

Bank Term Funding Program

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*Introductory Remarks from **Mike Gibson**, Director of Supervision & Regulation at the Federal Reserve Board*

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Welcome

Logistics

- Call-in number: **888-625-5230**
- Participant code: **735 325 31#**
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- This call is being recorded and will be available immediately following the session.
- A short survey will be delivered via email following the call. Please let us know your thoughts about today and ideas for future sessions.

Webinar

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- Remember: Your specific connection matters; if PC audio diminishes, dial in to the toll-free line.

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- Email your question to: questions@askthefed.org
- Use the “Ask a Question” feature on the Ask the Fed® website: www.askthefed.org

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Introductory Remarks from Mike Gibson, Director of Supervision & Regulation at the Federal Reserve Board

Agenda for Today's Session

- Overview of the Bank Term Funding Program (**Program**)
- Eligible Borrowers
- Eligible Collateral
- Terms of Borrowing
- How to Participate
- Questions and Answers
- Additional Resources

Bank Term Funding Program Overview

- To support American businesses and households, the Federal Reserve Board, pursuant to section 13(3) of the Federal Reserve Act, authorized all 12 Reserve Banks to establish the Program to make available additional funding to eligible depository institutions in order to help assure they have the ability to meet the needs of all their depositors.
- The Program will be an additional source of liquidity against high-quality securities, eliminating an eligible depository institution's need to quickly sell those securities in times of stress.
- The Program was approved by the Secretary of the Treasury, and the Department of the Treasury is providing credit protection to the Federal Reserve Banks in connection with the Program. The Federal Reserve does not anticipate that it will be necessary to draw on these backstop funds.
- Advances can be requested under the Program until at least March 11, 2024.

Eligible Borrowers

- Eligible borrowers include:
 - U.S. federally insured depository institutions (including banks, savings associations, and credit unions); and
 - U.S. branches or agencies of foreign banks.
- Must be eligible for primary credit at the Discount Window.
 - Must be in generally sound financial condition in the judgment of the Reserve Bank (See 12 CFR 201.4(a)).
 - Generally available to eligible depository institutions that are adequately or well capitalized.
 - See <https://www.frbdiscowindow.org> for more information.
- Master account is not required.
 - Borrowers with no master account must have a correspondent relationship with an institution with a master account.

Eligible Collateral

- Eligible collateral includes any collateral that:
 - is eligible for purchase by the Federal Reserve Banks in open market operations (see 12 CFR 201.108(b)), and
 - was owned by the borrower as of March 12, 2023.
- Examples of eligible collateral Include:*

Direct Obligations of:

- U.S. Department of the Treasury
- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Federal Farm Credit Banks Funding Corporation (Farm Credit System)
- Federal Home Loan Bank (FHLB) System
- Federal Home Loan Mortgage Corporation (Freddie Mac)
- Federal National Mortgage Association (Fannie Mae)
- Financing Corporation (FICO)
- Resolution Funding Corporation (REFCO)
- Student Loan Marketing Association (SLMA)
- Tennessee Valley Authority

Mortgage-Backed Securities (Pass-Throughs, CMOs & REMICs) Issued and/or Fully Guaranteed by:

- Government National Mortgage Associate (Ginnie Mae)
- Federal Home Loan Mortgage Corporation (Freddie Mac)
- Federal National Mortgage Association (Fannie Mae)

*The above listed securities are generally acceptable for pledge, with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches.

Terms of Borrowing

Size of Advance

- There is no limit to the number or size of advances in the aggregate. Eligible depository institutions may borrow up to the value of eligible collateral they pledge.

Collateral Valuation

- The collateral valuation will be par value.
- There will be no haircuts applied. Margin will be 100% of par value.

Advance Term

- Advances will be made available to eligible depository institutions for a term of up to one year

Prepayment

- Borrowers may prepay advances (including for purposes of refinancing) at any time without penalty.

Rate

- The rate for term advances will be the one-year overnight index swap rate plus 10 bps.
- The rate will be fixed for the term of the advance on the day the advance is made.

Recourse

- Advances made under the Program are made with recourse beyond the pledged collateral to the eligible depository institution.

Comparison of Program to Discount Window

	Discount Window – Primary Credit	Bank Term Funding Program
Eligible Collateral	<ul style="list-style-type: none">▪ Securities eligible for the Program plus a wider range of securities; loans (see collateral schedule on frbdiscountwindow.org)	<ul style="list-style-type: none">▪ Collateral eligible for purchase by Reserve Banks in open market operations, such as U.S. Treasuries, U.S. agency securities, and U.S. agency MBS
Collateral Valuation	<ul style="list-style-type: none">▪ Fair Market Value	<ul style="list-style-type: none">▪ Par Value
Rate	<ul style="list-style-type: none">▪ Primary credit rate (today = 4.75%)▪ Rate changes as primary credit rate changes	<ul style="list-style-type: none">▪ OIS + 10 bps (today = 4.39%)▪ Rate is fixed on day advance is made
Margin	<ul style="list-style-type: none">▪ For securities eligible for the Program, no haircuts; 100% margin▪ For others, see collateral schedule on frbdiscountwindow.org.	<ul style="list-style-type: none">▪ No haircuts; 100% margin
Term	<ul style="list-style-type: none">▪ Up to 90 days	<ul style="list-style-type: none">▪ Up to one year

Disclosure & Reporting

- The Federal Reserve's disclosures under the Program will be consistent with the disclosures it made, beginning in 2020, under the Primary Dealer Credit Facility, Commercial Paper Funding Facility, and Money Market Mutual Fund Liquidity Facility.
- Under section 11(s) of the Federal Reserve Act, the Federal Reserve will publicly disclose information concerning the facility one year after the Program ends (the Program is currently scheduled to end on March 11, 2024).
 - This disclosure will include names and identifying details of each borrower, the amount borrowed, the interest rate or discount paid, and information concerning the types and amounts of collateral pledged or assets transferred in connection with participation in the Program.
- On an aggregate basis, balance sheet items related to the Program will be reported weekly on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Federal Reserve.

How to Participate – Email Template

- Uses the terms of the Reserve Banks' existing documentation for Discount Window loans, Operating Circular No. 10, with a small number of modifications solely applicable to the Program.
- Must be sent by an authorized person to the borrower's local Reserve Bank.
- Eligible depository institutions that require more than one authorized person should contact their Reserve Bank.

[FORM OF EMAIL FOR BANK TERM FUNDING PROGRAM]

Reference is made to the Bank Term Funding Program first announced by the Board of Governors of the Federal Reserve System (the "Board") on March 12, 2023, as the terms and conditions for such program may be amended, supplemented, or otherwise modified from time to time (the "Program").

The borrower hereby agrees that all advances made pursuant to the Program shall be governed by (i) the terms of the Federal Reserve Banks' Operating Circular 10, *Lending*, as amended, modified, or otherwise supplemented from time to time ("OC-10"); and (ii) the terms and conditions set forth for the Program and such other terms or conditions as may be specified for the Program by the Board or the Federal Reserve Banks, each as amended, supplemented, or otherwise modified from time to time (the "Terms").

Solely with respect to advances made under the Program:

1. All advances made under the Program shall be deemed to be "Advances" for purposes of OC-10.
2. The interest rate applicable to an Advance shall be a fixed rate determined in accordance with the Terms and announced by the Board or the Federal Reserve Banks from time to time.
3. Paragraphs 5.1(a) of OC-10 shall not apply.
4. The borrower, for each request for an advance, shall specify its requested principal amount and term of the advance, which term shall be no more than one year.

To the extent there is any inconsistency or conflict between this email, the Terms, and OC-10, such inconsistency or conflict shall be resolved pursuant to the following order of precedence: (i) the terms of this email shall prevail over the Terms and OC-10; and (ii) the Terms shall prevail over OC-10.

I certify that I am authorized to agree to the terms set forth in this email and the Terms on behalf of the borrower named below. If the borrower has not previously agreed to the terms of OC-10, the borrower agrees that it shall provide any OC-10 documentation that a Federal Reserve Bank requires immediately upon the Federal Reserve Bank's request. This email and the Terms shall be governed by the law of the State in which the head office of the Bank (as defined in OC-10) is located.

Name of Borrower: [TYPE BORROWER NAME]

ABA Number: [TYPE ABA NUMBER]

Name(s) and Title(s) of Authorized Person(s): [TYPE AUTHORIZED PERSON NAME(S) AND TITLE(S)]

How to Participate – Collateral Pledge Instructions

- For operational information, see https://www.frbdiscowindow.org/GeneralPages/bank_term_funding_program.
- To participate, eligible depository institutions will need:
 - Standard Template Email; and
 - Collateral Pledge Instructions .
- For questions about how to participate, contact information for each district can be found at: <https://www.frbdiscowindow.org/Pages/Select-Your-District>.

Fedwire® Securities Service (FSS) Pledging Process for the Bank Term Funding Program (BTFP)

Introduction

This document provides instruction on how to pledge collateral for the Bank Term Funding Program (BTFP) via the Fedwire® Securities Service (FSS). Collateral available for the BTFP includes any collateral eligible for purchase by the Federal Reserve Banks in open market operations, such as U.S. Treasuries, U.S. agency securities, and U.S. agency mortgage-backed securities. There are two restricted securities accounts that can be used for pledging: the U102 (for regular DW) and the U101 (for BTFP). Collateral designated for the BTFP must be pledged to the U101 account prior to any extensions of credit on behalf of that program. Institutions that currently have a U102 account have been set up with the U101 account.

Establishing a U101 Account

A U101 account has been created for all institutions that currently have a U102 account. A pledging institution can contact the [Wholesale Operations Site](#) to verify that its U101 restricted securities account has been established.

If a depository institution doesn't yet have a U102 or U101 account, it should notify its [local Reserve Bank Discount Window staff](#) and coordinate to [initiate setup](#). Additionally, the FSS and the depository institution's [Relationship Manager](#) can also help ensure documentation is complete. The FSS center can be reached at 800-327-0147

In some instances, eligible collateral for this program may be pledged through Depository Trust Company (DTC). To pledge collateral to this program through DTC, the depository institution should contact [DTC](#) and pledge to the respective Reserve Bank pledge account (table below) with Purpose Code

To Ask a Question

- Use the chat feature in the webinar (***Ask Question*** button on bottom of screen).
- Email your question to: questions@askthefed.org.

Additional Resources

- Program materials are available on the [Bank Term Funding Program](https://www.frbdiscountwindow.org) page at <https://www.frbdiscountwindow.org>. There you can access:
 - [Term Sheet](#)
 - [FAQs](#)
 - [Standard Template Email](#)
 - [Collateral Pledge Instructions](#)
- The same website includes a link to [Operating Circular 10](#).
- Submit inquiries to BTFP@chi.frb.org or your local Reserve Bank



The screenshot shows the top portion of the Federal Reserve's website for the Bank Term Funding Program. At the top left is the Federal Reserve logo, featuring a classical column and the text "THE FEDERAL RESERVE" with the tagline "Discount Window | Payment System Risk" below it. To the right of the logo is a dark blue navigation bar with three white dropdown menus: "General Information", "Guidelines", and "Agreements". Below the navigation bar, the main heading "Bank Term Funding Program" is displayed in a large, bold, black font. Underneath the heading, it states "Last updated: 3/13/2023". The main body of text begins with "The Federal Reserve Board, on March 12, 2023, announced the creation of a new Bank Term Funding depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and o". The text continues with "In order to obtain an advance under the Program, eligible borrowers must submit a request using a s currently designated on the Operating Circular 10: Lending authorization list." Below this text are four blue hyperlinks: "Term Sheet: Bank Term Funding Program", "BTFP Standard Template Email", "BTFP Collateral Pledge Instructions", and "Frequently Asked Questions".

Thanks for joining us.

