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# Did Fed Really Lend \$9 Trillion Under Its Primary Dealer Credit Facility?

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Although the Federal Reserve made loans totaling \$8.95 trillion to primary dealers in exchange for a wide range of collateral under its Primary Dealer Credit Facility, the size of the facility was likely never more than a fraction of that amount.



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United States Federal Reserve

Beginning in March of 2008, the Fed undertook 1,376 transactions under the facility, with loans ranging from a \$10 million to nearly \$48 billion. The largest single loan went to Barclays Capital on September 18, 2008—the day after Barclays agreed to buy Lehman Brothers.

The biggest borrowers were Citigroup , Merrill Lynch and Morgan Stanley , each receiving loans that total more than \$1 trillion.

Although the total numbers appear very large, the Fed never had anywhere near \$8.95 trillion of loans outstanding under the program. The loans made under the PDCF were overnight loans, which were rapidly repaid or rolled over into new loans. This inflates the total number because the Fed counts each roll-over as a new loan.

Barclays Capital, for example, is listed as borrowing \$14 billion on four different subsequent days in September 2008. It appears that Barclays was rolling over this loan from the Fed on each of those days, rather than taking out new loans. But in the data released by the Fed today, those loans are listed as four separate \$14 billion loans. That means that while the Fed made overnight loans totalling \$56 billion, the amount outstanding each day was likely only \$14 billion.

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Clearly, it will take some time to work out exactly how the Fed's programs worked and how much each bank may have had to borrow. Banks that appear to be the biggest borrowers may merely be the most frequent borrowers or those that rolled over their loans for the longest periods.

The amounts on the loans and the recipients were released today as part of a treasure trove of data on the Fed's financial crisis emergency lending programs. The Fed's data includes details on more than 21,000 transactions with financial companies and foreign central banks.

The Primary Dealer Credit Facility was created in March 2008 in the wake of the collapse of Bear Stearns. It was an overnight loan facility that provided funding to primary dealers in exchange for a wide range of eligible collateral. The facility was intended to relieve pressures in the "repo" market—the overnight collateralized debt market Wall Street firms use to finance their securities portfolio.

The goal was to avoid a downward spiral that might occur if a freeze in the overnight funding market forced financial companies to sell off their portfolios in "firesales." Following the bankruptcy of Lehman Brothers, the Fed expanded the program to accept an even wider range of collateral. The facility was in February of 2010.

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