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**Program Terms and Conditions**

The System Open Market Account ("SOMA") Term Securities Lending Facility ("TSLF") offers U.S. Treasury securities from the SOMA portfolio for loan in accordance with the program terms and conditions. All terms and conditions are subject to change.

Effective March 11, 2008

**CURRENT TERMS AND CONDITIONS**

**TSLF Auctions**

Loans will be awarded to primary dealers based on competitive bidding, subject to a minimum fee requirement. The Open Market Trading Desk of the Federal Reserve Bank of New York ("FRBNY") will auction general Treasury collateral that offers Treasury bills, notes, bonds and inflation-indexed securities held by SOMA for loan against all collateral currently eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk ("Schedule 1"). The FRBNY will hold a separate TSLF auction that offers Treasury securities held by SOMA for loan against other AAA/Aaa-rated Private-Label Residential MBS not on review for downgrade and all Schedule 1 collateral ("Schedule 2").

The TSLF is a single-price auction, where accepted dealer bids will be awarded at the same fee rate, which shall be the lowest fee rate at which bids were accepted. Dealers may submit two bids for the basket of eligible general Treasury collateral at each auction. The FRBNY reserves the right to reject or declare ineligible any bid, entirely at its own discretion. At the TSLF auction, each dealer aggregate award is limited to no more than 20 percent of the offering amount.

**28-Day Term Lending Settling T+1**

The term of the loans will be 28 days unless otherwise stated in the announcement. Auctions will settle one business day following the auction day.

**Bonds-vs.-Bonds Lending**

In order to prevent securities lending from affecting overnight bank reserves, loans will be collateralized with eligible collateral rather than cash. Eligible collateral will be determined by the FRBNY and includes:

SCHEDULE 1	SCHEDULE 2
All collateral eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk	All Schedule 1 collateral
	AAA/Aaa-rated Private-Label Residential MBS

**Custody Rules and Arrangement**

Dealers receiving awards at auction are required to pledge auction-eligible collateral from their clearing bank custodial accounts. All transfers of securities will be made through the borrower's clearing bank account. General Treasury collateral lent by SOMA will remain in the custodial bank's tri-party collateral pool but cannot be transferred out of the clearing bank. On the loan settlement date, a basket of general collateral Treasury securities totaling the par amount awarded at auction will be transferred from the FRBNY's agent account in exchange for an equivalent amount of eligible collateral, adjusted for margin and market value. Collateral will be valued daily by the clearing bank and adjustments to collateral levels may be required to maintain the designated margin amounts. Upon maturity of the loan, the clearing bank will transfer general

collateral Treasury securities from the dealer's account to the FRBNY's account and transfer eligible collateral from the FRBNY's account to the dealer's account.

#### **Margin**

Margin requirements will be determined by the FRBNY.

#### **Substitution**

The FRBNY holds the right to substitute assigned Treasury collateral with other Treasury collateral held by SOMA and requires collateral substitution if dealer-pledged collateral becomes ineligible. Dealers will also have the right to substitute eligible collateral.

#### **Announcement of TSLF Auctions**

The FRBNY will issue an announcement at least one day before the auction specifying the par value of Treasury securities being offered ("offering amount") at auction. The announcement will also specify the minimum bid, minimum bid increment, minimum bid rate, auction start and close times, settlement date, and loan maturity date. A list of Treasury securities included in the pool of general Treasury collateral to be lent will also be specified.

#### **Auction Date and Time**

The auctions will take place on Thursdays and the start time of the auctions will be 2:00 PM Eastern time, unless otherwise stated in the auction announcement. Bids will not be considered outside of this auction time.

#### **Number of Dealer Propositions Per Auction**

Dealers are allowed to submit two propositions in each term general collateral auction. Each bid may not exceed 20 percent of the offering amount.

#### **Minimum Bid Rates**

The FRBNY will set a minimum fee rate. The lending fee can be thought of as equivalent to the spread between the Treasury general collateral rate and the general collateral rate for the pledged collateral over the term of the loan.

#### **Dealer Award Limits**

Dealer awards will be limited to no more than 20 percent of the amount of SOMA collateral offered during each auction. The FRBNY reserves the right to further restrict dealer bids at its sole discretion.

#### **Minimum Bids and Bid Increments**

Dealers will be allowed to bid for a minimum of \$10 million in par value and in increments of \$10 million in par value to the maximum allowed per dealer according to program limits.

#### **Determination of Awards**

The FRBNY will review and accept bids at the highest rate through successively lower rates. The aggregate amount of all accepted bids shall not exceed the lesser of (i) the Offering Amount, and (ii) the aggregate amount of all Bids submitted at or above the minimum bid rate. When necessary, bids at the lowest accepted interest rate will be prorated. Auction awards will be rounded according to the rounding convention specified in the announcement.