Treasury securities, in the open market, by the Open Market Trading Desk at the Federal Reserve Bank of New York as directed by the Federal Open Market Committee, to influence interest rates. Purchases increase the supply of Federal Reserve balances to depository institutions; sales do the opposite.

## **Outright transaction**

“Permanent” purchase or sale of securities in the open market, or the redemption of securities, by the Federal Reserve to adjust the supply of balances at the Federal Reserve Banks over the long term. (Contrasts with transactions intended to adjust the supply of balances only temporarily. See **repurchase agreement and reverse repurchase agreement.**)

## **Over the counter**

Figurative term for the means of trading securities that are not listed on an organized stock exchange such as the New York Stock Exchange. Over-the-counter trading is done by broker-dealers who communicate by telephone and computer networks.

## **Paper**

General term for short-term debt instruments such as commercial paper.

## **Payments system**

Collective term for mechanisms (both paper-based and electronic) for moving funds, payments, and money among financial institutions throughout the nation. The Federal Reserve plays a major role in the nation’s payments system through distribution of currency and coin, processing of checks, and electronic transfer of funds; various private organizations also perform payments system functions.

## **Portfolio**

Collection of loans or assets, classified by type of borrower or asset. For example, a bank’s portfolio might include loans, investment securities, and assets managed in trust; the loan portfolio might include commercial, mortgage, and consumer installment loans.

### **Presentment fee**

Fee that a bank receiving a check imposes on the bank collecting payment.

### **Prompt corrective action**

Supervisory framework, created under the Federal Deposit Insurance Corporation Improvement Act of 1991, that links enforcement actions closely to the level of capital held by banks.

### **Real interest rates**

Interest rates adjusted for the expected erosion of purchasing power resulting from inflation. Technically defined as nominal interest rates minus the expected rate of inflation. (*Compare nominal interest rates.*)

### **Reciprocal currency (swap) arrangements**

Short-term reciprocal arrangements between a Federal Reserve Bank and individual foreign central banks. By drawing on a swap the foreign central bank obtains dollars that can be used to conduct foreign exchange intervention in support of its currency or to lend to its domestic banking system to satisfy temporary liquidity demands.

For the duration of the swap, the Federal Reserve Bank obtains an equivalent amount of foreign currency along with a commitment from the foreign central bank to repurchase the foreign currency at a preset exchange rate.

### **Reports of Condition and Income**

Quarterly financial report that all banks, savings and loan associations, Edge and agreement corporations, and certain other types of organizations must file with a federal regulatory agency. Informally called a Call Report.

### **Repurchase agreement (RP or repo)**

A transaction in which the Federal Reserve enters into an agreement with a primary dealer to acquire securities from the dealer for a specified principal amount at an agreed-upon interest rate and to return the securities on a specified future date.

The maturity date may be the next day or many days later, with the maximum length set by the FOMC. These transactions permit the Federal Reserve to increase the supply of Federal Reserve balances for the length of the agreement.

## **Required reserve balance**

That portion of its required reserves that a depository institution must hold in an account at a Federal Reserve Bank. This portion is the difference between the institution's reserve requirement and its vault cash.

## **Required reserve ratio**

The percentage of reservable liabilities that depository institutions must set aside in the form of reserves.

## **Required reserves**

Funds that a depository institution is required to maintain in the form of vault cash or, if vault cash is insufficient to meet the requirement, in the form of a balance maintained directly with a Reserve Bank or indirectly with a pass-through correspondent bank.

The required amount varies according to the required reserve ratios set by the Board and the amount of reservable liabilities held by the institution.

## **Reservable liabilities**

Those obligations on a depository institution's balance sheet that are subject to reserve requirements.

Transaction deposits, nonpersonal time deposits, and Eurocurrency liabilities are all subject to reserve requirements; however, the required reserve ratios for nonpersonal time deposits and Eurocurrency liabilities are zero.

## **Reserve requirements**

Requirements set by the Board of Governors for the amounts of certain liabilities that depository institutions must set aside in the form of reserves.

## **Reverse repurchase agreement**

A transaction—the opposite of a repurchase agreement—in which the Federal Reserve enters into an agreement with a primary dealer to sell securities from the System portfolio for a specified principal amount at an agreed-upon interest rate and to receive the securities back from the dealer on a specified future date.

The maturity date may be the next day or many days later, with the maximum length set by the FOMC. These transactions permit the Federal Reserve to

decrease the supply of Federal Reserve balances for the length of the agreement.

### **Savings and loan association (S&L)**

Historically, depository institution that accepted deposits mainly from individuals and invested heavily in residential mortgage loans; although still primarily residential lenders, S&Ls now have many of the powers of commercial banks.

### **Savings bank**

Depository institution historically engaged primarily in accepting consumer savings deposits and in originating and investing in residential mortgage loans; now may offer checking-type deposits and make a wider range of loans. (*Compare* **commercial bank**.)

### **Savings bond**

A nonmarketable debt obligation of the U.S. government. Savings bonds are available in both paper and book-entry form and can be purchased with an initial investment of as little as \$25.

Investors can purchase paper savings bonds in person from many depository institutions, by mail from a Reserve Bank or the Treasury, or online. Book-entry bonds are available from the Treasury online.

### **Securities**

Paper certificates (definitive securities) or electronic records (book-entry securities) evidencing ownership of equity (stocks) or debt obligations (bonds).

### **Securitization**

The process of packaging and selling similar financial instruments, such as loans and other receivables, in the form of “asset-backed” securities that can be traded on secondary markets. Securitization allows financial institutions to transfer some of the risks of ownership to parties more willing or able to manage them.

### **Self-regulatory organizations**

Associations of broker-dealers or others that have responsibility, under the oversight of the Securities and Exchange Commission, to regulate their own members through the adoption and enforcement of rules of conduct for fair, ethical, and efficient practices.

Examples include the National Association of Securities Dealers and the New York Stock Exchange.

### **Settlement**

In banking, the process of recording the debit and credit positions of two parties in a transfer of funds. Also, the delivery of securities by a seller and the payment by the buyer.

### **Shock**

Unanticipated or unusual event that has a noticeable impact on the economy or a financial system.

### **Special drawing rights (SDRs)**

Type of international reserve asset created by the International Monetary Fund and allocated, on occasion, to the nations that are members of the IMF.

### **State bank**

Bank that is chartered by a state; may or may not be a member of the Federal Reserve System.

### **Subsidiary**

Company that is controlled by another corporation (called the parent corporation), typically through stock ownership or voting control.

### **Substitute check**

A paper reproduction of an original check that contains an image of the front and back of the original check and is suitable for automated processing, just as the original check is.

The Check Clearing for the 21st Century Act, commonly known as Check 21, allows depository institutions to truncate original checks, process check information electronically, and deliver substitute checks to depository institutions if they require paper checks.

### **Swap**

An agreement between two parties to exchange cash flows of underlying securities.

For example, in an interest rate swap, the most common type of swap, one party agrees to pay a fixed interest rate in return for receiving a variable rate from the other party.

**Swap arrangement -- See reciprocal currency arrangement.**

### **System Open Market Account**

The Federal Reserve's portfolio of U.S. Treasury securities. Purchases and sales in this account—open market operations—are under the overall supervision of the manager of the System Open Market Account, subject to the policies and rules of the Federal Open Market Committee.

### **Systemic risk**

Risk that a disruption at a firm, in a market segment, to a settlement system, or in a similar setting will cause widespread difficulties at other firms, in other market segments, or in the financial system as a whole.

### **Thrift institution**

A general term encompassing savings banks, savings and loan associations, and credit unions.

### **Thrift Institutions Advisory Council**

Group established by the Board of Governors to obtain information and opinions on the needs and problems of thrift institutions. Made up of representatives of savings and loan associations, savings banks, and credit unions.

### **Tightening**

Federal Reserve action to raise interest rates. Undertaken when inflation is a concern. (*Compare* **easing**.)

### **Time deposit**

Funds deposited in an account that has a fixed term to maturity and technically cannot be withdrawn before maturity without advance notice (for example, a certificate of deposit). Time deposits may earn interest.

### **Trading Desk (the Desk)**

The group at the Federal Reserve Bank of New York that conducts open market operations for the Federal Reserve System and intervenes in foreign currency markets for the Federal Reserve and Treasury.

## **Transaction account**

A checking account or similar deposit account from which transfers of funds can be made. Demand deposit accounts, NOW (negotiable order of withdrawal) accounts, and credit union share draft accounts are examples of transaction accounts.

## **U.S. Treasury securities**

Obligations of the U.S. government issued by the U.S. Department of the Treasury as a means of borrowing money to meet government expenditures not covered by tax revenues. All marketable Treasury securities have a minimum purchase amount of \$1,000 and are issued in \$1,000 increments. There are three types of marketable Treasury securities: bills, notes, and bonds.

- **Treasury bill (T-bill)**

Short-term U.S. Treasury security having a maturity of up to one year. T-bills are sold at a discount. Investors purchase a bill at a price lower than the face value (for example, the investor might buy a \$10,000 bill for \$9,700); the return is the difference between the price paid and the amount received when the bill is sold or it matures (if held to maturity, the return on the T-bill in the example would be \$300).

- **Treasury note**

Intermediate-term security having a maturity of one to ten years. Notes pay interest semiannually, and the principal is payable at maturity.

- **Treasury bond**

Long-term security having a maturity of longer than ten years. Bonds pay interest semiannually, and the principal is payable at maturity.

The Treasury Department also issues several types of nonmarketable securities, including savings bonds.

## **Vault cash**

Cash on hand at a depository institution to meet day-to-day business needs, such as cashing checks for customers. Can be used to satisfy the institution's reserve requirement.

## **Wire transfer**

Electronic transfer of funds; usually involves large-dollar payments.

## **Appendix C -- Federal Reserve Press Releases**

***Release Date: December 12, 2007***

### **For immediate release**

Today, the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve, and the Swiss National Bank are announcing measures designed to address elevated pressures in short-term funding markets.

### **Federal Reserve Actions**

Actions taken by the Federal Reserve include the establishment of a temporary Term Auction Facility (approved by the Board of Governors of the Federal Reserve System) and the establishment of foreign exchange swap lines with the European Central Bank and the Swiss National Bank (approved by the Federal Open Market Committee).

Under the Term Auction Facility (TAF) program, the Federal Reserve will auction term funds to depository institutions against the wide variety of collateral that can be used to secure loans at the discount window. All depository institutions that are judged to be in generally sound financial condition by their local Reserve Bank and that are eligible to borrow under the primary credit discount window program will be eligible to participate in TAF auctions.

All advances must be fully collateralized. By allowing the Federal Reserve to inject term funds through a broader range of counterparties and against a broader range of collateral than open market operations, this facility could help promote the efficient dissemination of liquidity when the unsecured interbank markets are under stress.

Each TAF auction will be for a fixed amount, with the rate determined by the auction process (subject to a minimum bid rate). The first TAF auction of \$20 billion is scheduled for Monday, December 17, with settlement on Thursday, December 20; this auction will provide 28-day term funds, maturing Thursday, January 17, 2008.

The second auction of up to \$20 billion is scheduled for Thursday, December 20, with settlement on Thursday, December 27; this auction will provide 35-day funds, maturing Thursday, January 31, 2008. The third and fourth auctions will be held on January 14 and 28, with settlement on the following Thursdays. The amounts of those auctions will be determined in January. The Federal Reserve may conduct additional auctions in subsequent months, depending in part on evolving market conditions.

Depositories will submit bids through their local Reserve Banks. The minimum bid rate for the auctions will be established at the overnight indexed swap (OIS) rate corresponding to the maturity of the credit being auctioned.

The OIS rate is a measure of market participants' expected average federal funds rate over the relevant term. The minimum rate for the December 17 auction along with other auction details will be announced on Friday, December 14. Noncompetitive tenders may be accepted beginning with the third auction. The results of the first auction will be announced at 10 a.m. Eastern Time on December 19.

The schedule for releasing the results of later auctions will be determined subsequently. Detailed terms of the auction and summary auction results will be available at <http://www.federalreserve.gov/monetarypolicy/taf.htm>.

Experience gained under this temporary program will be helpful in assessing the potential usefulness of augmenting the Federal Reserve's current monetary policy tools--open market operations and the primary credit facility--with a permanent facility for auctioning term discount window credit. The Board anticipates that it would seek public comment on any proposal for a permanent term auction facility.

The Federal Open Market Committee has authorized temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB). These arrangements will provide dollars in amounts of up to \$20 billion and \$4 billion to the ECB and the SNB, respectively, for use in their jurisdictions. The FOMC approved these swap lines for a period of up to six months.

# FEDERAL RESERVE press release



***Release Date: December 14, 2007***

**For release at 12:00 p.m. EST**

On December 17, 2007, the Federal Reserve will offer \$20 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

## **Description of Offering and Auction Parameters**

Offering Amount:	\$20 billion
Term:	28-day loan
Bid Submission Date:	December 17, 2007
Opening Time:	10 a.m. EST
Closing Time:	1 p.m. EST
Notification Date:	December 19, 2007
Settlement Date:	December 20, 2007
Maturity Date:	January 17, 2008
Minimum Bid Amount (per bid):	\$10 million
Bid Increment	\$100,000
Maximum Bid Amount (per institution):	\$2 billion (10% of Offering Amount)
Minimum Bid Rate:	4.17 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$2 billion (10% of Offering Amount)

## **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the Opening Time and Closing Time on the Bid Submission Date.

# FEDERAL RESERVE press release



*Release Date: December 19, 2007*

## **For release at 10:00 a.m. EST**

On December 17, 2007, the Federal Reserve conducted an auction of \$20 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	4.65 percent
Total propositions submitted:	\$61.553 billion
Total propositions accepted:	\$20.000 billion
Bid/cover ratio:	3.08
Number of bidders:	93

Bids at the stop-out rate were prorated at 1.96% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on December 20, 2007, and will mature on January 17, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by Noon EST on December 19, 2007. Participants have until 3:00 p.m. EST on December 19, 2007, to inform their local Reserve Bank of any error.

# FEDERAL RESERVE press release



*Release Date: December 19, 2007*

## **For release at 12:00 p.m. EST**

On December 20, 2007, the Federal Reserve will offer \$20 billion in 35-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this Announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

### **Description of Offering and Auction Parameters**

Offering Amount:	\$20 billion
Term:	35-day loan
Bid Submission Date:	December 20, 2007
Opening Time:	10 a.m. EST
Closing Time:	1 p.m. EST
Notification Date:	December 21, 2007
Settlement Date:	December 27, 2007
Maturity Date:	January 31, 2008
Minimum Bid Amount (per bid):	\$10 million
Bid Increment	\$100,000
Maximum Bid Amount (per institution):	\$2 billion (10% of Offering Amount)
Minimum Bid Rate:	4.15 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$2 billion (10% of Offering Amount)

### **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the Opening Time and Closing Time on the Bid Submission Date.

### **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

# FEDERAL RESERVE press release



***Release Date: December 21, 2007***

**For release at 10:00 a.m. EST**

On December 20, 2007, the Federal Reserve conducted an auction of \$20 billion in 35-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	4.67 percent
Total propositions submitted:	\$57.664 billion
Total propositions accepted:	\$20.000 billion
Bid/cover ratio:	2.88
Number of bidders:	73

Bids at the stop-out rate were prorated at 73.40% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on December 27, 2007, and will mature on January 31, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by Noon EST on December 21, 2007. Participants have until 3:00 p.m. EST on December 21, 2007, to inform their local Reserve Bank of any error.

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## FEDERAL RESERVE press release



*Release Date: December 21, 2007*

### **For immediate release**

The Federal Reserve intends to conduct biweekly Term Auction Facility (TAF) auctions for as long as necessary to address elevated pressures in short-term funding markets. The Board of Governors will announce the sizes of the January 14 and January 28 TAF auctions at noon on January 4.

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## FEDERAL RESERVE press release



*Release Date: January 4, 2008*

### **For immediate release**

The Federal Reserve will conduct two auctions of 28-day credit through its Term Auction Facility (TAF) in January. It will offer \$30 billion in the auction to be held on Monday, January 14 and \$30 billion in the auction to be held on Monday, January 28.

The minimum bid rate, along with further details, will be announced at noon EST, the Friday before each auction. The results of each auction will be announced at 10 a.m. EST on the Tuesday following each auction; final settlement will occur on the Thursday following each auction.

Noncompetitive bids will not be accepted at the January auctions, but the Federal Reserve will continue to evaluate the potential usefulness of this feature.

The Federal Reserve intends to conduct biweekly TAF auctions for as long as necessary to address elevated pressures in short-term funding markets. Decisions regarding auctions in February will be announced by Friday, February 1.

# FEDERAL RESERVE press release



*Release Date: January 11, 2008*

## **For release at 12:00 p.m. EST**

On January 14, 2008, the Federal Reserve will offer \$30 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this Announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

### **Description of Offering and Auction Parameters**

Offering Amount:	\$30 billion
Term:	28-day loan
Bid Submission Date:	January 14, 2008
Opening Time:	10 a.m. EST
Closing Time:	1 p.m. EST
Notification Date:	January 15, 2008
Settlement Date:	January 17, 2008
Maturity Date:	February 14, 2008
Minimum Bid Amount (per bid):	\$10 million
Bid Increment	\$100,000
Maximum Bid Amount (per institution):	\$3 billion (10% of Offering Amount)
Minimum Bid Rate:	3.88 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$3 billion (10% of Offering Amount)

### **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the Opening Time and Closing Time on the Bid Submission Date.

### **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

# FEDERAL RESERVE press release



*Release Date: January 15, 2008*

**For release at 10:00 a.m. EST**

On January 14, 2008, the Federal Reserve conducted an auction of \$30 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	3.95 percent
Total propositions submitted:	\$55.526 billion
Total propositions accepted:	\$30.000 billion
Bid/cover ratio:	1.85
Number of bidders:	56

Bids at the stop-out rate were prorated at 11.12% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on January 17, 2008, and will mature on February 14, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by Noon EST on January 15, 2008. Participants have until 3:00 p.m. EST on January 15, 2008 to inform their local Reserve Bank of any error.

# FEDERAL RESERVE press release



*Release Date: January 25, 2008*

## **For immediate release**

On January 28, 2008, the Federal Reserve will offer \$30 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this Announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

## **Description of Offering and Auction Parameters**

Offering Amount:	\$30 billion
Term:	28-day loan
Bid Submission Date:	January 28, 2008
Opening Time:	10 a.m. EST
Closing Time:	1 p.m. EST
Notification Date:	January 29, 2008
Settlement Date:	January 31, 2008
Maturity Date:	February 28, 2008
Minimum Bid Amount (per bid):	\$10 million
Bid Increment	\$100,000
Maximum Bid Amount (per institution):	\$3 billion (10% of Offering Amount)
Minimum Bid Rate:	3.10 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$3 billion (10% of Offering Amount)

## **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the Opening Time and Closing Time on the Bid Submission Date.

## **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

# FEDERAL RESERVE press release



*Release Date: January 29, 2008*

## **For release at 10:00 a.m. EST**

On January 28, 2008, the Federal Reserve conducted an auction of \$30 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	3.123 percent
Total propositions submitted:	\$37.452 billion
Total propositions accepted:	\$30.000 billion
Bid/cover ratio:	1.25
Number of bidders:	52

Bids at the stop-out rate were prorated at 27.94% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on January 31, 2008, and will mature on February 28, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EST on January 29, 2008. Participants have until 3:00 p.m. EST on January 29, 2008, to inform their local Reserve Bank of any error.

# FEDERAL RESERVE press release



*Release Date: February 1, 2008*

## **For release at 10:00 a.m. EST**

The Federal Reserve will conduct two auctions of 28-day credit through its Term Auction Facility (TAF) in February. It will offer \$30 billion in an auction to be held on Monday, February 11 and \$30 billion in an auction to be held on Monday, February 25.

To facilitate participation by smaller institutions, the minimum bid size will be reduced to \$5 million, from \$10 million in the previous auctions. The minimum bid rate, along with further details, will be announced at noon EST, the Friday before each auction. The results of each auction will be announced at 10 a.m. EST on the Tuesday following each auction; final settlement will occur on the Thursday following each auction.

The Federal Reserve intends to conduct biweekly TAF auctions for as long as necessary to address elevated pressures in short-term funding markets. Decisions regarding auctions in March will be announced by Friday, February 29.

# FEDERAL RESERVE press release



*Release Date: February 8, 2008*

## **For release at 12:00 p.m. EST**

On February 11, 2008, the Federal Reserve will offer \$30 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this Announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

### **Description of Offering and Auction Parameters**

Offering Amount:	\$30 billion
Term:	28-day loan
Bid Submission Date:	February 11, 2008
Opening Time:	10 a.m. EST
Closing Time:	1 p.m. EST
Notification Date:	February 12, 2008
Settlement Date:	February 14, 2008
Maturity Date:	March 13, 2008
Minimum Bid Amount (per bid):	\$5 million
Bid Increment:	\$100,000
Maximum Bid Amount (per institution):	\$3 billion (10% of Offering Amount)
Minimum Bid Rate:	2.86 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$3 billion (10% of Offering Amount)

### **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the Opening Time and Closing Time on the Bid Submission Date.

### **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000

# FEDERAL RESERVE press release



*Release Date: February 12, 2008*

## **For release at 10:00 a.m. EST**

On February 11, 2008, the Federal Reserve conducted an auction of \$30 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	3.010 percent
Total propositions submitted:	\$58.400 billion
Total propositions accepted:	\$30.000 billion
Bid/cover ratio:	1.95
Number of bidders:	66

Bids at the stop-out rate were prorated at 20.73% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on February 14, 2008, and will mature on March 13, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EST on February 12, 2008. Participants have until 3:00 p.m. EST on February 12, 2008, to inform their local Reserve Bank of any error.

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# FEDERAL RESERVE press release



*Release Date: February 22, 2008*

## **For release at 12:00 p.m. EST**

On February 25, 2008, the Federal Reserve will offer \$30 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this Announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

### **Description of Offering and Auction Parameters**

Offering Amount:	\$30 billion
Term:	28-day loan
Bid Submission Date:	February 25, 2008
Opening Time:	10 a.m. EST
Closing Time:	1 p.m. EST
Notification Date:	February 26, 2008
Settlement Date:	February 28, 2008
Maturity Date:	March 27, 2008
Minimum Bid Amount (per bid):	\$5 million
Bid Increment:	\$100,000
Maximum Bid Amount (per institution):	\$3 billion (10% of Offering Amount)
Minimum Bid Rate:	2.81 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$3 billion (10% of Offering Amount)

### **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the Opening Time and Closing Time on the Bid Submission Date.

### **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

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# FEDERAL RESERVE press release



*Release Date: February 26, 2008*

**For release at 10:00 a.m. EST**

On February 25, 2008, the Federal Reserve conducted an auction of \$30 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	3.080 percent
Total propositions submitted:	\$67.958 billion
Total propositions accepted:	\$30.000 billion
Bid/cover ratio:	2.27
Number of bidders:	72

Bids at the stop-out rate were prorated at 69.85% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on February 28, 2008, and will mature on March 27, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EST on February 26, 2008. Participants have until 3:00 p.m. EST on February 26, 2008, to inform their local Reserve Bank of any error.

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# FEDERAL RESERVE press release



*Release Date: February 29, 2008*

**For release at noon EST**

The Federal Reserve will conduct two auctions of 28-day credit through its Term Auction Facility (TAF) in March. It will offer \$30 billion in an auction to be held on Monday, March 10 and \$30 billion in an auction to be held on Monday, March 24.

Some technical changes in procedures will be implemented for the March auctions to improve the overall efficiency of the auction process. The minimum bid rate and other auction details will be announced at 10 a.m. EDT on Monday, the auction day.

Previously, this information had been provided on the Friday before each auction. In addition, the bidding period will be shortened to two hours--from 11 a.m. to 1 p.m. EDT--from the three-hour bidding period that had been used in previous auctions. The results of each auction will be announced at 10 a.m. EDT on the Tuesday following each auction; final settlement will occur on the Thursday following each auction.

The Federal Reserve intends to conduct biweekly TAF auctions for as long as necessary to address elevated pressures in short-term funding markets. Decisions regarding auctions in April will be announced by Friday, March 28.

# FEDERAL RESERVE press release



*Release Date: March 7, 2008*

## **For immediate release**

The Federal Reserve on Friday announced two initiatives to address heightened liquidity pressures in term funding markets.

First, the amounts outstanding in the Term Auction Facility (TAF) will be increased to \$100 billion. The auctions on March 10 and March 24 each will be increased to \$50 billion--an increase of \$20 billion from the amounts that were announced for these auctions on February 29.

The Federal Reserve will increase these auction sizes further if conditions warrant. To provide increased certainty to market participants, the Federal Reserve will continue to conduct TAF auctions for at least the next six months unless evolving market conditions clearly indicate that such auctions are no longer necessary.

Second, beginning today, the Federal Reserve will initiate a series of term repurchase transactions that are expected to cumulate to \$100 billion. These transactions will be conducted as 28-day term repurchase (RP) agreements in which primary dealers may elect to deliver as collateral any of the types of securities--Treasury, agency debt, or agency mortgage-backed securities--that are eligible as collateral in conventional open market operations.

As with the TAF auction sizes, the Federal Reserve will increase the sizes of these term repo operations if conditions warrant.

The Federal Reserve is in close consultation with foreign central bank counterparts concerning liquidity conditions in markets.

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# FEDERAL RESERVE press release



*Release Date: March 10, 2008*

**For release at 10:00 a.m. EDT**

On March 10, 2008, the Federal Reserve will offer \$50 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

**Description of Offering and Auction Parameters**

Offering Amount:	\$50 billion
Term:	28-day loan
Bid Submission Date:	March 10, 2008
Opening Time:	11 a.m. EDT
Closing Time:	1 p.m. EDT
Notification Date:	March 11, 2008
Settlement Date:	March 13, 2008
Maturity Date:	April 10, 2008
Minimum Bid Amount (per bid):	\$5 million
Bid Increment:	\$100,000
Maximum Bid Amount (per institution):	\$5 billion (10% of Offering Amount)
Minimum Bid Rate:	2.39 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$5 billion (10% of Offering Amount)

**Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the opening time and closing time on the bid submission date.

**Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

# FEDERAL RESERVE press release



*Release Date: March 11, 2008*

## **For immediate release**

Since the coordinated actions taken in December 2007, the G-10 central banks have continued to work together closely and to consult regularly on liquidity pressures in funding markets. Pressures in some of these markets have recently increased again. We all continue to work together and will take appropriate steps to address those liquidity pressures.

To that end, today the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve, and the Swiss National Bank are announcing specific measures.

## **Federal Reserve Actions**

The Federal Reserve announced today an expansion of its securities lending program. Under this new Term Securities Lending Facility (TSLF), the Federal Reserve will lend up to \$200 billion of Treasury securities to primary dealers secured for a term of 28 days (rather than overnight, as in the existing program) by a pledge of other securities, including federal agency debt, federal agency residential-mortgage-backed securities (MBS), and non-agency AAA/Aaa-rated private-label residential MBS.

The TSLF is intended to promote liquidity in the financing markets for Treasury and other collateral and thus to foster the functioning of financial markets more generally. As is the case with the current securities lending program, securities will be made available through an auction process.

Auctions will be held on a weekly basis, beginning on March 27, 2008. The Federal Reserve will consult with primary dealers on technical design features of the TSLF.

In addition, the Federal Open Market Committee has authorized increases in its existing temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB).

These arrangements will now provide dollars in amounts of up to \$30 billion and \$6 billion to the ECB and the SNB, respectively, representing increases of \$10

billion and \$2 billion. The FOMC extended the term of these swap lines through September 30, 2008.

The actions announced today supplement the measures announced by the Federal Reserve on Friday to boost the size of the Term Auction Facility to \$100 billion and to undertake a series of term repurchase transactions that will cumulate to \$100 billion.

# FEDERAL RESERVE press release



*Release Date: March 11, 2008*

## **For release at 10:00 a.m. EDT**

On March 10, 2008, the Federal Reserve conducted an auction of \$50 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	2.800 percent
Total propositions submitted:	\$92.595 billion
Total propositions accepted:	\$50.000 billion
Bid/cover ratio:	1.85
Number of bidders:	82

Bids at the stop-out rate were prorated at 15.88% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on March 13, 2008, and will mature on April 10, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EDT on March 11, 2008. Participants have until 3:00 p.m. EDT on March 11, 2008, to inform their local Reserve Bank of any error.

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# FEDERAL RESERVE press release



*Release Date: March 14, 2008*

**For immediate release**

The Federal Reserve is monitoring market developments closely and will continue to provide liquidity as necessary to promote the orderly functioning of the financial system.

The Board voted unanimously to approve the arrangement announced by JPMorgan Chase and Bear Stearns this morning.

# FEDERAL RESERVE press release



*Release Date: March 16, 2008*

## **For immediate release**

The Federal Reserve on Sunday announced two initiatives designed to bolster market liquidity and promote orderly market functioning. Liquid, well-functioning markets are essential for the promotion of economic growth.

First, the Federal Reserve Board voted unanimously to authorize the Federal Reserve Bank of New York to create a lending facility to improve the ability of primary dealers to provide financing to participants in securitization markets. This facility will be available for business on Monday, March 17. It will be in place for at least six months and may be extended as conditions warrant.

Credit extended to primary dealers under this facility may be collateralized by a broad range of investment-grade debt securities. The interest rate charged on such credit will be the same as the primary credit rate, or discount rate, at the Federal Reserve Bank of New York.

Second, the Federal Reserve Board unanimously approved a request by the Federal Reserve Bank of New York to decrease the primary credit rate from 3-1/2 percent to 3-1/4 percent, effective immediately.

This step lowers the spread of the primary credit rate over the Federal Open Market Committee's target federal funds rate to 1/4 percentage point. The Board also approved an increase in the maximum maturity of primary credit loans to 90 days from 30 days.

The Board also approved the financing arrangement announced by JPMorgan Chase & Co. and The Bear Stearns Companies Inc.

# FEDERAL RESERVE press release



*Release Date: March 24, 2008*

## **For immediate release**

On March 24, 2008, the Federal Reserve will offer \$50 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

## **Description of Offering and Auction Parameters**

Offering Amount:	\$50 billion
Term:	28-day loan
Bid Submission Date:	March 24, 2008
Opening Time:	11 a.m. EDT
Closing Time:	1 p.m. EDT
Notification Date:	March 25, 2008
Settlement Date:	March 27, 2008
Maturity Date:	April 24, 2008
Minimum Bid Amount (per bid):	\$5 million
Bid Increment:	\$100,000
Maximum Bid Amount(per institution):	\$5 billion (10% of Offering Amount)
Minimum Bid Rate:	2.19 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$5 billion (10% of Offering Amount)

## **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the opening time and closing time on the bid submission date.

## **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

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# FEDERAL RESERVE press release



*Release Date: March 25, 2008*

**For release at 10:00 a.m. EDT**

On March 24, 2008, the Federal Reserve conducted an auction of \$50 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	2.615 percent
Total propositions submitted:	\$88.869 billion
Total propositions accepted:	\$50.000 billion
Bid/cover ratio:	1.78
Number of bidders:	88

Bids at the stop-out rate were prorated at 98.87% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on March 27, 2008, and will mature on April 24, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EDT on March 25, 2008. Participants have until 3:00 p.m. EDT on March 25, 2008, to inform their local Reserve Bank of any error.

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# FEDERAL RESERVE press release



*Release Date: March 28, 2008*

**For release at noon EDT**

The Federal Reserve will conduct two auctions of 28-day credit through its Term Auction Facility (TAF) in April. It will offer \$50 billion in an auction to be held on Monday, April 7 and \$50 billion in an auction to be held on Monday, April 21.

# FEDERAL RESERVE press release



*Release Date: April 7, 2008*

## **For immediate release**

On April 7, 2008, the Federal Reserve will offer \$50 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

## **Description of Offering and Auction Parameters**

Offering Amount:	\$50 billion
Term:	28-day loan
Bid Submission Date:	April 7, 2008
Opening Time:	11 a.m. EDT
Closing Time:	1 p.m. EDT
Notification Date:	April 8, 2008
Settlement Date:	April 10, 2008
Maturity Date:	May 8, 2008
Minimum Bid Amount (per bid):	\$5 million
Bid Increment:	\$100,000
Maximum Bid Amount(per institution):	\$5 billion (10% of Offering Amount)
Minimum Bid Rate:	2.11 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$5 billion (10% of Offering Amount)

## **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the opening time and closing time on the bid submission date.

## **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

# FEDERAL RESERVE press release



*Release Date: April 8, 2008*

**For release at 10:00 a.m. EDT**

On April 7, 2008, the Federal Reserve conducted an auction of \$50 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	2.820 percent
Total propositions submitted:	\$91.569 billion
Total propositions accepted:	\$50.000 billion
Bid/cover ratio:	1.83
Number of bidders:	79

Bids at the stop-out rate were prorated at 67.70% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on April 10, 2008, and will mature on May 8, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EDT on April 8, 2008. Participants have until 3:00 p.m. EDT on April 8, 2008, to inform their local Reserve Bank of any error.

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# FEDERAL RESERVE press release



*Release Date: April 21, 2008*

## **For release at 10:00 a.m. EDT**

On April 21, 2008, the Federal Reserve will offer \$50 billion in 28-day credit through its Term Auction Facility. Additional information regarding the auction is listed below; the auction will be conducted as specified in this announcement, Regulation A, and the terms and conditions of the Term Auction Facility ([www.federalreserve.gov/monetarypolicy/taf.htm](http://www.federalreserve.gov/monetarypolicy/taf.htm)).

### **Description of Offering and Auction Parameters**

Offering Amount:	\$50 billion
Term:	28-day loan
Bid Submission Date:	April 21, 2008
Opening Time:	11 a.m. EDT
Closing Time:	1 p.m. EDT
Notification Date:	April 22, 2008
Settlement Date:	April 24, 2008
Maturity Date:	May 22, 2008
Minimum Bid Amount (per bid):	\$5 million
Bid Increment:	\$100,000
Maximum Bid Amount(per institution):	\$5 billion (10% of Offering Amount)
Minimum Bid Rate:	2.05 percent
Incremental Bid Rate:	0.001 percent
Minimum Award:	\$10,000
Maximum Award:	\$5 billion (10% of Offering Amount)

### **Submission of Bids**

Participants must submit bids by phone to their local Reserve Bank between the opening time and closing time on the bid submission date.

### **Rounding Convention**

Pro rata awards will be rounded to multiples of \$10,000. Normal rounding convention will be used, except that awards under \$10,000 will be rounded to \$10,000.

# FEDERAL RESERVE press release



*Release Date: April 22, 2008*

**For release at 10:00 a.m. EDT**

On April 21, 2008, the Federal Reserve conducted an auction of \$50 billion in 28-day credit through its Term Auction Facility. Following are the results of the auction:

Stop-out rate:	2.870 percent
Total propositions submitted:	\$88.288 billion
Total propositions accepted:	\$50.000 billion
Bid/cover ratio:	1.77
Number of bidders:	83

Bids at the stop-out rate were prorated at 75.28% and resulting awards were rounded to the nearest \$10,000 (except that all awards below \$10,000 are rounded up to \$10,000).

The awarded loans will settle on April 24, 2008, and will mature on May 22, 2008. The stop-out rate shown above will apply to all awarded loans.

Institutions that submitted winning bids will be contacted by their respective Reserve Banks by noon EDT on April 22, 2008. Participants have until 3:00 p.m. EDT on April 22, 2008, to inform their local Reserve Bank of any error.

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# FEDERAL RESERVE press release



*Release Date: May 2, 2008*

## **For immediate release**

Central banks have continued to work together and to consult regularly on liquidity conditions in financial markets. In view of the persistent liquidity pressures in some term funding markets, the European Central Bank, the Federal Reserve, and the Swiss National Bank are announcing an expansion of their liquidity measures.

## **Federal Reserve Actions**

The Federal Reserve announced today an increase in the amounts auctioned to eligible depository institutions under its biweekly Term Auction Facility (TAF) from \$50 billion to \$75 billion, beginning with the auction on May 5. This increase will bring the amounts outstanding under the TAF to \$150 billion.

In conjunction with the increase in the size of the TAF, the Federal Open Market Committee has authorized further increases in its existing temporary reciprocal currency arrangements with the European Central Bank (ECB) and the Swiss National Bank (SNB).

These arrangements will now provide dollars in amounts of up to \$50 billion and \$12 billion to the ECB and the SNB, respectively, representing increases of \$20 billion and \$6 billion. The FOMC extended the term of these reciprocal currency arrangements through January 30, 2009.

In addition, the Federal Open Market Committee authorized an expansion of the collateral that can be pledged in the Federal Reserve's Schedule 2 Term Securities Lending Facility (TSLF) auctions.

Primary dealers may now pledge AAA/Aaa-rated asset-backed securities, in addition to already eligible residential- and commercial-mortgage-backed securities and agency collateralized mortgage obligations, beginning with the Schedule 2 TSLF auction to be announced on May 7, 2008, and to settle on May 9, 2008.

The wider pool of collateral should promote improved financing conditions in a broader range of financial markets. Treasury securities, agency securities, and

agency mortgage-backed securities continue to be eligible as collateral in Schedule 1 TSLF auctions.

**Information on Related Actions Being Taken by Other Central Banks**

Information on the actions that will be taken by other central banks is available at the following websites:

**Questions**

Questions regarding this Advisory may be directed to Hiroshi Abe (646-471-3898), Jeff Allen (646-471-2937), Benjamin Cheng (202-346-5242), Chip Currie (646-471-3661), Neal Dykes (646-471-2359), Shannon Detling (646-471-5619), Fred Elmy (646-471-2830), Matt Esposito (646-471-8581), Sam May (646-471-2357), David Lukach (646-471-3150), or Sergey Volkov (202-312-7822).