

**The Federal Reserve's Lending Facilities and its Other Recent Liquidity Initiatives**

**This Is Not Legal Advice**

Facilities for Depository Institutions					Facilities for Alternative Illiquid Markets			
	Discount Window (established in 1913)	Term Auction Facility (TAF) (announced December 12, 2007)	Forward Term Auction Facility (Forward TAF) (announced September 29, 2008)	Interest Paid on Reserves (announced October 7, 2008)	Temporary Swap Facility (expanded September 29, 2008)	Commercial Paper Funding Facility (CPFF) (announced October 7, 2008)	ABCP Money Market Mutual Fund Facility (AMLF) (announced September 19, 2008)	Temporary Money Market Guarantee Program (announced September 29, 2008)
<b>Brief Description</b>	Safety valve to relieve pressure in reserve markets- extensions of credit to ease liquidity strains/ increase stability of payment system during times of systemic stress	Federal Reserve auctioning term funds to depository institutions in exchange for collateral (i.e. collateral for cash)	TAF auctions designed to reassure that term funding will be available over year-end	Federal Reserve paying interest on depository institutions' total reserve balances allows Fed to better use its lending programs to address conditions in credit markets while targeting FOMC fed funds rate	Facilitates USD funding by foreign central banks to their respective home markets, increasing USD global liquidity	SPV credit facility will facilitate the placement of traditional term commercial paper and ABCP by A1/P1 issuers (U.S. firms and U.S. branches of international firms are eligible)	Lending facility that provides funding to U.S. depository institutions and bank holding companies to finance their purchases of high quality ABCP from money market mutual funds- intended to assist money funds that hold such paper in meeting demands for redemptions and to foster liquidity in the ABCP market borrowing funds	U.S. Treasury will temporarily guarantee money market mutual fund assets held as of September 19, 2008. Aimed at easing fear and slowing redemptions.
<b>Who can borrow?</b>	Depository Institutions	Depository Institutions	Depository Institutions	Depository Institutions	Central Banks borrow and auction to local market	A-1/P-1 CP Issuers	Depository Institutions and bank holding companies	Money Market Mutual Funds with NAVs of \$0.995/share or greater as of Sept. 19, 2008
<b>What are they borrowing?</b>	Funds	Funds	Funds	N/A	Central Banks borrow USD from the Fed	Funds	Funds	Temporary insurance guarantee
<b>How is the rate determined?</b>	All loans at the discount rate (currently FF+25bps, resets when FF change)	Competitive single-price auction (min. bid rate is 28-day OIS or 84-day OIS)	TBD	Required reserve balances will receive avg targeted FF rate over the maintenance period minus 10bps; excess reserve balances will receive lowest targeted FF rate over the maintenance period minus 75bps	Each Central Bank conducts its own auctions and has discretion to set auction details	Yet to be determined; the rate charged by the Fed will be high enough to create a backstop for issuers--facility is designed to support, not replace, the current CP market; CPFF will mitigate roll-over risk for issuers	All loans at the discount rate (currently FF+25bps, resets when FF change)	Money market mutual funds with a NAV of at least \$0.9975/share on Sept. 19 must pay a 1 bp fee per share, funds with a NAV between \$0.995 and \$0.9975/share on that date must pay 1.5 bp fee per share, funds with NAVs <\$0.995/share not eligible
<b>What collateral can be pledged?</b>	Broadest spectrum: UST, agcys, int'l agcys, foreign govts, munis, corp bonds, ABS, agcy & private label MBS, CMOs, mutual funds, trust preferred sec., BA's CD's, CP, loans	Discount window collateral	Discount window collateral	N/A	Each Central Bank determines acceptable collateral, but is generally comparable to Discount Window collateral and is haircutted appropriately	A1/P1/F1 CP and ABCP in maturities of three months or less (for non asset-backed CP, issuer must guarantee it in some way--must pay a fee, obtain third-party guarantee, provide collateral, or provide another form of security)	ABCP rated no lower than A-1, P-1, or F-1 by at least two major rating agencies (if only rated by one agency, must receive highest rating)	N/A
<b>Is there a reserve impact?</b>	Yes	Yes	Yes	Yes (drain from FF interbank market)	Yes	Yes	Yes	N/A
<b>What is the term of the loan?</b>	Up to 90 days for primary-credit eligible depository institutions (secondary & seasonal credit loans are for overnight only)	28 or 84 days (can be as long as 85 days due to holidays)	Currently, the first two forward auctions will be held in November and they will cover year end	N/A	Central Banks are working together to exchange funds and inject dollars into the overnight and term markets to improve liquidity	Up to three months	Non-Depository Institutions: Max. 270 days Depository Institutions: Max. 120 days	Funds must sign up for insurance protection by 11:59 p.m. ET on Oct. 8, 2008 to be eligible; on Oct. 8, 2008 policy was extended to allow money market mutual funds with stable NAVs or share prices > \$1.00/share on Sept. 19, 2008 to participate. For these funds only, enrollment deadline extended until 11:59 p.m. ET on Oct. 10, 2008
<b>Is prepayment allowed if term is greater than overnight?</b>	Yes	No	No	N/A	No	No	No (unless borrower declares bankruptcy or receivership)	No; term of insurance is three-months from Sept. 19, 2008
<b>Which Reserve Banks conduct operations?</b>	All	All	All	All	BOC, BOE, BOJ, ECB, Central Banks of Denmark, Norway, Australia, Sweden, and Switzerland	FRBNY and U.S. Treasury will jointly create SPV	FRBB	U.S. Treasury
<b>How frequently are operations conducted?</b>	As requested	Every other week	As necessary	Daily	Up to bank discretion; authorized to run through 4/30/09	As necessary; program set to close 4/30/09 unless extended by the Fed	As requested; program expected to run until 1/30/09 unless extended by Fed	Program will be reviewed after three-month term to determine whether it should be extended

**Broad Overview: Understanding the Recent Changes to Federal Reserve Liquidity Provision**

[http://www.newyorkfed.org/markets/Understanding\\_Fed\\_Lending.html](http://www.newyorkfed.org/markets/Understanding_Fed_Lending.html)  
[http://www.newyorkfed.org/markets/Forms\\_of\\_Fed\\_Lending.pdf](http://www.newyorkfed.org/markets/Forms_of_Fed_Lending.pdf)

**Discount Window:**

*General Information:* <http://www.frbdiscountwindow.org/generalinfo.cfm?hdrID=14&dtlID=>  
 FAQ: <http://www.frbdiscountwindow.org/faqs.cfm?hdrID=14&dtlID=75>

*Eligible Collateral:* <http://www.frbdiscountwindow.org/frscollateralguide.cfm#3> and <http://www.frbdiscountwindow.org/cfaq.cfm?hdrID=21&dtlID=>  
*Discount Window Borrowings (posted each week on Thursday afternoon):* <http://www.federalreserve.gov/releases/h41/>

**Term Auction Facility (TAF):**

*Q&A / Results / Press Releases:* <http://www.federalreserve.gov/monetarypolicy/taf.htm>  
 FAQ: <http://www.federalreserve.gov/monetarypolicy/taffaqa.htm>

*Auction Calendar:* <http://www.federalreserve.gov/monetarypolicy/tafschedule.htm>

*Forward Term Auction Facility (linked with TAF):* <http://www.federalreserve.gov/newsevents/press/monetary/20080929a.htm>

*Auction Calendar:* <http://www.federalreserve.gov/newsevents/press/monetary/20081007b.htm>

*Interest on Reserves:* FAQ: [http://www.newyorkfed.org/markets/ior\\_faq.html](http://www.newyorkfed.org/markets/ior_faq.html)

*Press Release:* <http://www.federalreserve.gov/newsevents/press/monetary/20081006a.htm>

**Temporary Swap Facility\*:**

*Treasury and Fed FX Operations:* <http://www.federalreserve.gov/pubs/bulletin/2001/1201lead.pdf>  
*History & Thoughts:* <http://www.actionforex.com/fundamental-analysis/daily-forex-fundamentals/federal-reserve-swap-lines-some-history-and-some-thoughts-on-their-newest-use-2008091860691/>

*Press Release:* 9/08: <http://www.federalreserve.gov/newsevents/press/monetary/20080929a.htm>  
 \*As of 9/29/08, total swap volume was \$620 billion

**Commercial Paper Funding Facility (CPFF):**

*Defined and Explained:* <http://www.federalreserve.gov/newsevents/press/monetary/monetary20081007c1.pdf>

*Fed Press Release:* <http://www.federalreserve.gov/newsevents/press/monetary/20081007c.htm>

**ABCP Money Market Mutual Fund Facility (AMLF) Fed Home Page:** <http://www.federalreserve.gov/monetarypolicy/abcpmmmf.htm>

*Terms and Conditions:* <http://www.frbdiscountwindow.org/mmmf.cfm?hdrID=14&dtlID>

FAQ: <http://www.frbdiscountwindow.org/mmmf.cfm?hdrID=14>

*Press Release:* <http://www.federalreserve.gov/newsevents/press/monetary/20080919a.htm>

*Temporary Money Market Guarantee Program:* <http://www.bondbuyer.com/article.html?id=200809197BHNP5X>