

What's the Fed Up To?



ESP Conference
Federal Reserve Bank of Dallas

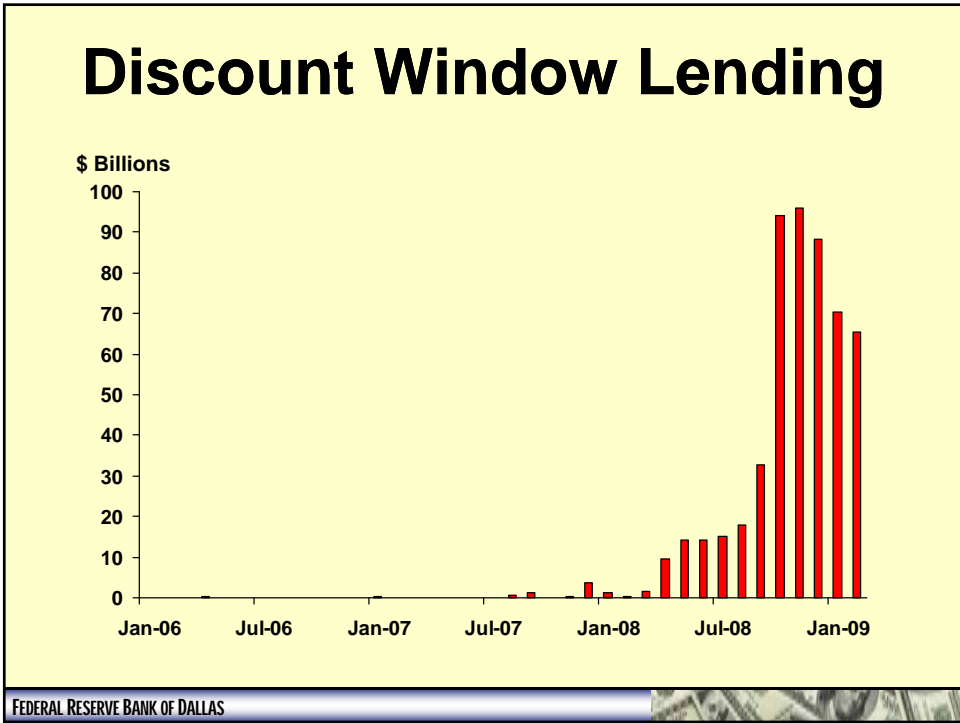
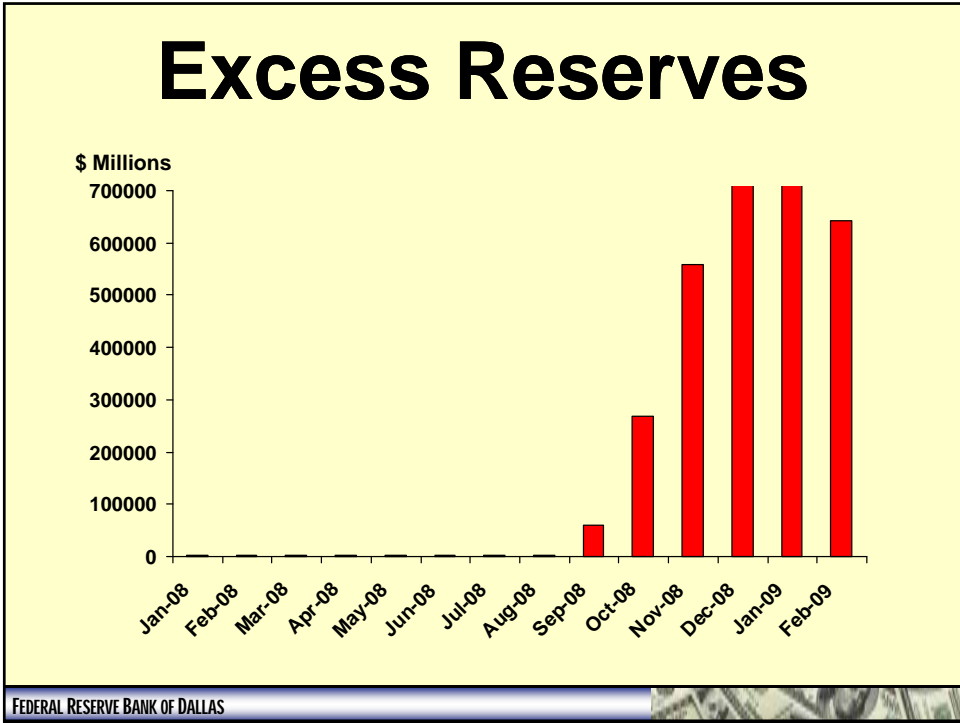
March 27, 2009

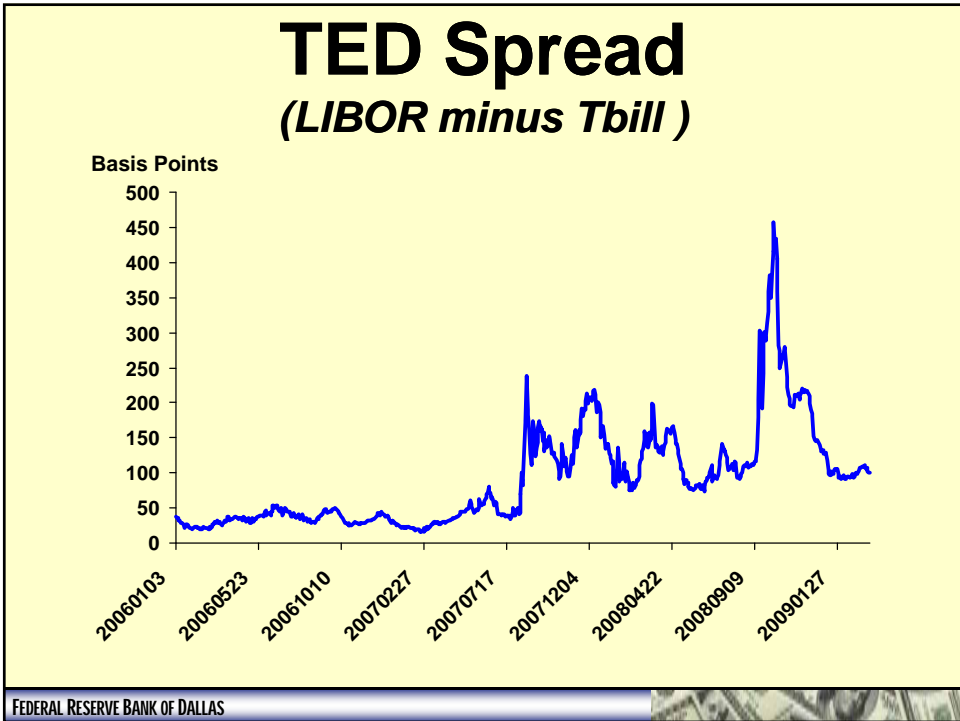
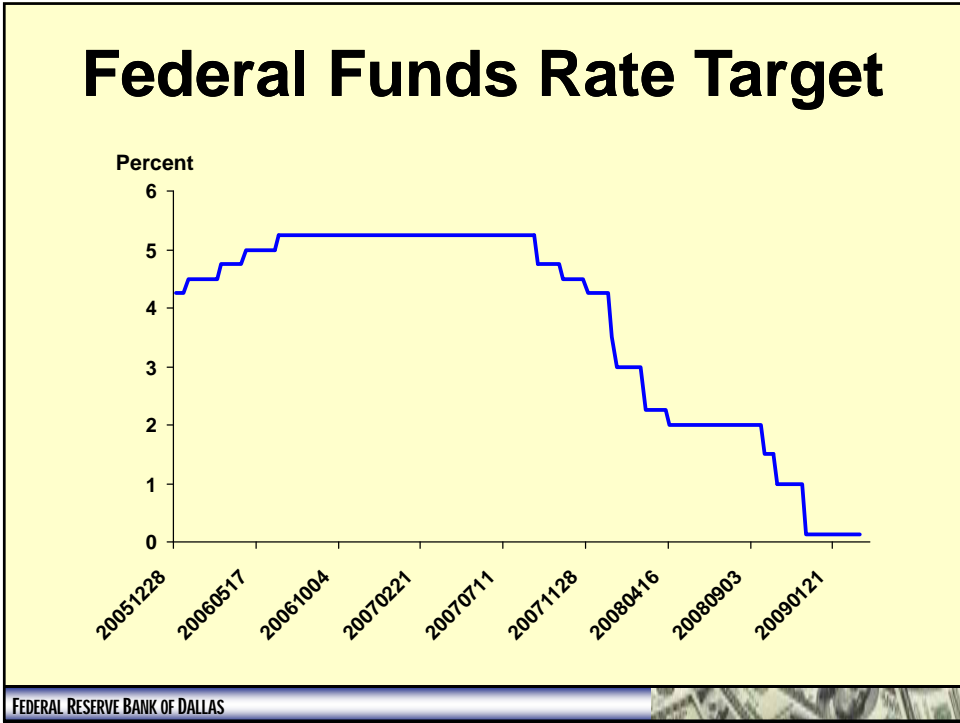
Ken Robinson
Federal Reserve Bank of Dallas
Financial Industry Studies Department

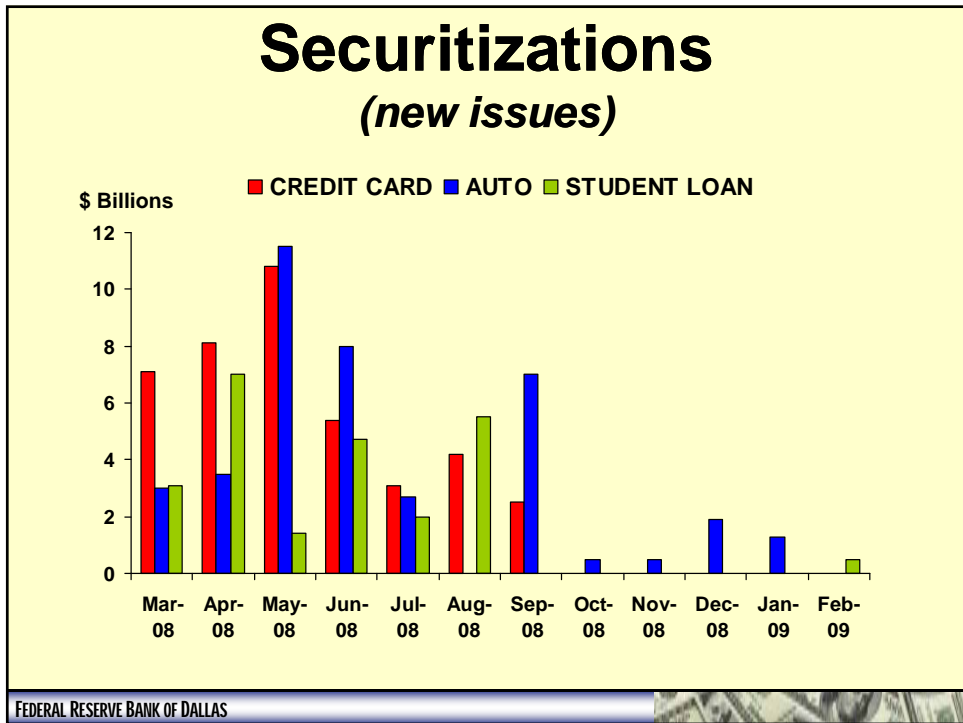
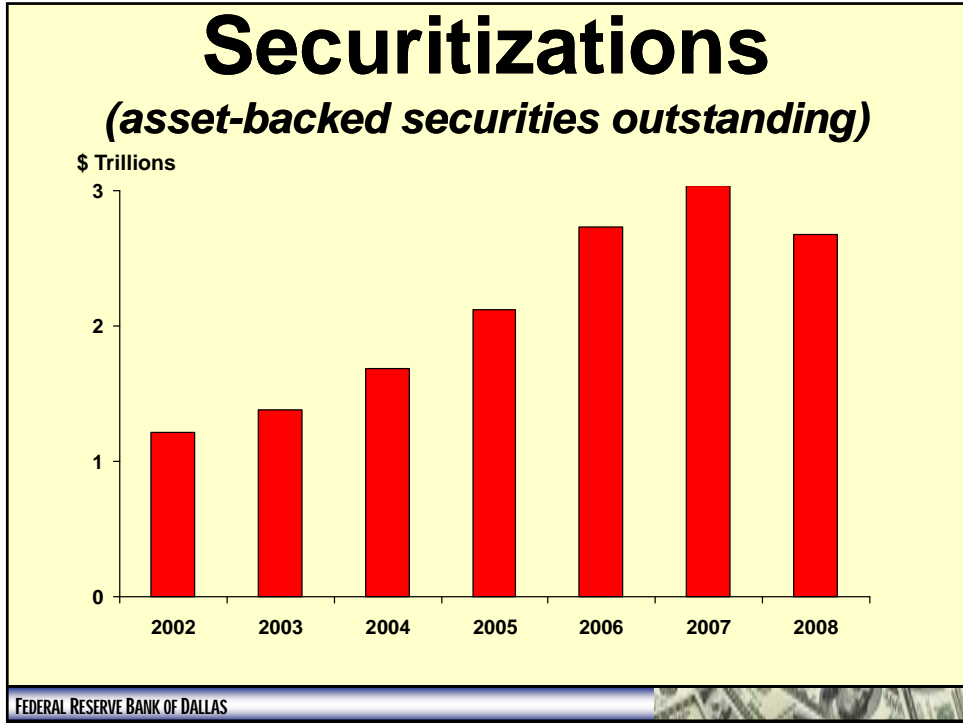
Traditional Tools of Monetary Policy

- Reserve requirements
- Discount rate
- Open market operations









Bernanke: "credit easing" (January 13, 2009)

- Traditional role of lender of last resort
 - The provision of short-term liquidity to sound financial institutions and other central banks
- Provision of liquidity directly to borrowers and investors in key credit markets
- Purchase of longer-term securities in open market operations

FEDERAL RESERVE BANK OF DALLAS

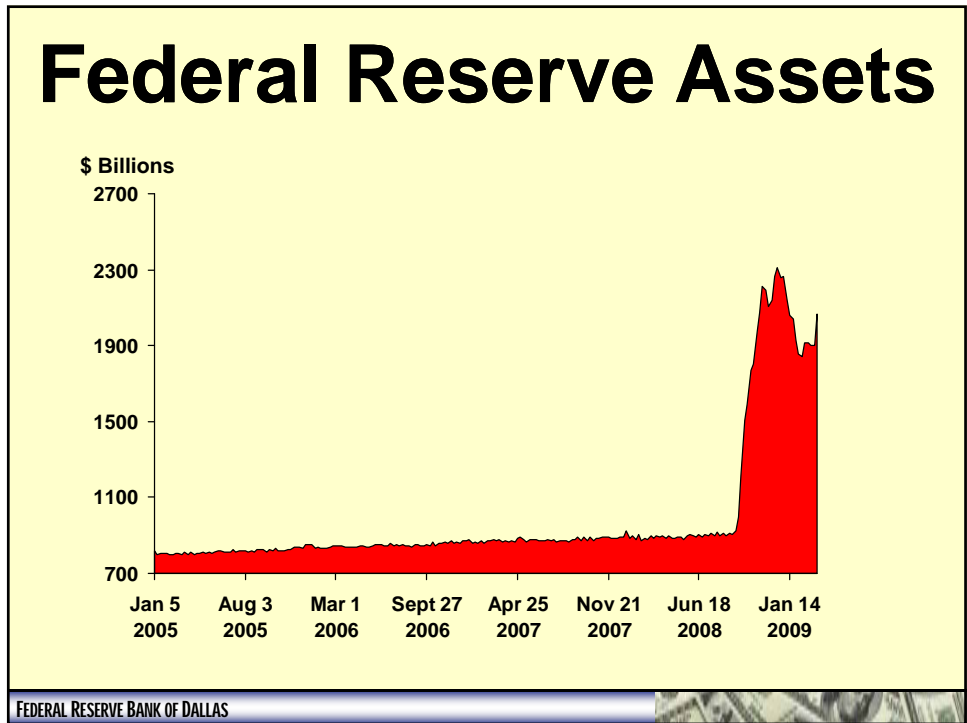
Federal Reserve Act Section 13(3)

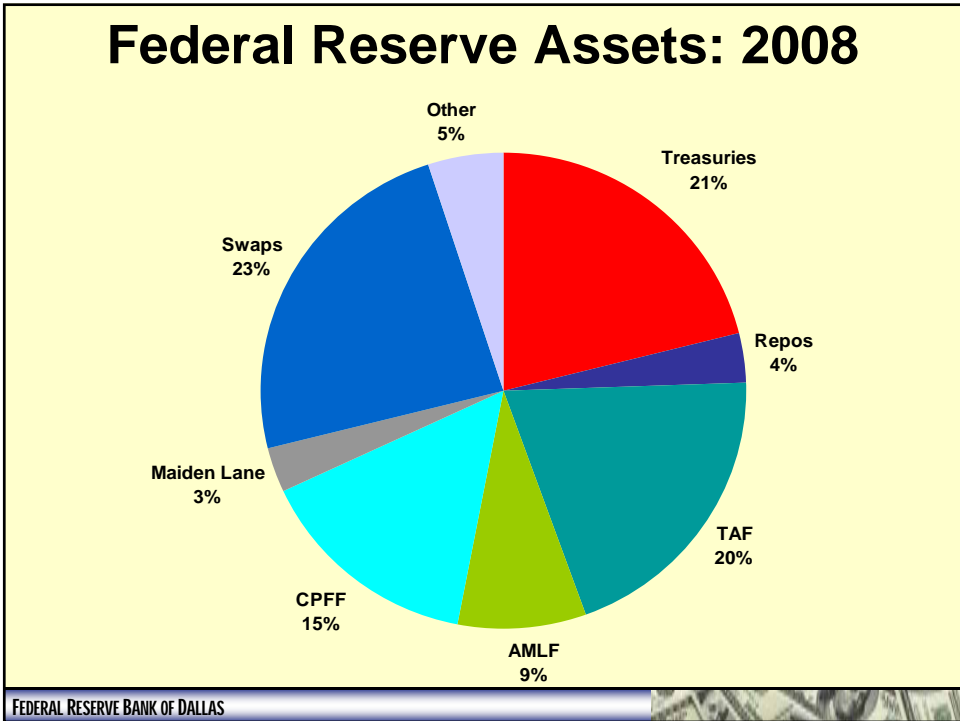
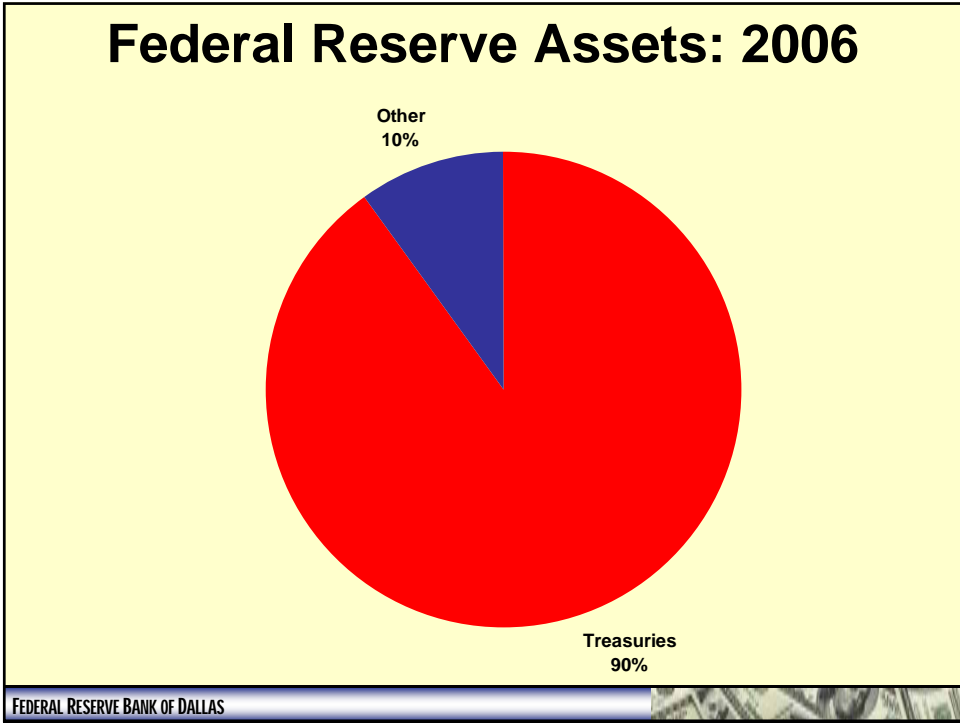
In ***unusual and exigent circumstances***, the Board of Governors of the Federal Reserve System, by the affirmative vote of not less than five members, may authorize any Federal reserve bank, during such periods as the said board may determine, at rates established in accordance with the provisions of section 14, subdivision (d), of this Act, to discount for ***any individual, partnership, or corporation***, notes, drafts, and bills of exchange when such notes, drafts, and bills of exchange are indorsed or otherwise secured to the satisfaction of the Federal Reserve bank: Provided, That before discounting any such note, draft, or bill of exchange for an individual, partnership, or corporation the Federal reserve bank shall obtain evidence that such individual, partnership, or corporation is ***unable to secure adequate credit accommodations from other banking institutions***. All such discounts for individuals, partnerships, or corporations shall be subject to such limitations, restrictions, and regulations as the Board of Governors of the Federal Reserve System may prescribe.

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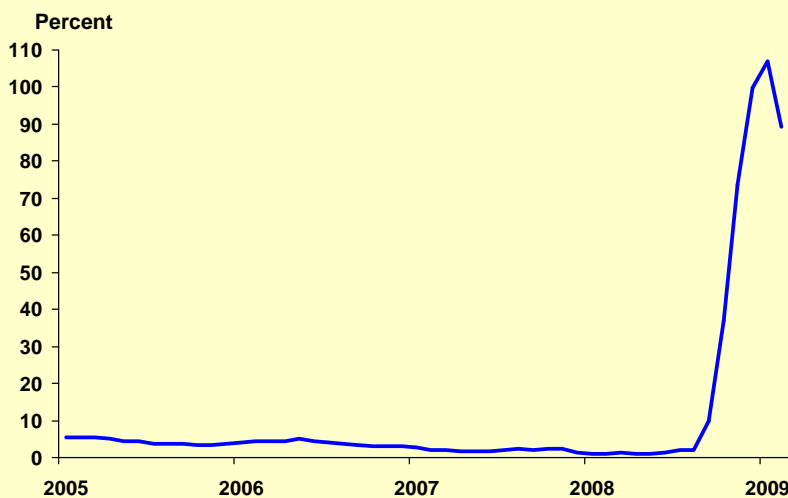
Fed Facilities – More Acronyms

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|--|-------|
| J | G | C | D | O | F | G | T | | |
| D | T | Q | T | A | F | T | O | | TAF |
| C | A | W | Z | D | X | S | P | | TSLF |
| Y | L | M | R | C | K | L | H | | PDCF |
| A | F | M | M | P | P | F | J | | TOP |
| M | P | I | B | L | D | F | Z | | AMLF |
| L | H | F | S | F | Z | I | F | | CPFF |
| F | R | F | F | P | D | C | F | | MMIFF |
| | | | | | | | | | RMBSF |
| | | | | | | | | | CDOF |
| | | | | | | | | | TALF |





Monetary Base Growth



FEDERAL RESERVE BANK OF DALLAS

FEDERAL RESERVE statistical release



H.4.1 Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks

March 19, 2009

1. Factors Affecting Reserve Balances of Depository Institutions

Millions of dollars

| Reserve Bank credit, related items, and reserve balances of depository institutions at Federal Reserve Banks | Week ended Mar 18, 2009 | Averages of daily figures Change from week ended | | Wednesday Mar 18, 2009 |
|--|----------------------------|---|-------------------|---------------------------|
| | | Mar 11, 2009 | Mar 19, 2008 | |
| Reserve Bank credit | 2,943,499 | + 167,743 | +1,162,526 | 2,959,699 |
| Securities held outright | 746,647 | + 162,583 | + 69,753 | 759,465 |
| U.S. Treasury securities ¹ | 474,688 | + 62 | - 202,206 | 474,794 |
| Bills | 18,423 | 0 | - 246,793 | 18,423 |
| Notes and bonds, nominal ² | 412,914 | 0 | - 55,667 | 412,914 |
| Notes and bonds, inflation-indexed ³ | 39,370 | 0 | + 943 | 39,370 |
| Inflation compensation ⁴ | 3,974 | + 42 | - 686 | 3,990 |
| Federal agency debt securities ⁵ | 45,460 | + 4,995 | + 45,460 | 49,272 |
| Mortgage-backed securities ⁶ | 226,490 | + 157,555 | + 326,490 | 236,489 |
| Repurchase agreements ⁷ | 0 | 0 | - 61,107 | 0 |
| Term auction credit | 448,589 | - 24,556 | + 388,589 | 448,589 |
| Other loans | 138,379 | + 5,061 | + 139,130 | 135,242 |
| Primary credit | 65,493 | + 2,196 | + 65,602 | 64,047 |
| Secondary credit | 31 | + 11 | + 11 | 1 |
| Seasonal credit | 3 | 0 | - 4 | 3 |
| Primary dealer and other broker-dealer credit ⁸ | 19,675 | - 58 | + 6,242 | 20,075 |
| Asset-backed Commercial Paper Money Market Mutual Fund Liquidity Facility | 9,229 | + 1,677 | + 9,229 | 7,634 |
| Credit extended to American International Group, Inc. ⁹ | 43,579 | + 1,235 | + 43,579 | 43,581 |
| Other credit advances | 0 | 0 | - 5,529 | 0 |
| Net portfolio holdings of Commercial Paper Funding Facility LLC ¹⁰ | 241,030 | + 371 | + 241,030 | 240,713 |
| Net portfolio holdings of LLCs funded through the Money Market Investor Lending Facility ¹¹ | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC ¹² | 26,183 | + 65 | + 26,183 | 26,212 |
| Net portfolio holdings of Maiden Lane II LLC ¹³ | 18,429 | + 7 | + 18,429 | 18,439 |
| Net portfolio holdings of Maiden Lane III LLC ¹⁴ | 27,602 | + 138 | + 27,602 | 27,628 |
| Float | -2,226 | + 244 | - 659 | -2,545 |
| Central bank liquidity swaps ¹⁵ | 329,586 | + 15,717 | + 329,586 | 329,012 |
| Other Federal Reserve assets ¹⁶ | 67,399 | + 4,115 | + 4,000 | 67,754 |
| Gold stock | 11,041 | 0 | 0 | 11,041 |
| Special drawing rights certificate account | 2,250 | 0 | 0 | 2,250 |
| Treasury currency outstanding ¹⁷ | 18,828 | + 14 | + 149 | 18,828 |
| Total factors supplying reserve funds | 2,933,470 | + 163,757 | +1,162,685 | 2,192,678 |

Note: Components may not sum to totals because of rounding. Footnotes appear at the end of the table.

FEDERAL RESERVE BANK OF DALLAS

<http://www.federalreserve.gov/monetarypolicy/bst.htm>

Board of Governors of the Federal Reserve System

Credit and Liquidity Programs and the Balance Sheet

Overview

This section of the Board of Governors' website is an additional step following several that the Federal Reserve has taken in recent years to enhance transparency of monetary policy. Other actions have included: the issuance by the Federal Open Market Committee (FOMC) of a statement announcing and explaining its monetary policy decision immediately after each of its meetings; the FOMC's release of detailed minutes of its meetings three weeks after each meeting; the FOMC's publication of quarterly summaries of policymakers' economic forecasts; and, pursuant to the Emergency Economic Stabilization Act passed in October 2008, the Federal Reserve's issuance of regular reports to the Congress on each of its lending programs that rely on its authorities under section 13(3) of the Federal Reserve Act.

FEDERAL RESERVE BANK OF DALLAS

http://www.newyorkfed.org/markets/Forms_of_Fed_Lending.pdf

FEDERAL RESERVE BANK OF NEW YORK
January 2009

Forms of Federal Reserve Lending to Member Institutions

| | Discount Window Lending Program (Established March 1, 2009) | Reverse Repo* | Term Auction Counterparty Program (Established August 17, 2008) | Term Auction Facility (Established December 11, 2008) | Primary Credit Facility (Established March 16, 2009) | Secondary Credit Facility (Established December 11, 2008) | Overnight Lending (Established December 11, 2008) | Term Securities Lending Facility (Established March 11, 2009) | Term Securities Lending Facility (Established July 16, 2008) | AMF Money Market (Established December 16, 2008) | Commercial Paper Lending Facility (Established March 7, 2009) | Money Market Lending Facility (Established December 16, 2008) | Term Asset-Backed Securities Lending (Established December 16, 2008) |
|--|--|---------------------------|---|--|---|--|--|--|---|---|--|--|---|
| Minimum collateral | None | None | None | None | None | None | None | None | None | None | None | None | None |
| What are they borrowing? | None | None | None | None | None | None | None | None | None | None | None | None | None |
| What collateral can be pledged? | None | None | None | None | None | None | None | None | None | None | None | None | None |
| Is there a reserve requirement? | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| What is the loan-to-value ratio? | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Is payment guaranteed (i.e., is there no recourse)? | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Which Federal Reserve district operates? | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY | FRNY |
| How frequently is the program renewed? | Typically once per day | Typically once per day | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) | As required (standing facility) |
| Where are applications submitted? | Through FRNY website* | Through FRNY website* | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | TRF Facility** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** | R.A.I. - Federal Reserve Balance** |

* Discount Window is a discretionary program. See [FRNY website](#) for more information.
 ** R.A.I. - Federal Reserve Balance is a program that provides liquidity to member institutions through the Fed's discount window.
 *** TRF Facility is a program that provides liquidity to member institutions through the Fed's discount window.
 **** R.A.I. - Federal Reserve Balance is a program that provides liquidity to member institutions through the Fed's discount window.
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FEDERAL RESERVE BANK OF DALLAS

Summary

- Traditional Fed policy tools
- Unusual and exigent circumstances
- Federal Reserve balance sheet