

# Board of Governors of the Federal Reserve System

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## Press Release

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*Release Date: December 12, 2007*

### For immediate release

Today, the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve, and the Swiss National Bank are announcing measures designed to address elevated pressures in short-term funding markets.

### Federal Reserve Actions

Actions taken by the Federal Reserve include the establishment of a temporary Term Auction Facility (approved by the Board of Governors of the Federal Reserve System) and the establishment of foreign exchange swap lines with the European Central Bank and the Swiss National Bank (approved by the Federal Open Market Committee).

Under the Term Auction Facility (TAF) program, the Federal Reserve will auction term funds to depository institutions against the wide variety of collateral that can be used to secure loans at the discount window. All depository institutions that are judged to be in generally sound financial condition by their local Reserve Bank and that are eligible to borrow under the primary credit discount window program will be eligible to participate in TAF auctions. All advances must be fully collateralized. By allowing the Federal Reserve to inject term funds through a broader range of counterparties and against a broader range of collateral than open market operations, this facility could help promote the efficient dissemination of liquidity when the unsecured interbank markets are under stress.

Each TAF auction will be for a fixed amount, with the rate determined by the auction process (subject to a minimum bid rate). The first TAF auction of \$20 billion is scheduled for Monday, December 17, with settlement on Thursday, December 20; this auction will provide 28-day term funds, maturing Thursday, January 17, 2008. The second auction of up to \$20 billion is scheduled for Thursday, December 20, with settlement on Thursday, December 27; this auction will provide 35-day funds, maturing Thursday, January 31, 2008. The third and fourth auctions will be held on January 14 and 28, with settlement on the following Thursdays. The amounts of those auctions will be determined in January. The Federal Reserve may conduct additional auctions in subsequent months, depending in part on evolving market conditions.

Depositories will submit bids through their local Reserve Banks. The minimum bid rate for the auctions will be established at the overnight indexed swap (OIS) rate corresponding to the maturity of the credit being auctioned. The OIS rate is a measure of market participants' expected average federal funds rate over the relevant term. The minimum rate for the December 17 auction along with other auction details will be announced on Friday, December 14. Noncompetitive tenders may be accepted beginning with the third auction. The results of the first auction will be announced at 10 a.m. Eastern Time on December 19. The schedule for releasing the results of later auctions will be determined subsequently. Detailed terms of the auction and summary auction results will be available at <http://www.federalreserve.gov/monetarypolicy/taf.htm>.

Experience gained under this temporary program will be helpful in assessing the potential usefulness of augmenting the Federal Reserve's current monetary policy tools--open market operations and the primary credit facility--with a permanent facility for auctioning term discount window credit. The Board anticipates that it would seek public comment on any proposal for a permanent term auction facility.

The Federal Open Market Committee has authorized temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB). These arrangements will provide dollars in amounts of up to \$20 billion and \$4 billion to the ECB and the SNB, respectively, for use in their jurisdictions. The FOMC approved these swap lines for a period of up to six months.

### Information on Related Actions Being Taken by Other Central Banks

Information on the actions that will be taken by other central banks is available at the following websites.

- [Bank of Canada](#) 
- [Bank of England](#) 
- [European Central Bank](#) 
- [Swiss National Bank \(61 KB PDF\)](#) 

### Statements by Other Central Banks

- [Bank of Japan](#) 
- [Swedish Riksbank](#) 

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