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New York Federal Reserve Announces Modifications to Terms and Conditions of TSLF

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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 >>](#)

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