

Press Release

March 07, 2008

Federal Reserve announces two initiatives to address heightened liquidity pressures in term funding markets

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The Federal Reserve on Friday announced two initiatives to address heightened liquidity pressures in term funding markets.

First, the amounts outstanding in the Term Auction Facility (TAF) will be increased to \$100 billion. The auctions on March 10 and March 24 each will be increased to \$50 billion--an increase of \$20 billion from the amounts that were announced for these auctions on February 29. The Federal Reserve will increase these auction sizes further if conditions warrant. To provide increased certainty to market participants, the Federal Reserve will continue to conduct TAF auctions for at least the next six months unless evolving market conditions clearly indicate that such auctions are no longer necessary.

Second, beginning today, the Federal Reserve will initiate a series of term repurchase transactions that are expected to cumulate to \$100 billion. These transactions will be conducted as 28-day term repurchase (RP) agreements in which primary dealers may elect to deliver as collateral any of the types of securities-- Treasury, agency debt, or agency mortgage-backed securities--that are eligible as collateral in conventional open market operations. As with the TAF auction sizes, the Federal Reserve will increase the sizes of these term repo operations if conditions warrant.

The Federal Reserve is in close consultation with foreign central bank counterparts concerning liquidity conditions in markets.

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