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New York Federal Reserve Announces Terms for September TSLF Options Program (TOP)

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PRESS RELEASE

New York Fed Announces Terms for September TSLF Options Program (TOP)

August 8, 2008

The Federal Reserve Bank of New York has completed consultations with the primary dealer community and gauged market reaction to the announcement of the Term Securities Lending Facility Options Program (“TSLF Options Program” or “TOP”). The New York Fed will offer options on \$50 billion in TSLF loans that span the September quarter-end in two separate auctions to be held Wednesday, August 27 and Wednesday, September 10.

The September quarter-end TOP auction cycle will sell options that give the buyer the right to borrow general Treasury collateral against a pledge of TSLF Schedule 2 collateral at a fixed fee of 25 basis points. The TSLF loan underlying the September quarter-end TOP will be for seven days beginning on Thursday, September 25, and maturing on Thursday, October 2.

The August 27 and September 10 TOP auctions will each offer \$25 billion in options. If the August 27 auction is undersubscribed, the September 10 offering will be increased by the undersubscribed amount.

Further details include:

- Options may be exercised only on maturity (September 24).
- Partial exercise will be allowed.
- The minimum option bid will be one basis point in a single-price auction format.
- Concentration of option awards will be limited to 20 percent per auction, per dealer subject to a maximum of \$10 billion per dealer for each underlying TSLF loan.
- Buyers of TOP options must pay the auction-determined option premium whether the option is exercised in full, exercised in part or not exercised at all. Option premiums will be paid on exercise day (September 24).
- Options will not be transferable.
- If an option is exercised, the related loan fee will be paid at loan maturity, consistent with TSLF loan fee settlement conventions.
- Dealers may engage in back-to-back transactions with other dealers or with customers, subject to the requirements of the triparty custody agreements for the TSLF loans, but the counterparty to the New York Fed will remain the original option buyer.
- The New York Fed will announce TOP results (proposition amounts, awards, and stop-out level and the quantity of options exercised) shortly after each operation.

The terms and conditions for a TOP that covers the December year-end will be announced by November 3. This will allow an evaluation of the results from the September operation before finalizing year-end

terms. The New York Fed has not committed to offering TOP options that span dates other than September quarter-end and December year-end, but other periods may be considered based on auction results and market conditions.

For more information, see:

[Terms and Conditions >>](#)

[TOP FAQ >>](#)

Contact

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