

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

August 5, 2008

**DISCOUNT WINDOW:
RECENT CHANGES TO TERM
AUCTION FACILITY**

To Depository Institutions in the
Twelfth Federal Reserve District:

Federal Reserve Announces Introduction of 84-Day Term Auction Facility Auctions and Change To Collateral Requirements For Advances Of More Than 28 Days

On July 30, 2008, the Federal Reserve made several announcements, including the introduction of 84-day Term Auction Facility (TAF) auctions and a change to collateral requirements for advances of more than 28 days. The announcement is available at

<http://www.federalreserve.gov/newsevents/press/monetary/20080730a.htm>

These two changes are explained below.

Federal Reserve Actions

Eighty-four-day Term Auction Facility Loans

Beginning on August 11, the Federal Reserve will auction 84-day TAF funds while continuing to auction 28-day TAF funds. Specifically, the Federal Reserve will conduct biweekly TAF auctions, alternating between auctions of \$75 billion of 28-day credit and auctions of \$25 billion of 84-day credit.

During a transition period, the amount of 28-day credit being auctioned will be reduced to keep the amount of TAF credit outstanding at \$150 billion. See attached schedule of TAF auctions.

Banks bidding at TAF auctions should note the special auction schedule that will be in place for those auctions that occur during the weeks of August 11th and September 8th.

Collateral Requirements

Effective July 30, 2008, the Federal Reserve is introducing a collateral requirement for advances of more than 28 days. Under this requirement, the total amount of term primary credit and TAF credit with original or remaining term to maturity exceeding 28 days that is extended to a depository institution (DI) cannot exceed 75 percent of the lendable value of its available collateral.

This collateral requirement does not apply to

1. Advances made before July 30, 2008
2. Advances with term to maturity of 28 days or less
3. Advances with term to maturity of 29 days but the 28th day of which is a holiday, and
4. Seasonal credit advances

DIs that have TAF and other advances with original or remaining maturity of over 28 days are required to maintain additional collateral above the amount of such advances. However, at the discretion of the Reserve Bank, this additional collateral may be used temporarily to secure short-term credit. If this additional

collateral is to secure short-term credit, the DI must, within two days, pledge more collateral to restore the requisite collateral requirement.

If the DI, at any time, fails to meet any collateral requirement, a Reserve Bank may exercise all its rights and remedies under OC-10. For the purpose of clarification, the same rights and remedies available for other discount window loans would be applicable to a TAF advance.

See below for additional information.

[Terms and Conditions for Term Auction Facility](#)

[Term Auction Facility Questions and Answers](#)

[Term Auction Facility Schedule](#)

Staff at the Federal Reserve Bank of San Francisco are also available to answer questions, and can be reached by calling the Credit and Risk Management toll free number at (866) 974-7475, option 1.

Donald Lieb
Group Vice President and
Chief Financial Officer