Federal Reserve Bank Email from Mark VanDerWeide to Lucinda Brickler Re triparty repo thoughts for this weekend

Mark Van Der Weide

Lucinda Brickler

Patrick M. Parkinson

https://elischolar.library.yale.edu/ypfs-documents/5544
A few comments/questions. Since your paper last night was probably 1-2 steps behind TFG, my comments this morning are probably 3-4 steps behind.

Option 1: need to discuss whether this fits within existing PDCF authorization or would need to be new 13(3)/10B loan (like the Bear March 14 loan).

Option 2: need to understand factually how the JPMC/FRBNY sharing would work and how the "shell" works. Some concern about the nature of the legal entity to which the FRBNY would have credit exposure.

Option 4: need to better understand how this credit facility would work.

Mark (202-452-2263)

---

Pat

Thanks. I think there has been much concern raised about maintaining the rate and perhaps also with retaining capacity to expand the existing programs if needed. There has also not been much appetite over the past few days for ideas that involve extending public support beyond the existing programs. These issues and speculation about how bankruptcy would likely unfold are the drivers of this thinking.

The situation is fluid, however. The notes I have been sending are intended to test ideas and generate dialog. They seem consistently one or more steps behind TFG. So let's see how the situation evolves over the weekend and raise the appropriate concerns and recommendations. It's good that you'll be here. Safe travels.

Lucinda
Lucinda,

I have attached some comments, but I am not sure they will be helpful. I'm forced to guess why plans have changed. I assume the fundamental problem is that even after the parent files for bankruptcy, the SEC wants the b/d to live on and does not want us grabbing tri-party collateral and paying off investors? And/or that we don't want to take OMO collateral because we can't rehypothecate and funds rate would go to zero?

In any event, this now looks to me like a godawful mess.

Pat

attachment "triparty Cheat Sheet 9 12-15 parkinson comments.doc" deleted by Lucinda M Brickler/NY/FRS]
Lucinda Brickler
Payments Policy Function
Federal Reserve Bank of New York
212.720.6132 or 646.720.6132