

Credit and Liquidity Programs and the Balance Sheet

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Lending to primary dealers

In 2008, the Federal Reserve created special facilities to provide loans of cash and securities to primary dealers, the securities broker-dealers that have a trading relationship with the Federal Reserve Bank of New York. These programs were closed on February 1, 2010. Apart from these special facilities, the Federal Reserve operates an ongoing overnight securities lending program to provide a temporary source of Treasury and agency securities to promote the smooth clearing of the Treasury and agency securities market.

Primary Dealer Credit Facility

In March 2008, the Federal Reserve announced the creation of the Primary Dealer Credit Facility (PDCF), an overnight loan facility that provided funding to primary dealers and helped foster improved conditions in financial markets more generally. Operational details of the facility are explained on the website of the Federal Reserve Bank of New York.

■ [Primary Dealer Credit Facility](#)

PDCF credit was fully secured by collateral with appropriate haircuts--that is, the value of the collateral exceeded the value of the loan extended. Initially, eligible collateral was restricted to investment-grade securities. In September 2008, the eligible set of collateral was broadened to closely match the types of instruments that can be pledged in the tri-party repurchase agreement systems of the two major clearing banks. Information on collateral policies and interest rates charged for lending

are discussed in the [collateral and rate setting](#) and [risk management](#) sections of this website. Also in September 2008, the Federal Reserve Board authorized the extension of credit to a set of other securities dealers on very similar terms to the PDCF. The PDCF was closed on February 1, 2010.

Related

[Factors Affecting Reserve Balances \(H.4.1\)](#)

[Press release, September 14, 2008](#)

[Press release, June 25, 2009](#)

[Reports Pursuant to Section 129 of the Emergency
Economic Stabilization Act of 2008](#)

Federal Reserve Bank of New York

[Securities Lending Activity: Historical Search](#)

Securities Lending

The Federal Reserve Bank of New York operates a securities lending program to provide a temporary source of Treasury and agency securities to promote the smooth clearing of the Treasury and agency securities market. Securities loans are awarded to primary dealers based on a competitive auction for overnight loans against other Treasury securities as collateral. A description of the program is presented on the website of the Federal Reserve Bank of New York, as are the terms of the program and the securities lending operations that are conducted. Securities lent on an overnight basis through this facility are presented in table 1A of the H.4.1 statistical release.

- [Securities Lending](#)

Term Securities Lending Facility

In March 2008, the Federal Reserve announced the creation of the Term Securities Lending Facility (TSLF) under the authority of section 13(3) of the Federal Reserve Act. The TSLF loaned Treasury securities to primary dealers for one month against eligible collateral. For so-called "Schedule 1" auctions, the eligible collateral comprised Treasury securities, agency securities, and agency mortgage-backed securities. For "Schedule 2" auctions, the eligible collateral included schedule 1 collateral plus highly rated private securities. The program supported the liquidity of primary dealers and fostered improved conditions in financial markets more generally. Information on collateral policies and interest rates charged for lending are discussed in the [collateral and rate setting](#) and [risk management](#) sections of this website. Operational details of the TSLF are published on the Federal Reserve Bank of New York website. Effective July 1, 2009, Schedule 1 auctions were suspended. The TSLF was closed on February 1, 2010.

- [Term Securities Lending Facility](#)

Term Securities Lending Options Program

The Term Securities Lending Facility Options Program (TOP) offered an option to primary dealers to draw upon short-term, fixed rate TSLF loans from the System Open Market Account portfolio in exchange for eligible collateral. The options were awarded through a competitive auction. The program was intended to enhance the effectiveness of the TSLF by offering additional liquidity during periods of heightened collateral market pressures, such as around quarter-end dates. A description of the program is published on the Federal Reserve Bank of New York website. Effective July 1, 2009, TOP auctions were suspended and were not resumed before the TSLF program was closed on February 1, 2010.

- [Term Securities Lending Facility Options Program \(TOP\)](#)

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