

FEDERAL RESERVE BANK *of* NEW YORK *Serving the Second District and the Nation*

Primary Dealer Credit Facility: Program Terms and Conditions

The Federal Reserve Primary Dealer Credit Facility (PDCF) is an overnight loan facility that provides funding to primary dealers in exchange for a specified range of eligible collateral in accordance with the program terms and conditions. All terms and conditions are subject to change.

Effective March 16, 2008

CURRENT TERMS AND CONDITIONS

PDCF Loans

Loans will be made available to primary dealers on an overnight basis for at least six months, or longer if conditions warrant. The interest rate charged on such credit will be the same as the primary credit rate in effect at the Federal Reserve Bank of New York. Primary dealers may secure loans under the PDCF with all collateral eligible for pledge in open market operations, plus investment grade corporate securities, municipal securities, mortgage-backed securities and asset-backed securities. No non-priced collateral will be eligible for pledge under the PDCF.

Borrower Eligibility

Only primary dealers of the New York Fed are eligible to participate in the PDCF via their clearing banks.

Overnight Lending

Loans will settle on the same business day and will mature the following business day.

Eligible Collateral

Collateral eligible for pledge under the PDCF includes all collateral eligible for pledge in open market operations, plus investment grade corporate securities, municipal securities, mortgage-backed securities and asset-backed securities. Collateral that is not priced by the clearing banks will not be eligible for pledge under the PDCF.

Rate

Loans made under the PDCF will be made at a rate equal to the primary credit rate in effect at the New York Fed offered to depository institutions via the Discount Window.

Frequency-Based Fee

Fees will be assessed to borrowers who access the PDCF on more than 30 business days out of 120 business days. Additional fees will be assessed beginning on the 31st business day, with the exact terms of this fee schedule to be determined in consultation with primary dealers.

Custody Rules and Arrangement

Dealers will communicate their demand for funding to their clearing banks. The clearing bank will verify that a sufficient amount of eligible collateral has been pledged by each primary dealer participating in the PDCF and notify the New York Fed accordingly. Once the New York Fed receives notice that a sufficient amount of margin-adjusted eligible collateral has been assigned to the New York Fed's account, the New York Fed will transfer the amount of the loan to the clearing bank for credit to the primary dealer.

Collateral Valuation

The pledged collateral will be valued by the clearing banks based on a range of pricing services.

Loan Size

Loans will be limited to the amount of margin-adjusted eligible collateral pledged by the dealer and assigned to the New York Fed's account at the clearing bank.

Recourse

Loans made under the PDCF are made with recourse beyond the pledged collateral to the primary dealer entity itself.

Program Termination

The PDCF will remain available to primary dealers for at least six months, or longer if conditions warrant.
