

Press Release

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Federal Reserve and other central banks announce further coordinated actions to expand significantly the capacity to provide U.S. dollar liquidity

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In response to continued strains in short-term funding markets, central banks today are announcing further coordinated actions to expand significantly the capacity to provide U.S. dollar liquidity. Central banks will continue to work together closely and are prepared to take appropriate steps as needed to address funding pressures.

Federal Reserve Actions

The Federal Reserve announced today several initiatives to support financial stability and to maintain a stable flow of credit to the economy during this period of significant strain in global markets.

We will continue to adapt these liquidity facilities as necessary and will keep them in place as long as circumstances require.

Actions by the Federal Reserve include: (1) an increase in the size of the 84-day maturity Term Auction Facility (TAF) auctions to \$75 billion per auction from \$25 billion beginning with the October 6 auction, (2) two forward TAF auctions totaling \$150 billion that will be conducted in November to provide term funding over year-end, and (3) an increase in swap authorization limits with the Bank of Canada, Bank of England, Bank of Japan, Danmarks Nationalbank (National Bank of Denmark), European Central Bank (ECB), Norges Bank (Bank of Norway), Reserve Bank of Australia, Sveriges Riksbank (Bank of Sweden), and Swiss National Bank to a total of \$620 billion, from \$290 billion previously.

These steps are being undertaken to mitigate pressures evident in the term funding markets both in the United States and abroad. By committing to provide a very large quantity of term funding, the Federal Reserve actions should reassure financial market participants that financing will be available against good collateral, lessening concerns about funding and rollover risk.

84-Day Maturity TAF Auctions

The increase to \$75 billion per auction will triple the supply of 84-day maturity credit to \$225 billion from \$75 billion. TAF credit at the 28-day maturity will remain at \$75 billion. The total amount of TAF credit available in the 28-day and 84-day auction cycles will double to \$300 billion from \$150 billion.

Forward TAF Auctions

The forward TAF auctions are a new program designed to provide reassurance to market participants that term funding will be available over year-end. The timing and terms of the two forward TAF auctions will be determined after consultations with depository institutions that utilize the TAF program.

It is anticipated that there will be two auctions in November totaling \$150 billion. These auctions will

provide short-term (one- to two-week term) TAF credit over year-end.

Foreign Exchange Swap Lines

The Federal Open Market Committee (FOMC) has authorized a \$330 billion expansion of its temporary reciprocal currency arrangements (swap lines). This increased capacity will be available to provide funding for U.S. dollar liquidity operations by the other central banks. The FOMC has authorized increases in all of the temporary swap facilities with other central banks. These larger facilities will now support the provision of U.S. dollar liquidity in amounts of up to \$30 billion by the Bank of Canada, \$80 billion by the Bank of England, \$120 billion by the Bank of Japan, \$15 billion by Danmarks Nationalbank, \$240 billion by the ECB, \$15 billion by the Norges Bank, \$30 billion by the Reserve Bank of Australia, \$30 billion by the Sveriges Riksbank, and \$60 billion by the Swiss National Bank. As a result of these actions, the total size of outstanding swap lines is \$620 billion.

All of the temporary reciprocal swap facilities have been authorized through April 30, 2009.

Dollar funding rates abroad have been elevated relative to dollar funding rates available in the United States, reflecting a structural dollar funding shortfall outside of the United States. The increase in the amount of foreign exchange swap authorization limits will enable many central banks to increase the amount of dollar funding that they can provide in their home markets. This should help to improve the distribution of dollar liquidity around the globe.

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](#)

[Bank of Japan](#)

[Danmarks Nationalbank \(National Bank of Denmark\)](#)

[Norges Bank \(Bank of Norway\)](#)

[European Central Bank](#)

[Reserve Bank of Australia](#)

[Sveriges Riksbank \(Bank of Sweden\)](#)

[Swiss National Bank](#)

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