

Report to Congress Pursuant to Section 13(3) of the Federal Reserve Act: Bank Term Funding Program

Overview

On March 12, 2023, the Board of Governors of the Federal Reserve System (Board), by the unanimous vote of its six members and with the approval of the Secretary of the Treasury (Secretary), authorized each of the 12 Federal Reserve Banks (Reserve Banks) to establish and operate the Bank Term Funding Program (BTFP) under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343(3)). The BTFP makes funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. Under the BTFP, each Reserve Bank will lend, on a recourse basis, to eligible depository institution borrowers for up to one year, receiving eligible collateral, as defined below, in return.

Background on the BTFP

Recent events have resulted in stress to certain U.S. banks. The Board determined that unusual and exigent circumstances existed and approved the establishment of the BTFP.

Structure and Basic Terms

The term sheet for the BTFP is available to the public on the Board's website.¹ The following discussion provides an overview of the terms and conditions that govern the BTFP. The Board and Reserve Banks continue to monitor and consult with depository institutions and, accordingly, the terms and conditions governing the BTFP may be modified in the future as appropriate.

Eligible Borrowers. Any U.S. federally insured depository institution (including a bank, savings association, or credit union) or U.S. branch or agency of a foreign bank that is eligible for primary credit (see 12 C.F.R. 201.4(a)) is eligible to borrow under the BTFP.

Eligible Collateral. Eligible collateral includes any collateral eligible for purchase by the Reserve Banks in open market operations (see 12 C.F.R. 201.108(b)), provided that such collateral was owned by the borrower as of

¹ See <https://www.federalreserve.gov/monetarypolicy/bank-term-funding-program.htm>.

March 12, 2023.

Advance Size. Advances will be limited to the value of eligible collateral pledged by the eligible borrower.

Advance Term. Advances will be made available to eligible borrowers for a term of up to one year.

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

Fees. There are no fees associated with the BTFP.

Collateral Valuation. The collateral valuation will be par value. Margin will be 100 percent of par value.

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

Recourse. Advances made under the BTFP are made with recourse beyond the pledged collateral to the eligible borrower.

Termination Date. No new advances will be made under the BTFP after March 11, 2024, unless the BTFP is extended by the Board and the Secretary.

Requirements Imposed on Recipients. The BTFP will not impose any new requirements on borrowers with respect to employee compensation, distribution of dividends, or any other corporate decision in exchange for accessing this facility.

Expected Costs to Taxpayers. The BTFP includes features that are intended to mitigate risk to the Federal Reserve and taxpayers. In particular, eligible collateral is limited to high-quality assets, and advances are made with recourse beyond the collateral pledged by the borrower depository institution. In addition, the Department of the Treasury, using the Exchange Stabilization Fund, is providing \$25 billion as credit protection to the Reserve Banks in connection with the BTFP. As a result, the Board does not expect at this time that the BTFP will result in losses to the Federal Reserve or the taxpayer.

Aggregate Data²

As of March 15, 2023:

- The total outstanding amount of all advances under the BTFP was \$11,942,528,000.
- The total value of the collateral pledged to secure outstanding advances was \$15,885,798,000.
- The amount of interest, fees, and other revenue or items of value received under the facility, reported on an accrual basis, was \$662,000.

² Data is rounded to the nearest thousand.