The Bank Term Funding Program – Overview and Important Program Details for Depository Institutions

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Benjamin Snodgrass, Kelley O'Mara, Matthew Malloy, and Michael Gibson

Carl White: Well, good afternoon, everyone, and welcome to Ask the Fed®. My name is Carl White. I'm the senior vice president in charge of Banking Supervision, Credit, and Learning at the Federal Reserve Bank of St. Louis. On Monday, the Federal Reserve launched a new program to provide funding to eligible depository institutions to help ensure they have the ability to meet the needs of all of their depositors. The Program, which is called the Bank Term Funding Program, or BTFP, is what several experts from the Board of Governors will be discussing today.

This session will run an hour and 15 minutes and is titled "The Bank Term Funding Program – Overview and Program Details for Depository Institutions." So, thanks to everyone for joining us today.

So let's go ahead and move to Slide 2, and I'd like to briefly cover just a few logistics for today's webinar. So, first of all, the best overall experience is if you're joining us through the webinar and through the webinar audio. Some of you may be calling in via phone, and then you may be watching the webinar on a screen. You may notice just a slight delay, so one suggestion would be to download the presentation, and then you can go through it as you hear the speakers advance the slides, but we'll make sure we inform you which slide we're on as we move through the presentation. Please note that you can access the presentation slides in the webinar tool under Materials or at our website, www.askthefed.org. As always, we do record every Ask the Fed® call, and you can go to that same website and find the recording shortly after the session.

We also have received quite a few questions already, but you can still submit questions, and you can do that either using the Ask Question button—once again, in the webinar—or you can send us an email at questions@askthefed.org, and I'll repeat that information at the end of the session as well.

And, finally, a reminder: The opinions expressed in the presentations are statements of the speaker's opinion, are intended only for informational purposes and are not formal opinions of—nor binding on—any Federal Reserve Bank or the Board of Governors of the Federal Reserve System.

So we're going to move to Slide 3. Before I turn the program over to our presenters, I'd like to welcome Mike Gibson. Mike is director of Supervision and Regulation at the Board of Governors. And, Mike, I'm going to turn it over to you for a few opening comments.

Michael Gibson: Thank you, Carl, and thank you all for joining today and for giving us the opportunity to speak to you about the Bank Term Funding Program. I'll offer some brief thoughts and then turn it over to our team to make the presentation and then answer any questions you may have.

Let me start by reminding everyone that the Fed, the Treasury, and the FDIC have taken decisive actions to protect the U.S. economy by strengthening public confidence in our banking system. The agencies resolved Silicon Valley Bank and Signature using a systemic risk exception protecting all depositors. And as Carl mentioned, we also created a new lending facility under section 13(3) of the Federal Reserve Act: the Bank Term Funding Program. We created the Bank Term Funding Program to make available additional funding to eligible depository institutions to help assure that you have the ability to meet the needs of all your depositors. It's a key part of our commitment to make sure banks have all the liquidity they need to serve all of their depositors, insured and uninsured. Our aim is to bolster your capacity to safeguard deposits and ensure the ongoing provision of money and credit to your communities and the broader economy. Loans under the BTFP, which is the acronym for Bank Term Funding Program, are up to one year in length, which we see as giving firms secure, stable funding. I want to emphasize that supervisors will see your use of this facility in the context of sound liquidity management to be prudent planning. This is a difficult time, and it's important to maintain depositors' confidence in the system. We all know the importance of having plenty of cash on hand during such times. There is no stigma to using the BTFP. Also, I would note we emphasized earlier this week that depository institutions may obtain liquidity against a wide range of collateral through the Discount Window. As you all know, the Discount Window remains open and available. In addition, the Discount Window will apply the same margins used for the securities eligible for the BTFP, further increasing lendable value at the Window.

We welcome the interest all of you are showing by joining this Ask the Fed® session, and we will do our best to answer all your questions. If you have suggestions or thoughts for us, please share them with us or reach out to your supervisory points of contact to pass them along to us. This Program is here for you, and we want to understand how to best meet your needs. And with that, I will turn it back to Carl.

Carl White: Great. Thanks, Mike. So now I'd like to welcome our presenters for today's webinar, all of whom are joining us from the Board of Governors. So, first, we have Matt Malloy, section chief, Monetary Policy Operations and Analysis in the Monetary Affairs area; we have Kelley O'Mara, senior counsel in Banking Regulation and Policy in the Legal Division; and, finally, we have Ben Snodgrass, also a senior counsel in the Monetary Affairs and Payment System in the Legal Division.

So now we're going to move to Slide 4, and I'm going to turn the program over to

Matt, Kelley, and Ben.

Matthew Malloy: Thank you. Thank you all for joining today. As Carl mentioned, I'm in the Division of Monetary Affairs at the Board of Governors. I'm joined by colleagues here in the Board's Legal Division. I will kick off our session and turn the microphone over to Kelley and Ben.

So our goal today is to help banks better understand how the Program works and how you can use the Program. The agenda for today's call is shown on Slide 4. We will provide an overview of the Program and then go into details about eligible borrowers, eligible collateral, terms of borrowing, and how to participate. We will conclude by addressing questions we received. Next slide, please.

On March 12, 2023, the Federal Reserve Board authorized all 12 Reserve Banks to establish the Bank Term Funding Program pursuant to section 13(3) of the Federal Reserve Act. The Program was established to support American business and households by making available additional funding to eligible depository institutions to help ensure that they have the ability to meet the needs of all their depositors. The Program works by offering loans to eligible borrowers for a term of up to one year against eligible collateral, which we will value at par at the Program rate. I will leave aside for the moment the important details about who are eligible borrowers, what constitutes eligible collateral, and how we determine the Program rate. We will turn to those important topics in a few minutes.

Ultimately, the Program will be an additional source of liquidity against high-quality securities, eliminating an institution's need to quickly sell those securities in times of stress. The collateral for the Program is valued at par so a borrower can come to the Program and borrow against the par value of the collateral. I will note that the Program was approved by the secretary of Treasury, and the Department of Treasury is providing credit protection to the Federal Reserve Banks in connection with the Program. Advances under the Program can be requested until at least March 11, 2024.

Lastly, I would note that depository institutions may continue to obtain liquidity against a wide range of collateral through the Discount Window, which remains open and available. In addition, the Discount Window will apply the same margins used for the securities eligible for the Program, further increasing lendable value at the Window.

With that, I will turn it over to Kelley to talk about eligibility and loan terms for the BTFP.

Kelley O'Mara: Great. Thanks, Matt. Hello, everyone. I'm Kelley O'Mara. I'm a senior counsel in the Board's Legal Division, and I'm going to walk through some of the terms of the Program. As Matt indicated, the Program is designed to make advances to eligible depository institutions. We can talk about that on the next slide.

Eligible institutions for the Program include U.S. federally insured depository institutions, and that includes federally insured banks, savings associations and credit unions, and U.S. branches and agencies of foreign banks. In order to be eligible for the Program, the depository institution must be eligible for primary credit at the Discount Window. That requires the borrower to be in sound financial condition in the judgment of the lending Reserve Bank. Generally, institutions that are adequately or well capitalized are considered to be in sound financial condition. There is more information on primary credit eligibility at the Discount Window website, which is www.frbdiscountwindow.org. We're going to refer to that website several times today, so I'm just going to repeat it one more time, and we can call it the Discount Window website. It's www.frbdiscountwindow.org. Eligible institutions are not required to have a master account in order to access the Program. If an eligible borrower doesn't have a master account, it must have a correspondent relationship with an institution that does have a master account. Next slide.

There's been a lot of questions about what is eligible collateral for the Program. Eligible collateral includes any collateral that is eligible for purchase by the Federal Reserve Banks in open market operations and was owned by the borrower as of March 12, 2023. This slide includes examples of eligible collateral. In general, U.S. Treasuries and U.S. government agency securities are eligible collateral. In addition, agency MBS are eligible. Note at the bottom of the slide there are some flavors of these funds that are generally not acceptable for pledging, like Z tranches or interest-only or principal-only issuances. Also note that munis, corporate debts, equities, and loans are not eligible collateral for this Program, although some of those things are eligible for collateral at the Discount Window.

On the next slide we'll talk about the terms of borrowing. These terms are listed in the term sheet and also FAQs on the Discount Window website and the Board's website. So, for starters, to clarify, there's no limit to the number or size of advances in the aggregate. Firms may borrow up to the value of the eligible collateral pledged by the eligible borrower. Regarding valuation, as Matt said, the collateral valuation will be par value rather than fair market value. In addition, no haircuts will be applied. Margin will be 100% of par value. Advances can vary in duration but will be made available to eligible borrowers for a term of up to one year, and borrowers may prepay advances, including for the purposes of refinancing, at any time without penalty. The rate for term advances will be the one-year overnight index swap rate, or OIS rate, plus 10 basis points. The rate will be fixed for the term of the advance on the day the advance is made. And advances under the Program are recourse. They are made with recourse beyond the pledged collateral to the eligible borrower. Next slide.

You might be wondering how the Program compares to the regular Discount Window, so we wanted to talk through the differences. First, the Program takes a narrower range of collateral than the Discount Window. As discussed before, eligible collateral for the Program is limited to Treasuries, U.S. government agency securities, and agency MBS. The Program does not take munis. It doesn't take corporate debt security for loans. In contrast, the Discount Window takes a much wider range of securities if they meet investment quality standards, which are determined, for example, by looking to investment grade and tranche limitations. Securities acceptable at the Discount Window include foreign government securities, supernational securities, corporate bonds, munis, asset-backed securities, collateralized loan obligations, collateralized debt obligations, and private-label MBS. Further, the Discount

Window takes loans as collateral. If you are interested in pledging to the Discount Window for the Reserve Bank in your District, please see the collateral schedule at the Discount Window website.

While the Program takes a narrower range of securities than the Discount Window does, it values those securities at par value. Meanwhile, the Discount Window values securities at fair market value. That means in cases where the par value of the security is higher than the fair market value, pledging that security as collateral at the Program will provide more borrowing capacity than it would at the Discount Window. The rate on the two programs is also different. Primary credit at the Discount Window uses the primary credit rate, which is set by the Fed. There's also a different rate for secondary credit. As discussed earlier, the Program uses a rate of the overnight index swap rate plus 10 basis points. The rates as of this morning are listed on the slide, although these rates change. It's not a shock that the rates are updated daily on the Discount Window website.

The rate on a loan under the Program will be fixed for the term of the loan. It is set at the Program rate, which is, again, OIS plus 10 basis points, from the day the loan is taken out. When we talk about the Discount Window rate for the term of the Discount Window loan, that rate is not fixed for the life of the loan. The rate is floating and will adjust if the primary credit rate is changed while a loan is outstanding.

With respect to margins, the Discount Window typically haircuts collateral valuations when extending loans. That collateral schedule is available at the Discount Window website. For right now, neither the Discount Window nor the Program are haircutting securities that are eligible for the Program. There will be 100% margin on those securities at the Discount Window and at the Program. For any other securities or loans that are pledged through the Discount Window, the normal schedule and haircuts apply. Again, that's available at the Discount Window website. And, finally, as discussed on the previous slide, the term of the Program loans are up to one year, whereas the term of Discount Window loans is up to 90 days.

All right, Slide 10. I know there's been a lot of interest in understanding what will be publicly reported regarding the usage of the Program. Under the terms of the facility, the names of the borrowers in the facility will not be publicly released by the Fed until March 2025. The information needs to be released one year as of the facility's termination date, and the facility has been authorized to operate for a year. This disclosure, which, again, will be made public in March 2025, will include names and identifying details for the participants of the facility, as well as the amount borrowed, the interest rate or discount paid, and information concerning the types and amounts of collateral pledged assets transferred in connection with participation in the Program. In the interim, the Fed will report on aggregate balances, but those reports will not name borrowers. This includes weekly reports on the H.4.1 statistical release, which comes out on Thursdays, and that's called "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," and that is published on the Federal Reserve Board's website. But again, those reports will be aggregate balances and not borrower names. The Board will also report as required to oversight committees in Congress. 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, the Commercial Paper Funding Facility, and the Money Market Mutual Fund Liquidity Facility.

With that, I'll turn it over to Ben to talk about how to participate in the Program.

Benjamin Snodgrass: Thank you, Kelley. Again, my name is Ben Snodgrass, and like Kelley, I'm a senior counsel in the Board's Legal Division, and we'll be going through some details about how to participate in the facility.

Registration for the Program is designed to be simple. In order to request advances through the Program, interested borrowers must first complete the Form of Email available on the website for the Program. And if you're looking at the slides, a screenshot of that template is on Slide 11.

Though there isn't a traditional signature, an authorized signer must be the person to send the email to the borrower's Reserve Bank. If your organization requires more than one signer to execute the terms, please coordinate with your local Reserve Bank to determine the process for sending the email. If an eligible borrower has not yet agreed to the terms of the Reserve Bank's Operating Circular 10, which is the operating circular for Discount Window lending, the borrower must provide any documentation requested by the Reserve Bank immediately on request. If you're interested in the Program but have not previously agreed to the terms of Operating Circular 10, we suggest that you contact your local Reserve Bank. Next slide, please.

The Collateral Pledge Instructions are posted on the Discount Window website. There are detailed instructions about pledging collateral in this document. I will not go into more detail about the operational aspects of pledging collateral in this forum. Of course, this is an important component of the Program, and if you have any questions about these instructions, please reach out to your local Reserve Bank. You will find contact information for each of the 12 Reserve Bank Districts using the links shown on Slide 12.

And with that, I think we're ready for Q&A.

Carl White: All right. Thanks to all of you for your comments. I do want to remind folks on Slide 13 again about how to submit your questions. You can use the Ask Question button at the bottom of the screen, or you can email us at questions@askthefed.org.

Okay. So we're going to jump into the questions. We're going to get through as many as we can. So I'm going to start with one for Matt. So, Matt, "Where is the best source or resource to find the OIS rate at any given moment?"

Matthew Malloy: Thanks, Carl. So the Program rate, which is equal to the one-year OIS rate plus 10 basis points, is posted each day to the frbdiscountwindow.org website. This is the one-year fed funds effective OIS rate plus 10 basis points. To reiterate, the rate for loans made under the Program is equal to the one-year OIS plus 10 basis points, and the rate on your loan will be fixed at that rate in effect on the day you take out the loan. This rate will be fixed for the life of your loan. The Program rate will be posted every morning of every day to the FRB Discount Window website, and that's the best source of information for that rate.

Carl White: Great. Thanks, Matt. And I can confirm it's out there. I check every morning. So just go to frbdiscountwindow.org, and you can see the most current rate.

All right, Kelley, so I read that—the question is, "I read that an institution can request an advance until March 11, 2024. Is the term still one year from that date, making maturity March of 2025?"

Kelley O'Mara: Yes, that's correct. The Reserve Banks will be making advances under the Program through March 11, 2024, and advances requested even up to the last day can be for an up to one-year term.

Carl White: All right, great. So a lot of these questions are operational, but we want to get through all these so you have a full understanding of the Program, so this is great. Let's see. Matt, "How will payments of principal on pledged collateral be treated under the Program? Should the pledged collateral always at least equal the amount of the institution's outstanding Program loans?"

Matthew Malloy: So the Program recognizes that the par value of the collateral pledged to the Program by the borrower will be reduced by payments of principal. So in order to adjust for such payments over the course of Program loans to ensure that the par value of the pledged collateral at least equals the outstanding balance of the borrower's Program loans, the lending Reserve Bank will request sufficient collateral to adjust for principal payments or reduce the outstanding loan to the par value of the current collateral. Program borrowers that expect reductions in the par value of their pledged collateral may wish to pledge sufficient Program-eligible collateral in advance of such reduction.

Carl White: Great. Thanks, Matt. All right. Ben, "How long would it take to implement an advance? And what is the repayment schedule?"

Benjamin Snodgrass: Sure. Consistent with the Operating Circular 10, loan proceeds normally are made available at the close of Fedwire, which is usually 7:00 p.m. Eastern Time on the day that the advance is approved by the Reserve Banks. Reserve Banks may also approve requests for earlier availability. Payment is due at the end of the term of an advance, but borrowers may prepay in full or in part at any time without penalty under the Program.

Carl White: All right. Thanks, Ben. Another question about collateral. Kelley, I'll throw this one to you. "Do Fannie Mae, Federal Home Loan Bank, and FFCB securities qualify as collateral?"

Kelley O'Mara: Yes, they do. Direct obligations at the FHLBs and Fannie Mae and the Federal Farm Credit Banks are eligible securities, or eligible collateral. In addition, mortgage-backed securities that are issued or fully guaranteed by Fannie Mae are eligible securities.

Carl White: All right, great. We're still on collateral, so I'll throw another one to you, Kelley. "Much of our eligible collateral is held at subsidiary securities corporations. Would my institution be able to utilize the BTFP facility with the collateral remaining at the sublevel, or would the Program require those securities to be transferred?"

Kelley O'Mara: Only depository institutions can access the facility. Subsidiaries of banks and thrifts are not eligible borrowers, so that collateral would need to be transferred.

Carl White: All right, great. Well, still talking about securities. So, Ben, "What's the process to transfer securities pledged to the Discount Window over to the BTFP when the collateral value of the securities is being borrowed against using the Primary Credit Facility?"

Benjamin Snodgrass: Sure. Outstanding Primary Credit Facility loans must be fully collateralized at all times. If collateral to be pledged to the Program is necessary to secure an outstanding Discount Window loan, the borrower would need to do one of the following things to release the collateral for pledge to the Program: The borrower could either pay down the Discount Window loan or post sufficient additional collateral to collateralize the Discount Window loans in order to have those securities released. Instructions for pledging to the Program can be found on the Discount Window website.

Carl White: All right, Ben, a follow-up to that: "Do securities pledged for the BTFP Program have to be delivered to the Fed, or can they be held in safekeeping by a third party?"

Benjamin Snodgrass: Sure. The two ways to pledge eligible collateral for the Program are through DTC—the Depository Trust Company—or the Fedwire Securities Service. Again, more detailed instructions can be found on the Discount Window website for that.

Carl White: All right, we're going to keep repeating. The website is frbdiscountwindow.org, so you might want to save that in your favorites.

Okay, Kelley, "Bullet 1 of the primary credit eligibility requirements says, and I quote, 'unless supplementary information indicates that the institution is not generally sound,' unquote, so how does the Fed define 'not generally sound' for this requirement? What supplementary information do you use to make that determination? Is it based mostly on confidential supervisory information? Is there any public Call Report data that could be used to evaluate what's not generally sound?" So maybe just kind of—if you can just cover how we define "not generally sound."

Kelley O'Mara: Sure. Yes, not generally sound—or soundness is a requirement from our regulations, Regulation A, and in order to be eligible for primary credit, which is also what makes you eligible for the Program, the depository institution must be eligible or must be in sound financial condition in the judgment of the lending Reserve Bank, and that is a judgment that Reserve Banks make. Generally, institutions that are adequately or well capitalized are considered to be in sound financial condition, and supplementary information may be used, but that really depends on the facts and circumstances. Again, I'll refer you to the Discount Window website, which has additional information regarding eligibility for primary credit.

Carl White: All right. Thanks, Kelley. Matt, another question about the rate, so maybe you can re-emphasize this again. The question is, "Can you clarify the index? Is it the one-year OIS rate plus 10? Is it the fed funds or SOFR OIS?" So maybe if you can just clarify again regarding exactly what the rate is.

Matthew Malloy: Sure. Yeah. So it is the one-year fed funds OIS rate plus 10, so fed funds, not SOFR.

Carl White: Got it. And once again, you can go to frbdiscountwindow.org on a daily—that rate is updated and disclosed right there at that website.

So pretty general question, and you kind of covered this, Ben, but the question is, "What is the process for applying through this Program?" So maybe real quickly, if you can go through that once more.

Benjamin Snodgrass: Sure, absolutely. And, folks, with the materials, some of this is also on Slide 11, for reference, but overall, registration for the Program is designed to be simple. In order to sign up for the Program, interested borrowers must first complete the Form of Email template that's found on the website for the Program. Again, there isn't a traditional signature, but an authorized signer must be the person to send the email to the borrower's Reserve Bank. Again, if your organization requires more than one signature to execute these terms, please coordinate with your local Reserve Bank to determine the right process for sending the email.

Also, I had mentioned the Federal Reserve Bank's Operating Circular 10, which is the normal terms for Discount Window. If an eligible borrower has not yet agreed to the terms of Operating Circular 10, then the perspective borrower should get in touch with the Reserve Bank, and the Reserve Bank may require the borrower to provide additional documentation upon request. In terms of actually requesting an advance under the Program, requests for advances would be made through the normal telephone channels that are used for requesting an advance through the Discount Window.

Carl White: Great. Thanks, Ben. And I'll just share from my perspective. Getting the documentation in place following OC-10, like Ben just stated, it does take a little bit of time on our end, so if you have questions, please reach out to your Reserve Banks ASAP so we can start that process. We're trying to get through them as quickly as we can, but just so you know, it does take a little bit of time.

Okay, Kelley, I think you covered this already, but let's just re-emphasize. "Are mortgage-backed securities backed by Freddie and Fannie eligible for this Program?"

Kelley O'Mara: Yes, mortgage-backed securities that are issued or fully guaranteed by Fannie Mae or Freddie Mac are eligible for the Program. That includes pass-throughs, BMOs, and REMICs.

Carl White: Great. Thanks, Kelley. Okay, Ben, "Can an advance be prepaid in part, or does it need to be satisfied in total?"

Benjamin Snodgrass: Yes, advances may be prepaid either in whole or in part and, again, without penalty.

Carl White: And we've already seen that here in St. Louis, so thanks, Ben. Okay, kind of following up on that, Ben, similar question, and this is kind of a long one. "I saw in the terms of the Program that there's no prepayment penalty. My question is, can the borrowing be paid in part, or must the full amount of the borrowing be paid at the time of prepayment?" You just kind of covered that. "To provide context, if we borrow 50 million and two weeks from now are able to pay 10 million back, do we have to pay the full amount and borrow again, or are we able to just pay down the original note, leaving the remaining dollars in place?"

Benjamin Snodgrass: Sure. So in line with the previous question, the borrowers may prepay in part. So, in the example that you give, the borrower could pay down 10 million and continue to have 40 million principal outstanding, yes.

Carl White: Yes. All right. Okay, Kelley, "Is the Program available for an international branch operating in the U.S.?"

Kelley O'Mara: Yes, it is. It's available to U.S. branches and agencies of foreign banks in addition to U.S. federally insured depository institutions.

Carl White: All right. Thanks, Kelley. We have another question on prepayments. I think you covered that very well, Ben. Okay, question on interest. So, Ben, "How often will interest be charged?"

Benjamin Snodgrass: Sure. Interest on Program loans is payable to the Reserve Bank upon maturity of the loan. However, if a borrower prepays all or a portion of the principal on the advance, interest will be due on the amount of the principal that's being prepaid.

Carl White: All right. Thanks, Ben. All right. Kelley, "What is the Fed's view on institutions using the BTFP?" And I think Mike Gibson covered this very well. And then "Will there be stigma associated with borrowing from this facility?"

Kelley O'Mara: Yes, Carl, I agree with you. Mike Gibson covered this well, so I'm just going to echo what he said at the top of the call. You know, number one, we want to emphasize that supervisors will see your use of the facility in the context of sound liquidity management to be prudent planning. This is a difficult time, and it's important to maintain depositors' absolute confidence in the system, and we know the importance of having plenty of cash on hand during such times. There is no stigma attached to using the Program.

Carl White: Thanks, Kelley. And I may just give my complete support of what you and Mike just said. I know there's comments in the press about stigma tied to this Program, and I just want to emphasize what Kelley and Mike said, that there is not stigma. And as Mike said, this is good, prudent liquidity management.

All right. Kelley, "So we have a Massachusetts Investment Security Corporation subsidiary. Is there a way to pledge the eligible assets residing in that subsidiary?"

Kelley O'Mara: So similar to the previous question on this, no. Only depository institutions that are eligible for the Program may pledge to the facility and borrow from the Program. If the bank transfers securities from the subsidiary, they would be eligible. There might be other, you know, not by the fact of making that transfer, but the depository institution has to be the one to pledge and borrow.

Carl White: Got it. Okay. Thanks, Kelley. All right. Ben, so here's a question about testing the facility. I know we always encourage our institutions to test their Discount Window facility at least on an annual basis. So the question is, "Do you recommend that banks complete an availability test for the BTFP similar to what we do periodically for the Window, or from a logistical standpoint, do we have testing coverage over the BTFP by completing a test of the Discount Window?"

Benjamin Snodgrass: Sure. So loans from the Program logistically function the same as a Discount Window loan, so that means that proceeds are credited to and pulled from the settlement point that's on file, but if a borrower has either not had Discount Window access established before or hasn't tested or, to your point, has not tested in a long time, they may want to test.

Carl White: Yeah. Perfect. Great answer to that. Okay. Kelley, I know we covered this, and this is about disclosures, and I know at least in our District this is probably the most popular question we've been getting. So the question is, "Will information become public as to which banks ever used the Program?"

Kelley O'Mara: Right. So, under the terms of the Program, the names of the borrowers in the Program will not be publicly released by the Fed until March 2025. The Federal Reserve's disclosures under the Program will be consistent with the disclosures it made beginning in 2024 for certain facilities. Those are the Primary Dealer Credit Facility, the Commercial Paper Funding Facility, and the Money Market Mutual Fund Liquidity Facility, so those are on our website if you want to see what it looks like. But bottom line is that under the current terms, the names of the borrowers will not be publicly released until March 2025, and in the interim, aggregate information regarding use of the facility will be released without borrower names.

Carl White: All right. Thanks, Kelley. Matt, another question about the rate just to repeat, maybe, but I think it's important. "How often will the rate reset? And is there any fixed-rate term?"

Matthew Malloy: Thanks for that question. So all the loan terms under the Program are fixed rate. And just to reiterate, the rate for term advances will be the one-year OIS plus 10 basis points, and the rate will be fixed for the term of the advance on the day the advance is made.

Carl White: All right. Kelley, another collateral question. Once again, you covered this, but I think this is another question that's come up here, so I think it's important that we make sure we address this again, and the question is, "Are investment-grade municipal bonds acceptable collateral for the Program?"

Kelley O'Mara: No, they're not. Muni bonds are not eligible collateral for the Program, although they may be eligible collateral for the Discount Window. And again, I would point you back to the Discount Window website to see what collateral is eligible.

Carl White: Exactly. Yes, you're exactly right, Kelley. Thanks. And once again, www.frbdiscountwindow.org. A lot of information can be found there.

Let's see. Okay, Ben, "Can banks without an OC-10 submit one along with their template email to participate? What checks and balances are in place to ensure collateral was owned before March 13?"

Benjamin Snodgrass: So I think with respect to this one I would say that it's probably a good idea for a bank in this situation to get in touch with their local Reserve Bank and understand what the right process was and what the expectations that the local Reserve Bank would have with respect to the submission of documents.

Carl White: All right, great. Thanks, Ben. Kelley, another collateral question. We may have covered this, but let's just go ahead and cover it. "Can you confirm that both agency MBS and agency CMOs for Fannie Mae and for a home loan are eligible to pledge? In the literature there was a comment that indicated that mortgage-backed securities are eligible, but did not see a comment on agency CMOs."

Kelley O'Mara: Yes, CMOs, REMICs, and pass-throughs from Fannie, Freddie, and Ginnie are all eligible.

Carl White: All right. So, Matt or Ben or whoever wants this one, I think you kind of covered this, but let's re-emphasize as far as communication with questions. So the question is, "Should community banks work directly with the Federal Reserve on this Program"—and I assume that they mean their local Federal Reserve Bank—"or go through their correspondent bank?"

Matthew Malloy: So they need to work with their local Reserve Bank and not through a correspondent. If the community bank has already completed their discount with their documents, then all you need to do is complete the form email, which is on the discountwindow.org website. So, with respect to pledging collateral for the Program, the eligible collateral needs to be positioned and transferred to the Federal Reserve. The borrower should follow all the pledge instructions about position and collateral for the Program, also at the same website.

Carl White: Yes, that same website, and you can also go to that website for contact information for all the Reserve Banks for your local Discount Window individuals that you can reach out to. So, once again, that website is very important, with a lot of information.

Okay, Kelley, here's a good question about the Call Report. "If one utilizes the BTFP, are there any additional or needed steps as it relates to reporting as it pertains to the Call Report or any other regulatory reports?"

Kelley O'Mara: So, as of the quarter-end Call Report, amounts borrowed from the Federal Reserve Banks are captured as part of other borrowing. For those following along, that's Schedule RCM, line item 5b. So this line item has granular breakdown by maturity or repricing date but not by the source of funds. The total is also included in a few other line items, generally other borrowing, other borrowed money line items. Respondents also report the value of pledged securities, including held-to-maturity securities that amortize cost but ensure borrowings in pledged securities, and that's Schedule RCB, Memorandum item 1.

Carl White: Awesome, thanks. Thank you, Kelley, for that. Kelley, maybe I'll throw another one to you. "How will the Fed—or will the Fed notify the bank's primary regulator, the state, the OCC, the FDIC, that a bank has applied or is receiving funds through the Program?"

Kelley O'Mara: So the Fed typically doesn't provide information about facility usage to other regulators, but if a federal, state, or local regulator requested the information, the Federal Reserve staff would evaluate that on a case-by-case basis.

Carl White: Yes. Great. Thanks, Kelley. So, Matt, "Is there a global limit on how much can be withdrawn by banks for the entire facility?"

Matthew Malloy: The Program will be as big as the potential collateral that is pledged to it and is designed for all eligible institutions. As we've noted already, we'll try to streamline the process for onboarding to make it as simple and efficient as possible to participate.

Carl White: All right. Thanks, Matt. Okay, another question. So this is the question about the difference between small and larger institutions—is there any difference. So, "Is there a minimum funding amount? And is this Program geared more towards larger institutions rather than small or midsize institutions?"

Matthew Malloy: Yeah, so the Program is intended for any eligible depository institution, as covered by Kelley earlier, regardless of the size—so large institutions, small institutions—so long as they're eligible.

Carl White: All right. So we've clearly stated that the Program is going to end March of 2024. The question is—and you may not have the answer to this—but "Will it possibly be extended beyond that date?"

Kelley O'Mara: Thanks, Carl. Any extension of the Program requires approval by the governors of the Federal Reserve Board and also by the secretary of the Treasury. We won't have that information anytime soon, but that will be a decision that will be made by those parties at a later date.

Carl White: All right. Thanks, Kelley. Okay, so I'm going to read this question. I may need you to kind of interpret it a little bit. "Do all current Fed members have access to the Program?" So I'm not sure if they mean member banks or institutions that already have Discount Window relationships, but maybe you can just cover who's eligible once again.

Kelley O'Mara: Yeah, sure. Eligible depository institutions, again, are U.S. federally insured depository institutions—banks, thrifts, and credit unions, and also branches and agencies—U.S. branches and agencies of foreign banks. We welcome members and nonmembers to the Discount Window. They do need to be eligible for primary credit, so that is the limitation. And then, of course, as Ben has discussed, they need to agree to OC-10 and the other terms in order to access the facility.

Carl White: All right. Thanks, Kelley. Okay, another one for you. I know we've covered this, but this is another question I know that's come up. "Are credit unions also allowed to participate in this Program? And are there any special requirements that they have to go through?"

Kelley O'Mara: So, federally insured credit unions are permitted to participate, and they need to follow the same process as banks and thrifts and U.S. branches of foreign banks in order to access the Discount Window through OC-10 and access the Program.

Carl White: All right. Let's see. How about "Are investment"—well, we already covered municipal bonds. We already covered that, and we covered—so here is a good question. "Is there a minimum loan amount that one has to take out?"

Kelley O'Mara: No, there isn't. Any collateral amount will be considered.

Carl White: All right. I'm checking to see if we have more questions. I think we've covered this one. "How long would it take to implement an advance?" You've covered that. You need to make sure that you contact your Reserve Bank, you have your OC-10 documents, and then it's pretty much the same process as drawing down a Discount Window loan. Actually, it is, and the timing is relatively quick. I can vouch for that here in St. Louis.

Benjamin Snodgrass: Yeah. Sorry. As we talk about that, loan proceeds, once you've taken the steps to make sure that you've got all the documentation in place for the Program, the loan proceeds are normally made available at the close of Fedwire. That's usually 7:00

p.m. Eastern on the day that the Reserve Bank approves the advance, but it is possible the Reserve Bank may be able to approve requests for earlier availability.

Carl White: All right, great. Thanks. Okay. So, Ben, this is interesting. "If you have not accessed the Discount Window recently or in years or maybe ever, how do you verify that your bank still has privileges, whether or not you have the documents in place? How do we go through that process?"

Benjamin Snodgrass: In that situation I recommend that the bank should contact its local Reserve Bank just to confirm that everything is in order.

Carl White: All right. Just checking. I think we're in pretty good shape. All right. I think we've gotten through—we got through a lot of questions. This is probably the most questions we've been able to get through for a session, which is great. Like I said earlier, if you have more questions, please continue to send them in. If they are operational, I don't know how many times we've emphasized the website, frbdiscountwindow.org, or just reach out to your local Reserve Bank contacts, and they can help you with a lot of the questions that you may have either setting it up or making sure that you are ready to go if you want to draw.

So let's move to Slide 14, and I'm going to wrap us up. Once again, thanks for all your questions. We've listed a lot of the additional resources. The links that we've mentioned for the BTFP are on that site. Before I wrap up with some very quick closing comments, Kelley or Ben or Matt, I don't know if you had any final thoughts you'd like to add?

Matthew Malloy: No. I think we've covered everything. I just want to thank all the participants again for joining us today, and just know that the Reserve Bank staff is available for further questions. We're happy to also answer follow-up questions. And just thank you for the opportunity to present today.

Carl White: Great. All right. Thanks, Matt, Kelley, and Ben for all your work on today's session. A lot of work went into this over the last 24, 48 hours. I'd also like to thank Mike Gibson for sharing his thoughts at the top of the webinar.

As a reminder, just a few quick closing comments: All sessions are recorded and archived on the Ask the Fed® site, so you can review the materials, go back and listen to this and any other sessions that we've done in the past kind of at your own leisure. Ask the Fed® is a program of the Federal Reserve Bank of St. Louis. It's intended only for informational purposes. Views are not formal opinions of—nor binding on—any Federal Reserve Bank or the Board of Governors of the Federal Reserve System.

Thank you once again for joining us this afternoon, and please stay tuned for any future Ask the Fed® sessions.

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