

Federal Reserve

DISCOUNT WINDOW | PAYMENT SYSTEM RISK

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Asset Backed Commercial Paper (ABCP) Money Market Mutual Fund (MMMF) Liquidity Facility (AMLF or "the Facility")

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Please note: The AMLF program commenced operations on September 22, 2008 and expired on February 1, 2010.

Last Updated: February 5, 2010

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Current Interest Rates

Primary Credit	0.75%
Secondary Credit	1.25%
Seasonal Credit	0.15%
Fed Funds Target	0 - 0.25%

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1. How will this program support money market mutual funds?

Over the days prior to the initiation of the program, some money market mutual funds experienced significant demands for redemptions by investors. In ordinary circumstances, they would have been able to meet those demands by selling assets. Recently, however, many money markets have become extremely illiquid, including the asset backed commercial paper (ABCP) markets. This program is intended to help restore liquidity to the ABCP markets and thereby to help money funds meet demands for redemption.

2. Who is eligible to participate in this program?

Eligible borrowers include all U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the U.S. or their U.S. broker-dealer subsidiaries), or U.S. branches and agencies of foreign banks.

3. How does the program work?

Eligible borrowers may borrow funds from the AMLF in order to fund the purchase of eligible ABCP from a money market mutual fund (MMMF) under certain conditions. The MMMF must be a fund that qualifies as a money market mutual fund under Securities and Exchange Commission Rule 2a-7 (17 CFR 270.2a-7) issued pursuant to the Investment Company Act of 1940 (Rule 2a-7) and must be experiencing significant redemption pressures. See [FAQs 34 through 41](#) for more information on qualifying redemption pressures. See FAQ 7 for further details on eligible ABCP under the program. Advances by the Federal Reserve Bank of Boston (FRBB) under the program are non-recourse to the borrower. Consequently, once an eligible borrower has borrowed under this facility, it is at no risk of loss on the eligible ABCP unless the ABCP is deemed to be non-conforming. Please refer to the Facility's [Terms and Conditions](#) for additional information.

4. When will the program begin?

September 19, 2008.

5. How long is this program in effect?

No new credit extensions will be made after February 1, 2010.

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6. What is the legal basis for the program?

The AMLF program is authorized under Section 13(3) of the Federal Reserve Act, which permits the Board, in unusual and exigent circumstances, to authorize Reserve Banks to extend credit to individuals, partnerships, and corporations that are unable to obtain adequate credit accommodations. It also is authorized under Section 10B, which authorizes Reserve Banks to make advances to depository institutions.

7. Which issues of ABCP are eligible?

Only U.S. dollar denominated issues from a U.S. issuer are eligible. The ABCP must be rated at the time of pledge and until risk is transferred not lower than A1, F1, or P1, which would exclude any ABCP item that is rated A1, F1, or P1 "negative watch" by any major rating agency. Issues that are rated A1+, F1+, or P1+ "negative watch" will continue to be eligible. The ABCP must be issued by an entity organized under the laws of the United States, or a political subdivision thereof, under a program that was in existence and actively issuing eligible ABCP directly to market investors on September 18, 2008. Further terms and conditions related to the program can be found at the end of these FAQs.

8. How will the Federal Reserve administer this program?

It will be administered by FRBB, which is authorized to make loans under this facility to eligible borrowers in any of the twelve Federal Reserve districts.

9. Is it necessary to have a master account with the Federal Reserve Bank of Boston or any Federal Reserve Bank to borrow under this facility?

No. If an eligible borrower has an account with any Federal Reserve Bank the loan will settle through the existing account. Non-accountholders may borrow through a correspondent.

10. What borrowing documents are needed to obtain a loan under this facility?

The documents will be posted at www.frbdiscountwindow.org. Borrowers that do not currently have OC-10 documentation on file with their local Reserve Bank must complete an Authorizing Resolutions for Borrowers signed by the borrower's board of directors and have an official authorized under that resolution sign FRBB's Letter of Agreement governing the program. Effective June 26, 2009, any borrowers that had filed a resolution and Letter of Agreement prior to that date must have an official authorized under the resolution sign FRBB's Certification governing ABCP eligibility prior to any new extension of credit under the AMLF. Properly executed documents must be delivered via fax at the following number, 617-573-5400, prior to any extension of credit under the AMLF. The original executed documents should then be delivered or mailed to the address specified in the documents.

11. What is the specific collateral information required to be provided when requesting a loan and how will I know if I

qualify?

There is a standard Excel spreadsheet titled "ABCP MMMF Liquidity Facility Request Form". Borrower will file a consolidated spreadsheet showing all collateral being pledged and individual spreadsheets that track net asset and share changes for each participating MMMF. The individual spreadsheet will contain embedded formulas which will utilize reported net asset values to indicate when a threshold has been met. The share levels reported must fall within .5% of the reported net asset level for each day. If they do not, an error message will be generated and the spreadsheet should not be submitted until the difference is reconciled. The Liquidity Facility Request Form must be accompanied by the required share balance confirmation form issued by the Transfer Agent (see FAQ 40). The share balance information on the confirmation form must be identical to the share balance information entered on the spreadsheet. All fields should be completed and the spreadsheet e-mailed to ABCPSpecialLendingProgram.bos@bos.frb.org no later than 12:00PM Eastern Time of the day a loan will be requested.

12. At what rate will loans under this facility be extended?

Loans made under the facility will be made at a rate equal to the primary credit rate in effect on the initiation date the loan is made. That rate will be fixed for the term of the loan.

13. What will be the maturity of the loans?

For eligible borrowers that are not depository institutions, advances may remain outstanding for the remaining term of the ABCP that is financed, which varies from overnight to 270 days. For eligible borrower(s) that are depository institutions, no advance under the AMLF may exceed a term of 120 days and the maturity of the underlying pledged ABCP may not exceed 120 days. Prepayment in full or part is not allowed except in the event of bankruptcy or receivership of the borrower.

14. At what price must the banking organization purchase the ABCP?

The ABCP must be purchased from an MMMF at amortized cost. In general terms, amortized cost is the MMMF's acquisition cost of the ABCP as adjusted for amortization of premium or accretion of discount. Amortized cost is distinct from the ABCP's value based on current market factors.

15. Under the program, can an eligible borrower borrow against ABCP that it had owned prior to creation of the program?

No. It can only borrow against ABCP purchased from an MMMF on or after September 19, 2008.

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16. Can the eligible borrower pledge paper bought from proprietary funds under this facility?

Yes. For example, if eligible borrower "XYZ" manages a qualified MMMF, "Blue Ribbon Fund," XYZ may fund the purchase of ABCP from Blue Ribbon Fund under this

facility, so long as the transaction does not otherwise violate securities laws or any other laws.

17. Can the borrower buy from a qualified fund ABCP that was issued by a program for which the borrower serves as the sponsor and pledge that paper under this facility?

Yes. A qualified borrower may pledge ABCP from one of its own programs. For example, if qualified borrower "XYZ" sponsors ABCP "Blue Ribbon Funding Trust IV", which is held by a qualified MMMF, XYZ may fund the purchase of ABCP from the fund and pledge it to secure a loan under this facility.

18. What capital charge will be assessed against bank holding companies and state member banks that receive these loans from the Federal Reserve?

Because bank holding companies and state member banks will bear no credit or market risk in their holdings of ABCP under this facility, the holdings will not be assessed any regulatory capital charge. Thus, the holdings will receive a 0 percent risk weight for risk-based capital purposes for bank holding companies and state member banks and will be excluded from average total consolidated assets for leverage capital purposes. Inquiries with regard to the capital treatment of these holdings at a depository institution that is not a state member bank or bank holding company should be directed to the borrower's primary federal regulator.

19. Under the program, is it necessary for the eligible borrower to pledge and borrow against the ABCP on the same day that it purchases the ABCP from a qualified MMMF?

No. However, the eligible borrower would retain the credit and interest rate risk relating to the ABCP until the advance is made and the ABCP pledged to secure the advance.

20. How should the eligible borrower account for the facility?

Consistent with GAAP, the Federal Reserve would expect such organizations to report purchased ABCP as an investment security (i.e., held-to-maturity or available-for-sale) on their balance sheets. These assets would be reflected at the time of purchase at the organization's best estimate of fair value. The non-recourse nature of the transaction would impact the valuation of the liability to the Federal Reserve. After reflecting any appropriate discounts on the assets and associated liabilities, organizations are not expected to report any material net gains or losses (if any) at the time of purchase. Any discounts generally would be accreted over time into income and expense. The Federal Reserve staff, in connection with providing the above guidance, has consulted with staff of the SEC's Office of the Chief Accountant.

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21. Does the Federal Reserve System report on lending activity under the AMLF?

Week average and Wednesday amounts of AMLF credit outstanding is reported on the [H.4.1 weekly statistical release](#) 📄 titled "Factors Affecting Reserve Balances of

Depository Institutions and Condition Statement of Federal Reserve Banks" in table 1 on the line "Asset Backed Money Market Mutual Fund Liquidity Facility," and in table 4 and table 5 the credit is included in "other loans." On June 10, 2009 the Federal Reserve released the first in a series of monthly reports entitled "Federal Reserve Credit and Liquidity Programs and the Balance Sheet" which includes information on the number of borrowers, borrowing amounts by type of institution, collateral by type and credit rating, and data on the concentration of borrowing. The report is available on the Board's website. There will not be any public disclosure of the individual borrowers participating in this program or the amounts of individual advances made to the borrowers.

22. Can ABCP with an extendable maturity be pledged to the AMLF?

No. If the ABCP has an extendable feature such that the ABCP maturity date can be extended under certain conditions, the ABCP is not eligible to be pledged to the AMLF.

23. Can a depository institution (DI) purchase ABCP from its broker/dealer?

No. The DI must purchase the ABCP directly from a MMMF. Neither the [Terms and Conditions](#) of the facility nor the Sections 23A and 23B exemptions granted by the Board of Governors of the Federal Reserve System cover the purchases of ABCP from an affiliated broker/dealer.

24. If a broker/dealer is participating in the Primary Dealer Credit Facility, can the authorizing resolution filed by the broker/dealer in conjunction with that program satisfy the resolution requirements for the AMLF?

Yes.

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25. How will borrowers be notified of loan amounts and terms?

Presently, the FRBB is using a recorded telephone call to the authorized borrower as the mechanism to confirm the loan amounts and terms transferred to the borrower.

26. How will ABCP loans appear on the Account Management Information (AMI®) statements?

AMLF loans are issued to the borrower's newly created routing and transit numbers or "pseudo ABAs". This is done in order to segregate these loans from other types of FRBB advances. FRBB has defined these pseudo ABAs to settle all of the transactions associated with these loans to the borrowing institution's master account, or to their designated correspondent's master account. The loan activity will appear on the master account's Statement of Account in the respondent detail section. These entries may also be viewed real-time in the AMI® application by drilling down on Account Balance, requesting the Single Respondent account view, and choosing the applicable pseudo ABA.

27. Are there any restrictions on the use of AMLF loan proceeds?

The proceeds of the loan received from FRBB must be

used to purchase eligible ABCP from a qualifying MMMF as described in 3 and 7 above.

28. Can a borrower pledge ABCP for which it provides liquidity support and/or credit enhancement?

Yes.

29. When does the risk associated with the ABCP that the Borrower has purchased under the AMLF transfer to FRBB?

The risk associated with the ABCP transfers to FRBB upon completion of all of the following steps:

(i) the securities have been approved for pledging, i.e., FRBB has directed the Borrower to transfer the securities to FRBB's Pledgee 600 account at DTC under the pseudo ABA number assigned to the Borrower by FRBB pursuant to the AMLF; and

(ii) the ABCP has been transferred as directed by FRBB and the transfer shows as "made" at DTC at the official close of DTC on the day of transfer.

If the ABCP has not been successfully transferred to FRBB in accordance with the above requirements, the risk relating to the ABCP remains with the Borrower.

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30. How does the Borrower repay principal and interest of the loans under the AMLF?

On the morning of the maturity date, FRBB will debit the Reserve Bank account associated with the pseudo ABA of the Borrower for the loan amount and associated accrued interest.

31. How does Borrower receive funds from DTC on the maturity date?

To ensure that the proceeds of an ABCP issuance are paid to the Borrower's account at DTC upon maturity, the Borrower must instruct DTC to withdraw the maturing ABCP from FRBB's restricted account at DTC before 2:00 p.m. ET on the date of maturity. If the withdrawal instructions are submitted after 2:00 p.m. ET on the date of maturity or on the next business day, the proceeds will be paid to the Borrower's account at DTC on the next business day.

32. What happens if the ABCP defaults?

As indicated in Attachment 1 to the Letter of Agreement, Borrowers may exercise the non-recourse provisions of the AMLF on the maturity date. To receive credit for the portion of the loan amount and accrued interest associated with ABCP that defaulted on the maturity date, the Borrower must fax to FRBB at 617-573-5400 a signed Notice of ABCP Default Letter and evidence of default before the close of DTC on the business day following the maturity/default date and transfer the defaulted ABCP as directed by FRBB. If the Notice of ABCP Default Letter is received by FRBB before 6 p.m. on the day of default and FRBB is able to confirm the default before the close of Fedwire, credit will be given on a same-day basis.

33. How should borrowings under the ABCP Lending Facility be

reflected on regulatory reports?

Y-9 Reports: Consistent with generally accepted accounting principles (GAAP), bank holding companies should report purchased ABCP as an investment security on their balance sheets. There are additional footnote disclosures which are outlined in the Supplemental Instructions. The final reporting forms and Supplemental Instructions for the FR Y-9C, FR Y-9LP and FR Y-11 effective for the September 30, 2008, reporting date are available on the [Board's public web site](#).

Call Reports: State Member Banks should assign a zero risk weight to the purchased ABCP on Schedule RC-R (as stated in the interim final rule) and exclude the average amount of ABCP purchased from average assets for leverage capital purposes by reporting such amount on Line 26: *Other deductions from assets for leverage capital purposes*. All other banks should consult with their primary regulator.

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002): Any ABCP purchased under this program would be reported, as appropriate, on the balance sheet.

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34. What is the minimum threshold level that would constitute significant demands for redemption for an MMMF and would trigger eligibility?

Net redemptions exceeding 5% of Fund net assets in a single day or 10% in a period of 5-business days or less would be considered significant outflows and would trigger eligibility for the program for the ensuing 5-business days after the threshold has been met, as noted in FAQ 41.

35. How will the net redemptions be calculated?

Net redemptions, which represent redemptions less shares sold and dividends reinvested, will be calculated based on changes in end of day net asset levels. The net asset levels will be reviewed at the consolidated fund level. Fluctuations in the size of individual share classes of a fund will not be considered in determining whether ABCP from the fund is eligible for pledge to the AMLF.

36. How are the net redemption criteria applied in determining pledge eligibility?

Once a MMMF experiences outflows meeting either the daily or multi-day threshold described in 34, ABCP purchased from this fund will be eligible for the program beginning on the subsequent business day and for a period of 5 business days after the threshold is met (the "eligibility period"). If the threshold is met again during the eligibility period, another 5 day eligibility period will begin. At the end of the eligibility period the MMMF becomes ineligible for the program until another threshold is met.

For example, consider a MMMF with beginning net assets of \$100 million and net redemptions as follows over the following nine business day period:

Day	1	2	3	4	5	6	7	8	9	10
Net Sales (Redemptions)	-	(4)	(4)	(3)	1	2	(6)	1	(2)	(3)

Ending Net Assets 100 96 92 89 90 92 86 87 85 82

The fund would enter an eligibility period on day 5 due to the 10% net redemptions over the preceding 3 day period. The fund would enter a new eligibility period on day 8 due to the single day redemptions exceeding 5% on the preceding day. Finally, the fund enters a new eligibility period on day 11 due to the 10% net redemptions over the preceding 4 day period.

Additional examples can be found here: [Examples \[PDF\]](#).

37. Why are net redemptions calculated without regard for activity occurring on the day the loan is being requested?

A fund is expected to manage same day net redemptions through its existing liquidity and sale of other liquid assets where practicable. Moreover, the Liquidity Request Form must be submitted to the FRBB by noon, well before funds are aware of their final positions. FRBB reserves the right to grant eligibility based on same day redemption activity with proof of extenuating circumstances.

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38. The borrowing document requests a Ticker Symbol or Cusip for each MMMF. Does this mean the reported net asset information should correspond only to the share class associated with that identifier?

No. As noted in the terms and conditions, end of day net asset figures should be provided at the fund portfolio level. The Ticker Symbol or Cusip are required only to ensure a clear identification of the related fund portfolio. Providing a Ticker Symbol or Cusip from any share class of the fund is acceptable for this identification.

39. The fund that is selling the paper does not have a Ticker or Cusip, what is a CIK number and where can I find it?

The CIK, or Central Index Key, is the unique identifier used by the Securities and Exchange Commission ("SEC") to track company filings. As all MMMFs must make filings with the SEC, this identifier should be available for all funds and can be found using the following search tool: <http://www.sec.gov/edgar/searchedgar/cik.htm> ↻

40. Why is Transfer Agent certification being requested and what constitutes "appropriate certification"?

Unlike other information provided to determine borrower and collateral eligibility, there is no independent way for the Federal Reserve to verify representations regarding net redemption levels using publicly available data. Changes in share levels certified by the transfer agent should approximate changes in end of day net asset levels reported in the borrowing request and serve as further documentation of eligibility.

The certification from the Transfer Agent should be on the letterhead of the Transfer Agent, be signed by an authorized Transfer Agent Representative, and include end of day total shares outstanding levels of the Fund for each day of the applicable redemption period. A template letter can be found here: [Certification Letter](#).

41. What is the purpose of providing a five-day eligibility window?

The purpose of providing the five day eligibility window upon exceeding a redemption threshold is to lessen uncertainty. This window is established to reduce the concern that redemption pressure may not subside in subsequent days, but might not retrigger the AMLF's Redemption Thresholds, therefore limiting ALMF access to a single opportunity. The window allows a MMMF to utilize the program the day following a triggering event, or to wait up to five days to determine if redemption flows stabilize naturally.

42. Where should questions regarding the facility be directed?

Eligible borrowers interested in AMLF should call the FRBB Discount Window staff at 877-973-8981, starting at 8 am ET on Monday, September 22, 2008. Eligible borrowers should direct supervisory policy questions (e.g., regulatory capital, accounting, section 23A of the Federal Reserve Act) to Norah M. Barger, Deputy Director, (202) 452-2402, Arthur W. Lindo, Deputy Associate Director (202) 452-2695, Division of Banking Supervision and Regulation or Andrea R. Tokheim, Counsel, (202) 452-2300, Legal Division.

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