

Class I FOMC – Restricted Controlled (FR)

*Material for Briefing on
Proposed TAF and TSLF Schedules*

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The Federal Reserve on Thursday announced schedules for operations under the Term Auction Facility (TAF) and the Term Securities Lending Facility (TSLF) through January 2010 and other information related to those facilities.

These schedules are consistent with the intention indicated in the Federal Reserve's June 25 press release to gradually scale back these facilities in response to continued improvements in financial market conditions.

As noted in previous announcements, the Federal Reserve remains prepared to expand its liquidity provision should financial market conditions deteriorate materially. If significant market strains appear likely to develop over year-end, the announced schedules may be modified to accommodate expanded operations.

Detailed schedules are attached.

Term Auction Facility

Under the TAF, to date the Federal Reserve has reduced offered amounts from a peak of \$150 billion per auction to \$75 billion per auction as conditions in wholesale markets for unsecured credit have continued to improve. Under the schedules announced Thursday, the Federal Reserve will continue to offer \$75 billion per auction of 28-day funds through January to help ensure that an adequate volume of funding is available in the period leading up to year-end and over year-end. Reductions in the sizes of those 28-day operations are expected to resume early next year. The amounts offered under the existing cycle of auctions of 84-day funds will be reduced to \$50 billion effective in October and to \$25 billion in November and December, and the maturities of those operations will be reduced. The purpose of shortening the maturities is to align the maturity dates of those operations with the maturities in the cycle for 28-day funds. With the completion of that transition, the auction schedule will be converted by early next year to a single cycle of 28-day funds offered every 28 days.

Over the next several months, the Federal Reserve will assess whether to maintain a TAF on a permanent basis. A permanent TAF could take a variety of forms. For example, under one approach, a relatively small amount of funds would be made available in ordinary circumstances, but the facility could be expanded rapidly in conditions of extraordinary market stress. Under an alternative approach, the TAF would be deactivated when market conditions have improved sufficiently but would remain available for use in conditions of increased market stress. The Federal Reserve will soon publish a request for public comment on a range of possible structures for a permanent TAF.

Term Securities Lending Facility

As announced on June 25, the Federal Reserve has discontinued Schedule 1 TSLF operations and TSLF Options Program operations. It has also reduced the frequency and size of its Schedule 2 TSLF operations. Consistent with recent further improvements in conditions in secured financing markets, the amounts offered in TSLF auctions will be scaled back further from their current size of \$75 billion. As indicated in the attached schedule, TSLF offerings will

be reduced to \$50 billion in the October auction and to \$25 billion in the November, December, and January auctions.

Possible Year-end Operations

The Federal Reserve is prepared to temporarily increase the sizes of TAF and TSLF operations or conduct additional off-cycle operations with terms that span year-end in order to address transitory market strains.

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TAF Auction Schedule

Auction Date	Term (Days)	Auction Amount	Settlement Date	Maturity Date
10/5/2009	70	\$50 billion	10/8/2009	12/17/2009
10/19/2009	28	\$75 billion	10/22/2009	11/19/2009
11/2/2009	70	\$25 billion	11/5/2009	1/14/2010
11/16/2009	28	\$75 billion	11/19/2009	12/17/2009
11/30/2009	42	\$25 billion	12/3/2009	1/14/2010
12/14/2009	28	\$75 billion	12/17/2009	1/14/2010
1/11/2010	28	\$75 billion	1/14/2010	2/11/2010

TSLF Auction Schedule (All Schedule 2)

Auction Date	Term (Days)	Auction Amount	Settlement Date	Maturity Date
10/8/2009	28	\$50 billion	10/9/2009	11/6/2009
11/5/2009	28	\$25 billion	11/6/2009	12/4/2009
12/3/2009	35	\$25 billion	12/4/2009	1/8/2010
1/7/2010	28	\$25 billion	1/8/2010	2/5/2010