

## Press Release

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March 31, 2020

### FIMA Repo Facility FAQs

[What is the purpose of the FIMA Repo Facility?](#)

[Who is eligible to participate in the FIMA Repo Facility?](#)

[How is the FIMA Repo Facility structured?](#)

[How does the FIMA Repo facility fit into the Federal Reserve's standard practices and policies?](#)

[Who authorized the FIMA repo facility?](#)

[Is the Federal Reserve exposed to foreign exchange or credit risk in providing this facility?](#)

[Is activity by the FIMA repo facility disclosed to the public?](#)

#### **What is the purpose of the FIMA Repo Facility?**

The FIMA repo facility is designed to help maintain the flow of credit to U.S. households and businesses by reducing risks to U.S. financial markets caused by financial stresses abroad. The facility reduces the need for central banks to sell their Treasury securities outright and into illiquid markets, which will help to avoid disruptions to the Treasury market and upward pressure on yields. By allowing central banks to use their securities to raise dollars quickly and efficiently, the facility will also support local markets in U.S. dollars and bolster broader market confidence. Stabilizing foreign dollar markets, in turn, will support foreign economic conditions and thereby benefit the U.S. economy through many channels, including confidence and trade.

#### **Who is eligible to participate in the FIMA Repo Facility?**

Most FIMA account holders, which consist of central banks and other foreign monetary authorities with accounts at the Federal Reserve Bank of New York (FRBNY), will be eligible to apply to use the facility. Applications for usage of the facility must be approved by the Federal Reserve.

#### **How is the FIMA Repo Facility structured?**

The FIMA repo facility would allow foreign central banks to temporarily raise dollars by selling U.S. Treasuries to the Federal Reserve's System Open Market Account and agreeing to buy them back at the maturity of the repurchase agreement. The term of the agreement will be overnight, but can be rolled over as needed. The transaction would be conducted at an interest rate of 25 basis points over the rate on IOER (Interest on Excess Reserves), which generally exceeds private repo rates when the Treasury market is functioning well, so the facility would primarily be used only in unusual circumstances such as those prevailing at present.

#### **How does the FIMA Repo facility fit into the Federal Reserve's standard practices and policies?**

Like many central banks, the Federal Reserve, through the Federal Reserve Bank of New York (FRBNY), already provides foreign official and international account holders with a wide range of custody and payments services such as funds, securities, and gold safekeeping; securities

clearing, settlement, and investment; and correspondent banking. These services enable the account holders to make cross-border payments; invest, settle, and hold U.S. dollar reserves; and maintain a network of banking channels that they can employ to stabilize financial markets in times of stress. Providing these services helps the U.S. economy by supporting stable and well-functioning U.S. dollar funding markets, as well as by promoting the international role of the dollar. Adding the FIMA Repo Facility to the range of services offered by FRBNY to foreign central banks enhances our capacity to achieve these objectives. Moreover, other major reserve currency-issuing central banks offer similar facilities to the global central banking community, including the Federal Reserve, and these facilities aid the Fed in managing its own foreign currency portfolio.

**Who authorized the FIMA repo facility?**

The establishment of this facility was authorized by the Federal Open Market Committee (FOMC) of the Federal Reserve System. In addition, the Federal Reserve has the right to approve or deny requests by foreign central banks to use the facility.

**Is the Federal Reserve exposed to foreign exchange or credit risk in providing this facility?**

No. The transactions take place exclusively in dollars, so there is no exchange rate risk. And dollar outlays of the facility are fully collateralized by U.S. Treasuries that are margined similar to collateral posted to the Federal Reserve's discount window.

**Is activity by the FIMA repo facility disclosed to the public?**

Yes, amounts outstanding under the facility are published in the Federal Reserve's [weekly H.4.1 release](#).

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