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.

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:

Bank of Canada
Bank of England
European Central Bank
Swiss National Bank (61 KB PDF)

Statements by Other Central Banks
Term Securities Lending Facility
Terms and conditions
Frequently asked questions
PRESS RELEASE

New York Fed Announces Modifications to Terms and Conditions of Term Securities Lending Facility

March 20, 2008

The Open Market Trading Desk of the Federal Reserve Bank of New York ("Desk") has engaged in extensive consultation with market participants on the overall design and technical features of the Term Securities Lending Facility ("TSLF") since it was announced on March 11, 2008. As a result of this consultative process, the Desk is announcing a few modifications to the previously released program terms and conditions, as well as providing more details on the parameters of the first auction, scheduled for Thursday, March 27, 2008 at 2:00 p.m. Eastern time.

The Desk will conduct the first TSLF auction on March 27. The offering size will be $75 billion for a term of 28 days.

The first TSLF auction will be a loan of Treasury securities against Schedule 2 collateral rather than against the Schedule 1 collateral previously proposed. To facilitate the operational processes of the facility, the Federal Reserve has also expanded the list of eligible collateral for Schedule 2 to include agency collateralized-mortgage obligations (CMOs) and AAA/Aaa-rated commercial mortgage-backed securities (CMBS), in addition to the previously announced AAA/Aaa-rated private-label residential mortgage backed securities (RMBS) and OMO-eligible collateral.

The minimum fee rate for the TSLF Schedule 1 and Schedule 2 auctions will be set at 10 basis points and 25 basis points, respectively, with the actual fee rate resulting from the TSLF single-price auction format. The auction-determined lending fee rate should be approximately equal to the spread between the
Treasury general collateral rate and the general collateral rate for the pledged collateral over the term of the loan.

On Wednesday, April 2, the Desk will announce the size and the Schedule of eligible collateral for the second auction to be held on April 3. The size and Schedule of eligible collateral of all future auctions will be based upon the Desk’s assessment of auction demand, as well as on information gathered in ongoing discussions with market participants and prevailing funding market conditions. In total, the Desk has been authorized to lend up to $200 billion of Treasury securities through TSLF auctions.

Program Terms and Conditions >>
Term Securities Lending Facility FAQs >>
Program Terms and Conditions

The System Open Market Account ("SOMA") Term Securities Lending Facility ("TSLF") offers U.S. Treasury securities from the SOMA portfolio for loan in accordance with the program terms and conditions. All terms and conditions are subject to change.

Updated May 2, 2008

**CURRENT TERMS AND CONDITIONS**

**TSLF Auctions**
Loans will be awarded to primary dealers based on competitive bidding, subject to a minimum fee requirement. The Open Market Trading Desk of the Federal Reserve Bank of New York ("FRBNY") will auction general Treasury collateral (Treasury bills, notes, bonds and inflation-indexed securities) held by SOMA for loan against all collateral currently eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk ("Schedule 1") and, separately, against Schedule 1 collateral and other AAA/Aaa-rated private-label residential mortgage-backed securities (MBS), commercial MBS, agency collateralized-mortgage obligations (CMO), and other asset-backed securities (ABS), excluding Collateralized Debt Obligations (CDO), Collateralized Loan Obligations (CLO), and Collateralized Bond Obligations (CBO) ("Schedule 2").

The TSLF is a single-price auction, where accepted dealer bids will be awarded at the same fee rate, which shall be the lowest fee rate at which any bid was accepted. Dealers may submit two bids for the basket of eligible general Treasury collateral at each auction. The FRBNY reserves the right to reject or declare ineligible any bid, entirely at its own discretion. At the TSLF auction, each dealer aggregate award is limited to no more than 20 percent of the offering amount.
28-day Term Lending Settling T+1
The term of the loans will be 28 days unless otherwise stated in the announcement. Auctions will settle one business day following the auction day.

Treasury General Collateral Allocation
The FRBNY will announce the specific breakdown of general Treasury collateral to be allocated in a TSLF auction. The allocation of these general Treasury securities will be done on a pro rata basis.

Eligible Collateral
In order to prevent securities lending from affecting overnight bank reserves, loans will be collateralized with eligible collateral rather than cash. Eligible collateral will be determined by the FRBNY and includes:

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<th>SCHEDULE 1</th>
<th>SCHEDULE 2</th>
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<td>All collateral eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk</td>
<td>All Schedule 1 collateral</td>
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<td>AAA/Aaa-rated Private-Label Residential MBS</td>
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<td>AAA/Aaa-rated Commercial MBS</td>
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<td>Agency CMOs</td>
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<td>Other AAA/Aaa-rated ABS</td>
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Custody Rules and Arrangement
Dealers receiving awards at auction are required to pledge auction-eligible collateral from their clearing bank custodial accounts. All transfers of securities will be made through the borrower’s clearing bank account. General Treasury collateral lent by SOMA cannot be transferred out of a dealer’s clearing bank, but may be used to settle GCF Repo and tri-party...
repo contracts. On the loan settlement date, a basket of general collateral Treasury securities totaling the par amount awarded at auction will be transferred from the FRBNY’s agent account in exchange for an equivalent amount of eligible collateral, adjusted for margin and market value. Each morning thereafter, the borrower’s collateral will be returned to the borrower and the general collateral Treasury securities will be returned to FRBNY’s account. At the end of the day, the Treasury securities will go back to the borrower against the receipt of the borrower’s collateral. Collateral will be valued daily by the clearing bank and adjustments to collateral levels may be required to maintain the designated margin amounts. Upon maturity of the loan, the clearing bank will transfer general collateral Treasury securities from the FRBNY’s account at the clearing bank to the FRBNY.

**Margin**
Margin requirements will be determined by the FRBNY.

**Substitution**
The FRBNY holds the right to substitute assigned Treasury collateral with other Treasury collateral held by Soma and requires collateral substitution if dealer-pledged collateral becomes ineligible. Dealers will also have the right to substitute eligible collateral.

**Announcement of TSLF Auctions**
The FRBNY will issue an announcement one day before the auction specifying the par value of Treasury securities being offered (“offering amount”) at auction and the Schedule of eligible collateral to be pledged. The announcement will also specify the minimum bid rate, auction start and close times, settlement date, and loan maturity date. A list of Treasury securities included in the pool of general Treasury collateral to be lent will also be specified.

**Auction Date and Time**
The auctions will take place on Thursdays and the start time of the auctions will be 2:00 PM ET, unless otherwise stated in the auction announcement. A close time will be announced as well and bids will not be considered outside of this auction time.

**Number of Dealer Propositions Per Auction**
Dealers are allowed to submit two propositions in each term general collateral auction. Each bid may not exceed 20 percent of the offering amount.

**Minimum Bid Rates**
The minimum fee rate will be 10 basis points for Schedule 1 collateral and 25 basis points for Schedule 2 collateral. Bidding will be accepted in increments of 1/100th of a basis point. The lending fee can be thought of as approximately equivalent to the spread between the Treasury general collateral rate and the general collateral rate for the pledged collateral over the term of the loan.

**Dealer Award Limits**
Dealer awards will be limited to no more than 20 percent of the amount of SOMA collateral offered during each auction. The FRBNY reserves to the right to further restrict dealer bids at its sole discretion.

**Minimum Bids and Bid Increments**
Dealers will be allowed to bid for a minimum of $10 million in par value and in increments of $10 million in par value to the maximum allowed per dealer according to program limits.

**Determination of Awards**
The FRBNY will review and accept bids at the highest rate through successively lower rates. All accepted bids will be awarded at the same fee rate, which shall be the lowest rate at which any bid was accepted. The aggregate amount of all accepted bids shall not exceed the lesser of (i) the Offering Amount, and (ii) the aggregate amount of all Bids submitted at or above the
minimum bid rate. When necessary, bids at the lowest accepted interest rate will be prorated. Auction awards will be rounded to the nearest million.

**Lending Fees**
On auction date, the FRBNY will determine the total lending fee owed, in dollars, at the end of the loan. Dealers’ clearing bank accounts will be charged for the fees due on the maturity date.

The lending fee will be calculated* by multiplying: a) the total quoted price of the borrowed securities excluding accrued interest (i.e. the "clean" price) as of the close of business on the day before the auction, by b) the stop-out fee rate, by c) the term of the loan, in days, divided by 360.

*Note: This calculation does not depend on the accrued interest on the securities lent by the FRBNY, or on whether and when coupon payments are required to be remitted back to the FRBNY. Changes to the invoice price of the borrowed securities resulting from changes to the quoted price, accrual of interest, and/or coupon payments will affect the value of the collateral required to be pledged, but will not change the total lending fee owed.

**Announcement of Auction Results**
The total par amount lent and award rate for each auction will be released in a timely manner to each dealer after the auction is complete. The aggregate results including the stop-out award rate, total propositions submitted and accepted, as well as the bid-to-cover ratio will be on the FRBNY website.
Term Securities Lending Facility: Frequently Asked Questions

The following is intended to address operational questions about the System Open Market Account ("SOMA") Term Securities Lending Facility ("TSLF").

May 2, 2008

General

What is the TSLF?
The TSLF is a 28-day facility that will offer Treasury general collateral ("GC") to the Federal Reserve Bank of New York's ("FRBNY") primary dealers in exchange for other program-eligible collateral. It 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.

What are the differences between the SOMA Securities Lending program and the TSLF?
The SOMA Securities Lending program offers specific Treasury securities held by SOMA for loan against Treasury GC on an overnight basis. Dealers bid competitively in a multiple-price auction held every day at noon. The TSLF will offer Treasury GC held by SOMA for a 28-day term. Dealers will bid competitively in a single-price auction held once per week and borrowers will pledge program-eligible collateral.

What are the differences between the TSLF and other Federal Reserve operations, like the TAF and term repo operations?
The Term Auction Facility ("TAF") offers term funding to depository institutions via a bi-weekly competitive auction. In contrast, the TSLF will offer Treasury GC to the FRBNY's primary dealers in exchange for other program-eligible collateral. The FRBNY term repo operations are designed to temporarily add reserves to the banking system via term repos with the primary dealers. These agreements
are cash-for-bond agreements and have an impact on the aggregate level of reserves available in the banking system. The bond-for-bond lending of the TSLF, however, will have no impact on reserve levels.

Do these operations have a reserve impact?
No, the securities loans will not affect overnight bank reserves since the loans are collateralized with other securities.

What collateral is eligible for pledging?
Eligible collateral will be determined by the Federal Reserve and presently includes all collateral eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk ("Schedule 1") and AAA/Aaa-rated private-label residential mortgage-backed securities (MBS), commercial MBS, agency collateralized mortgage obligations (CMO) and other asset-backed securities (ABS), excluding Collateralized Debt Obligations (CDO), Collateralized Loan Obligations (CLO), and Collateralized Bond Obligations (CBO) ("Schedule 2"). Schedule 2 also includes everything in Schedule 1.

How often will the FRBNY lend securities for term?
The FRBNY will auction a set amount of Treasury GC on Thursdays at approximately 2:00 p.m. Eastern time beginning on March 27.

What is the term of a loan?
Loans will settle the business day following the auction and will mature 28 days later unless otherwise stated in the announcement. For example, the term of the loan may be adjusted to reflect holidays.

Can a dealer terminate a loan early?
No.

How are loans allocated among dealers?
Loans are awarded based on a competitive
bidding process in a single-price auction format. Primary dealers that have elected to participate in the program may submit up to two bids via FedTrade or, if necessary, over the phone, after the auction has been announced at approximately 2:00 p.m. ET.

**How much can dealers borrow at each auction?**
Dealers can borrow no more than 20 percent of the par value offered of Treasury GC. In addition, the FRBNY reserves the right to reject bids at its discretion.

**When will the FRBNY announce auction offering amounts?**
The FRBNY will announce the par value of offering amounts as well as other auction details at 1:00 p.m. ET the day prior to the auction. Announcements will be posted to the FRBNY website shortly after the auction close time, 2:30 p.m. ET.

**Which general collateral Treasury securities will SOMA lend?**
The FRBNY will detail the basket of Treasury GC that will be lent in the operation in each auction announcement, though the FRBNY reserves the right to alter the basket at any time. In addition, the FRBNY may substitute particular securities in the general collateral basket during the life of the securities loan.

**Which general collateral Treasury securities will be designated to the respective primary dealers awarded through the auction?**
The allocation of these general Treasury securities will be done on a pro rata basis.

**Are the auction results released to the public?**
The total amount of propositions and awards, as well as the stop-out award rate, will be released in a timely manner after the auction is complete via FedTrade or by phone. In
addition, summary information will be posted on the FRBNY website following the auction.

**Are primary dealers required to bid? Can other market participants bid in the operation?**
Only primary dealers are eligible counterparties for the TSLF. Dealer participation is entirely voluntary. The FRBNY does not evaluate dealer performance based on participation in the TSLF. No other market participants are eligible.

**Can the FRBNY modify program terms?**
Similar to the existing SOMA securities loan program for specific Treasury collateral, the FRBNY can modify program terms at any time.

**Bidding**

**How do firms bid?**
Dealers that have elected to participate in the program may submit bids via FedTrade or over the phone. The bid rate represents the lending fee rate that a participant is willing to pay in order to borrow a basket of Treasury GC against other pledged collateral. It is not a repo rate. Because the program operates on a borrow-versus-pledge basis, the bid rate may be considered equivalent to the spread between the GC rate for the pledged collateral and the Treasury GC financing rate.

**In what sequence are bids considered?**
Bids will be tiered from highest fee rate to lowest. The highest bid rate will be awarded prior to the bid with the next highest rate until the announced auction size is filled. If a dealer’s aggregate bid amount exceeds 20 percent of the offering amount, the higher accepted bid rate will be awarded first and the lower accepted bid would be curtailed to the maximum loan amount.

**How many bids can a dealer submit?**
Dealers can submit up to two propositions per auction.

**What is the minimum and maximum**
amount for which a firm can bid?
The minimum bid for both collateral type auctions is $10 million. Each dealer bid can be for no more than 20 percent of the offering amount and each dealer will be awarded no more than 20 percent of the offering amount.

What dollar increments should be used when bidding?
Bids must be submitted in increments of $10 million. Bids submitted in less than $10 million increments will not be accepted. However, partial awards can be rounded to the nearest $1 million.

How many decimal places should be used when bidding?
TSLF bids can be submitted in percent form out to four decimal places.

How are dealers notified of awards?
Dealers are notified of their firm’s awards via FedTrade or by phone in a timely manner after the auction is complete.

Where do dealers call if they experience difficulties?
Dealers may call FRBNY Primary Dealer Support at 877-376-9837 if they are having system-related problems.

Fees and Settlement

How and when are the loans and collateral settled?
Loans and collateral will be exchanged free of payment between securities accounts at the dealer’s designated clearing bank. Loans will settle on a T+1 basis.

How are collateral pledges handled?
Collateral pledges must be submitted to the dealer’s clearing bank.

When are loans delivered?
Loaned securities are pledged to a dealer’s custody account when the dealer sends eligible
collateral, adjusted for market value and margin to the FRBNY custody account.

**How is the lending fee calculated?**
On auction date, the FRBNY will determine the total lending fee owed, in dollars, that will be due at the end of the loan. Dealers' clearing bank accounts will be charged for the fees due on the maturity date.

The lending fee will be calculated* by multiplying:

a) the total quoted price of the borrowed securities excluding accrued interest (i.e. the "clean" price) as of the close of business on the day before the auction, by 

b) the stop-out fee rate, by 

c) the term of the loan, in days, divided by 360.

*Note: This calculation does not depend on the accrued interest on the securities lent by the FRBNY, or on whether and when coupon payments are required to be remitted back to the FRBNY. Changes to the invoice price of the borrowed securities resulting from changes to the quoted price, accrual of interest, and/or coupon payments will affect the value of the collateral required to be pledged, but will not change the total lending fee owed.

**Will the FRBNY substitute announced collateral for other general collateral?**
The FRBNY reserves the right to substitute lent general collateral each day so as to avoid pledging collateral that may trade with scarcity value in the repo market. In addition, the FRBNY can call for collateral substitutions by a dealer if the pledged collateral were to deteriorate in value or quality and fall out of the eligible collateral pools.

**Can dealers substitute pledged collateral?**
Dealers can substitute eligible pledged general collateral for other program-eligible general collateral.