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Minutes of the Board of Governors of the Federal Reserve System 5-10-2008

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MINUTES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DATE: October 5, 2008

TIME: 4:30 p.m.

LOCATION: Board Room

ATTENDANCE:

Mr. Bernanke, Chairman
Mr. Kohn, Vice Chairman
Mr. Warsh (participated by telephone)
Mr. Kroszner (participated by telephone)
Ms. Duke

Office of the Secretary

Ms. Johnson, Secretary
Ms. Shanks, Associate Secretary
Ms. Beattie, Assistant to the Secretary

Office of Board Members

Ms. Smith, Director
Mr. Blanchard, Assistant to the Board
Mr. Skidmore, Assistant to the Board
Mr. Gross, Special Assistant to the Board (participated by telephone)

Legal Division

Mr. Alvarez, General Counsel
Mr. Ashton, Deputy General Counsel
Ms. O'Day, Deputy General Counsel
Mr. Fallon, Assistant General Counsel
Ms. Robinson, Assistant General Counsel
Mr. Van Der Weide, Assistant General Counsel

Division of Research and Statistics

Mr. Parkinson, Deputy Director

Mr. Wilcox, Deputy Director

Division of Monetary Affairs

Mr. Madigan, Director

Mr. Clouse, Deputy Director

Ms. Danker, Deputy Director

Mr. English, Deputy Director

Mr. Nelson, Associate Director

Division of International Finance

Mr. Sheets, Director

Division of Banking Supervision and Regulation

Mr. Cole, Director

Ms. Bailey, Deputy Director

Ms. Barger, Deputy Director

Mr. Greenlee, Associate Director

Ms. DeFerrari, Assistant Director

Division of Reserve Bank Operations and Payment Systems

Ms. Roseman, Director

Mr. Marquardt, Deputy Director

Mr. Evans, Deputy Associate Director

Office of Staff Director for Management

Mr. Malphrus, Staff Director

Other Supporting Staff

FINANCIAL MARKETS -- Discussion of (1) developments in the proposals by Citigroup Inc. and Wells Fargo & Company to acquire Wachovia Corporation and (2) market demand for the Term Auction Facility and the Direct Money Market Mutual Fund Lending Facility.

**Discussed.
October 5, 2008.**

Today, the staff reviewed recent events regarding the following matters against the background of the significant level of fragility in financial markets: (1) the competing proposals by Citigroup Inc. (Citigroup), New York, New York, and Wells Fargo & Company (Wells Fargo), San Francisco, California, to acquire Wachovia Corporation (Wachovia), Charlotte, North Carolina; and (2) market demand for loans from the Term Auction Facility (TAF) and the Direct Money Market Mutual Fund Lending Facility (DMLF).

Proposals to acquire Wachovia. The staff reviewed developments in the competing efforts by Citigroup and Wells Fargo to acquire Wachovia, including litigation recently filed by Citigroup to enjoin Wells Fargo's acquisition of Wachovia, and responded to Board members' requests for additional information about the litigation's likely effect on both proposals going forward. The Board members' ensuing discussion included consideration of the effect on Wachovia's financial condition if uncertainty about its acquisition developed, the likelihood that any new offer by Citigroup to acquire Wachovia would continue to require assistance from the Federal Deposit Insurance Corporation, and the near-term prospect of providing liquidity support to Wachovia. At the conclusion of the discussion, it was understood that the federal banking agencies would not express a preference for one acquisition proposal over the other and that staff would keep the Board informed of developments in this matter. (NOTE: The Board approved Wells Fargo's acquisition of Wachovia on October 12 by notation voting and issued a statement regarding its approval on October 21, 2008.)

TAF and DMLF. It was noted that the strained credit situation had increased demand for participation in the TAF and that the amount of the 28-day and 84-day auctions would each be doubled to \$150 billion, effective with the 84-day auction on October 6, 2008. Similarly, the amount of the two forward TAF auctions to be conducted in November 2008 to extend credit over year-end would each be increased to \$150 billion. With these increases, the potential amount of TAF credit outstanding over year-end 2008 could total \$900 billion. It was also noted that the DMLF, which the Board had approved at its meeting on October 3, 2008, was not favored by some interested parties. Board members concurred in not implementing the facility at this time. (NOTE: The Board rescinded its approval of the DMLF on October 10, 2008, by notation voting.)

Participating in this discussion and voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Duke.

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Background: None.

Implementation: Press release, October 6, 2008.