



Federal Reserve System Monthly Report on  
Credit and Liquidity Programs  
and the Balance Sheet

February 2012

To order additional copies of this or other Federal Reserve Board publications, contact:

Publications Fulfillment  
Mail Stop N-127  
Board of Governors of the Federal Reserve System  
Washington, DC 20551  
(ph) 202-452-3245  
(fax) 202-728-5886  
(e-mail) [Publications-BOG@frb.gov](mailto:Publications-BOG@frb.gov)

This and other Federal Reserve Board reports to Congress are also available online at  
[www.federalreserve.gov/publications/default.htm](http://www.federalreserve.gov/publications/default.htm).

# Purpose

The Federal Reserve prepares this monthly report as part of its efforts to enhance transparency about the range of programs and tools that have been implemented in response to the financial crisis and to ensure appropriate accountability to the Congress and the public. The Federal Reserve's statutory mandate in conducting monetary policy is to foster maximum employment and stable prices. Financial stability is a critical prerequisite for achieving sustainable economic growth and price stability, and the Federal Reserve implemented a number of credit and liquidity programs to support the liquidity of financial institutions and to foster improved conditions in financial markets in response to the extraordinary strains that began to emerge in the summer of 2007.

This report provides detailed information on the policy tools that were implemented to address the financial crisis. It also provides financial reporting for the Federal Reserve System for the third quarter of 2011. Figures for the full year of 2011 will be published following the release of the financial statements of the Federal Reserve System.

In fulfillment of Section 129 of the Emergency Economic Stabilization Act of 2008, additional informa-

---

Note: Financial information in this report has not been audited. Financial data are audited annually and are available at [www.federalreserve.gov/monetarypolicy/bst\\_fedfinancials.htm](http://www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm).

tion on the status of certain credit facilities implemented in response to the financial crisis is included as Appendix A of this report. Information related to the Federal Reserve's temporary liquidity programs and facilities that have closed or expired is included in Appendix B of this report.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which was signed into law on July 21, 2010, included provisions designed to further promote transparency by requiring disclosure of certain information about entities that received loans or otherwise participated in Federal Reserve credit and liquidity programs. As provided by the Dodd-Frank Act, transaction-level details and audit information from December 1, 2007, to July 21, 2010, are posted on the Federal Reserve Board's public website.<sup>1</sup> Further information on the transparency provisions of the Dodd-Frank Act is included in Appendix C of this report.

For prior editions of this report and other resources, please visit the Board's public website at [www.federalreserve.gov/monetarypolicy/clbsreports.htm](http://www.federalreserve.gov/monetarypolicy/clbsreports.htm).

---

<sup>1</sup> This detailed information is available online at [www.federalreserve.gov/newsevents/reform\\_transaction.htm](http://www.federalreserve.gov/newsevents/reform_transaction.htm) and [www.federalreserve.gov/newsevents/reform\\_audit.htm](http://www.federalreserve.gov/newsevents/reform_audit.htm).

# Abbreviations

ABCP	Asset-backed commercial paper	JPMC	JPMorgan Chase & Co.
ABS	Asset-backed securities	LLC	Limited liability company
AIA	American International Assurance Company Ltd.	LSAP	Large-scale asset purchase programs
AIG	American International Group, Inc.	MBS	Mortgage-backed securities
AIGFP	AIG Financial Products Corp.	ML II	Maiden Lane II LLC
ALICO	American Life Insurance Company	ML III	Maiden Lane III LLC
AMLF	Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility	MMMF	Money market mutual fund
ARM	Adjustable rate mortgage	NRSRO	Nationally recognized statistical rating organization
CAMELS	Capital, Assets, Management, Earnings, Liquidity, and Sensitivity	OIG	Office of the Inspector General
CDO	Collateralized debt obligations	OMO	Open market operations
CMBS	Commercial mortgage-backed securities	PDCF	Primary Dealer Credit Facility
CMO	Collateralized mortgage obligations	RMBS	Residential mortgage-backed securities
CPFF	Commercial Paper Funding Facility	SBA	Small Business Administration
CUSIP	Committee on Uniform Security Identification Procedures	SOMA	System Open Market Account
FCB	Foreign central bank	SPV	Special purpose vehicle
FOMC	Federal Open Market Committee	TAF	Term Auction Facility
FRBNY	Federal Reserve Bank of New York	TALF	Term Asset-Backed Securities Loan Facility
GAAP	Generally accepted accounting principles in the United States of America	TARP	Troubled Asset Relief Program
GSE	Government-sponsored entity	TBA	To be announced
		TIPS	Treasury inflation-protected securities
		TSLF	Term Securities Lending Facility
		VIE	Variable interest entity

# Contents

Overview .....	1
Recent Developments .....	1
System Open Market Account .....	4
Domestic SOMA Portfolio .....	4
Liquidity Arrangements with Foreign Central Banks .....	7
Lending Facilities to Support Overall Market Liquidity .....	10
Lending to Depository Institutions .....	10
Term Asset-Backed Securities Loan Facility .....	12
Lending in Support of Specific Institutions .....	17
Quarterly Developments .....	17
Bear Stearns and Maiden Lane LLC .....	17
AIG, Maiden Lane II LLC, and Maiden Lane III LLC .....	19
Federal Reserve Banks' Financial Tables .....	24
Quarterly Developments .....	24
Combined Statement of Income and Comprehensive Income .....	24
SOMA Financial Summary .....	26
Loan Programs Financial Summary .....	27
Consolidated VIEs Financial Summary .....	27
Appendix A Additional Information Provided Pursuant to Section 129 of the Emergency Economic Stabilization Act of 2008 .....	29
Appendix B: Information about Closed and Expired Credit and Liquidity Facilities and Programs .....	31
Appendix C: Federal Reserve Disclosure Requirements and Other Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 .....	33

# Tables and Figures

<b>Overview</b> .....	1
Table 1. Assets, liabilities, and capital of the Federal Reserve System .....	2
Figure 1. Credit and liquidity programs and the Federal Reserve's balance sheet .....	3
<b>System Open Market Account</b> .....	4
Table 2. Domestic SOMA securities holdings .....	5
Table 3. Amounts outstanding under dollar liquidity swaps .....	8
<b>Lending Facilities to Support Overall Market Liquidity</b> .....	10
Table 4. Discount window credit outstanding to depository institutions .....	10
Table 5. Concentration of discount window credit outstanding to depository institutions .....	11
Table 6. Lendable value of collateral pledged by borrowing depository institutions .....	12
Table 7. Lendable value of securities pledged by depository institutions by rating .....	12
Table 8. Discount window credit outstanding to borrowing depository institutions— percent of collateral used .....	12
Table 9. TALF: Number of borrowers and loans outstanding .....	13
Table 10. TALF collateral by underlying loan type .....	14
Table 11. TALF collateral by rating .....	14
Table 12A. Issuers of non-CMBS that collateralize outstanding TALF loans .....	15
Table 12B. Issuers of newly issued CMBS that collateralize outstanding TALF loans .....	15
Table 12C. Issuers of legacy CMBS that collateralize outstanding TALF loans .....	15
<b>Lending in Support of Specific Institutions</b> .....	17
Table 13. Fair value asset coverage of FRBNY loan .....	17
Table 14. Maiden Lane LLC outstanding principal balance of loans .....	17
Table 15. Maiden Lane LLC summary of portfolio composition, cash and cash equivalents, and other assets and liabilities .....	18
Table 16. Maiden Lane LLC securities distribution by sector and rating .....	18
Figure 2. Maiden Lane LLC securities distribution as of September 30, 2011 .....	18
Table 17. Maiden Lane II LLC outstanding principal balance of senior loan and fixed deferred purchase price .....	20
Table 18. Maiden Lane II LLC summary of RMBS portfolio composition, cash and cash equivalents, and other assets and liabilities .....	20
Table 19. Maiden Lane II LLC securities distribution by sector and rating .....	20
Figure 3. Maiden Lane II LLC securities distribution as of September 30, 2011 .....	21
Table 20. Maiden Lane III LLC outstanding principal balance of senior loan and equity contribution .....	22
Table 21. Maiden Lane III LLC summary of portfolio composition, cash and cash equivalents, and other assets and liabilities .....	22

Table 22. Maiden Lane III LLC securities distribution by sector, vintage, and rating .....	22
Figure 4. Maiden Lane III LLC securities distribution as of September 30, 2011 .....	23
<b>Federal Reserve Banks' Financial Tables</b> .....	24
Table 23. Federal Reserve Banks' Combined Statement of Income and Comprehensive Income .....	25
Table 24. SOMA financial summary .....	26
Table 25. Loan programs financial summary .....	27
Table 26. Consolidated Variable Interest Entities Financial Summary .....	28





# Overview

## Recent Developments

The Overview section of this report highlights developments in the operations of the Federal Reserve's credit and liquidity programs and facilities since last month's report, and presents data describing changes in the assets, liabilities, and total capital of the Federal Reserve System as of January 25, 2012.

### FRBNY Sells \$13.2 Billion in Face Value of Maiden Lane II LLC Assets

- On January 19, 2012, the Federal Reserve Bank of New York (FRBNY) announced that it had sold \$7.014 billion in face value of assets from its Maiden Lane II LLC portfolio through a competitive process to Credit Suisse Securities (USA) LLC. On February 8, 2012, the FRBNY announced that it had sold an additional \$6.2 billion in face value of Maiden Lane II LLC portfolio assets through a competitive process to Goldman Sachs & Co. Proceeds from these two transactions will enable the repayment of the entire remaining outstanding balance of the senior loan from the FRBNY to Maiden Lane II LLC. Additional information about these transactions is available at [www.newyorkfed.org/newsevents/news/markets/2012/an120119.html](http://www.newyorkfed.org/newsevents/news/markets/2012/an120119.html) and [www.newyorkfed.org/newsevents/news/markets/2012/an120208.html](http://www.newyorkfed.org/newsevents/news/markets/2012/an120208.html).

### Federal Reserve Releases Quarterly Accounting Updates

- Quarterly updates to the fair value of the three Maiden Lane LLCs' net portfolio holdings and the fair value adjustment of the Term Asset-Backed Securities Loan Facility (TALF), as of January 25,

2012, were reported on the January 26, 2012, H.4.1 statistical release based on updated valuations as of December 31, 2011. Figures for the full year of 2011 will be published in this report following the release of the audited financial statements of the Federal Reserve System.

### Maturity Extension Program Progresses

- As of February 10, 2012, the FRBNY had completed approximately half of the \$400 billion maturity extension program announced by the Federal Open Market Committee (FOMC) on September 21, 2011. Additional information about cumulative purchases and sales under the maturity extension program is available at [www.newyorkfed.org/markets/pomo\\_landing.html](http://www.newyorkfed.org/markets/pomo_landing.html).

### FRBNY Releases Select, Unaudited Financial Information

- On February 15, 2012, the FRBNY published on its website select, unaudited financial information, as of December 31, 2011, for Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC. This information is available at [www.newyorkfed.org/markets/maidenlane.html](http://www.newyorkfed.org/markets/maidenlane.html).

### Federal Reserve System Selected Assets, Liabilities, and Total Capital

**Table 1** reports selected assets and liabilities and total capital of the Federal Reserve System and presents the change in these components over the past month and since this time last year.

**Figure 1** displays the levels of selected Federal Reserve assets and liabilities, securities holdings, and credit extended through liquidity facilities since 2007.

**Table 1. Assets, liabilities, and capital of the Federal Reserve System**

Billions of dollars

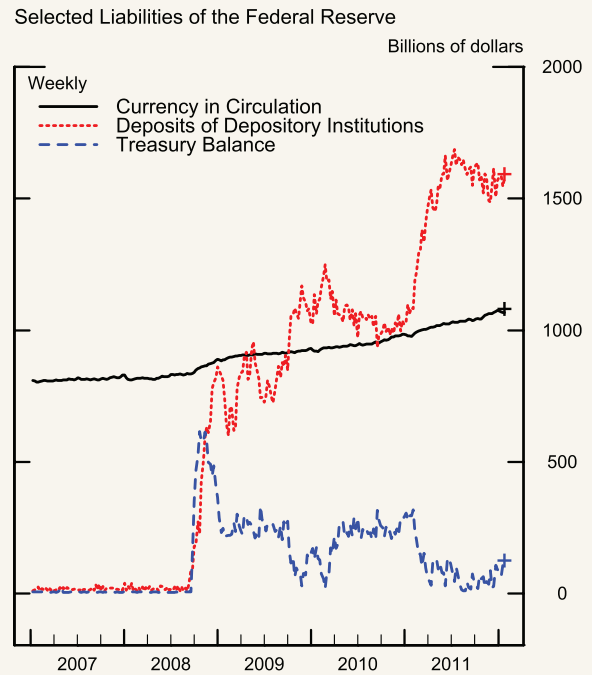
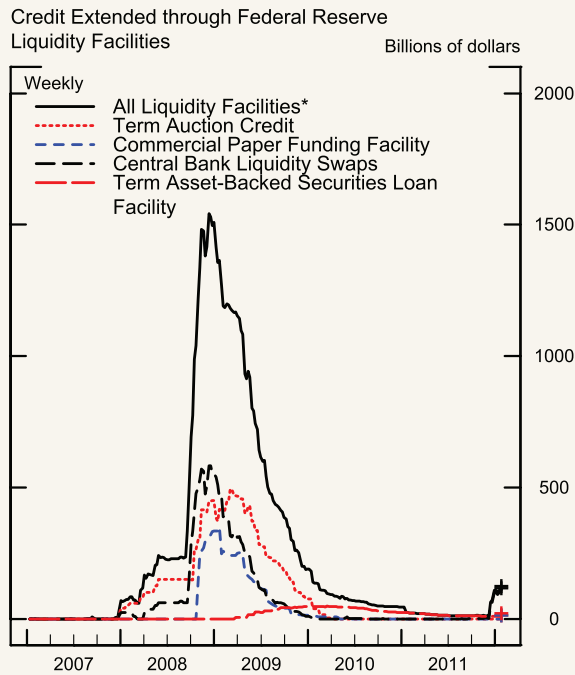
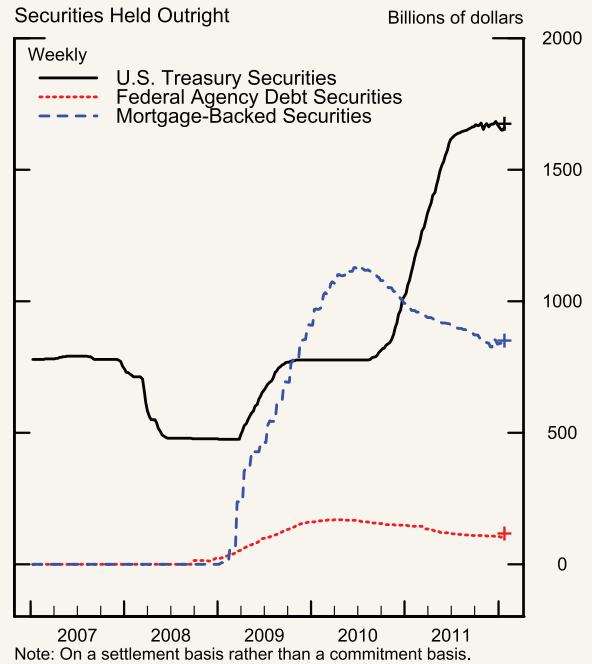
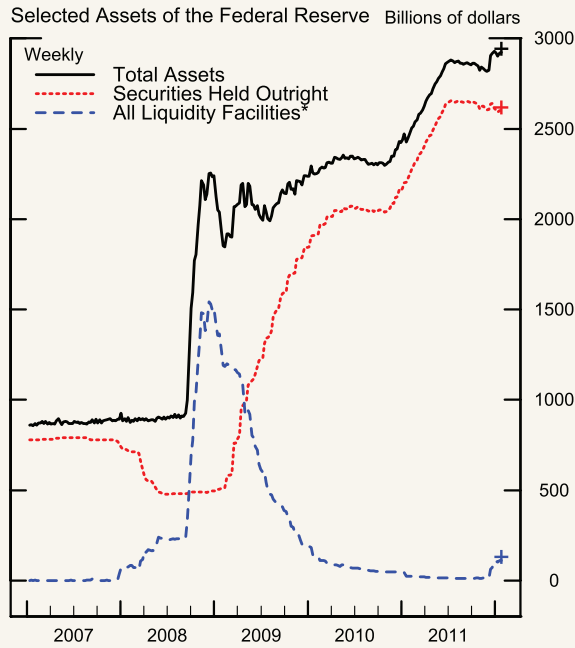
Item	Current January 25, 2012	Change from December 28, 2011	Change from January 26, 2011
<b>Total assets</b>	<b>2,922</b>	<b>-7</b>	<b>+475</b>
<i>Selected assets</i>			
Securities held outright	2,599	-14	+375
U.S. Treasury securities <sup>1</sup>	1,662	-10	+548
Federal agency debt securities <sup>1</sup>	101	-3	-44
Mortgage-backed securities <sup>2</sup>	836	-1	-129
Memo: Overnight securities lending <sup>3</sup>	14	+	-4
Memo: Net commitments to purchase mortgage-backed securities <sup>4</sup>	37	+1	+37
Lending to depository institutions <sup>5</sup>	*	-*	-*
Central bank liquidity swaps <sup>6</sup>	103	+3	+103
Lending through the Term Asset-Backed Securities Loan Facility <sup>7</sup>	8	-1	-15
Net portfolio holdings of TALF LLC <sup>8</sup>	1	+	+
Support for specific institutions	34	-*	-31
Net portfolio holdings of Maiden Lane LLC <sup>9</sup>	7	-*	-19
Net portfolio holdings of Maiden Lane II LLC <sup>9</sup>	10	+1	-6
Net portfolio holdings of Maiden Lane III LLC <sup>9</sup>	18	-*	-4
<b>Total liabilities</b>	<b>2,868</b>	<b>-7</b>	<b>+474</b>
<i>Selected liabilities</i>			
Federal Reserve notes in circulation	1,025	-10	+90
Term deposits held by depository institutions	3	+3	+3
Other deposits held by depository institutions	1,579	+10	+493
U.S. Treasury, general account	112	+21	+18
U.S. Treasury, supplementary financing account	0	0	-200
Other deposits	42	-29	+41
<b>Total capital</b>	<b>54</b>	<b>+</b>	<b>+1</b>

Note: Unaudited. Components may not sum to totals because of rounding.

\* Less than \$500 million.

<sup>1</sup> Face value.<sup>2</sup> Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value, which is the remaining principal balance of the underlying mortgages. Does not include unsettled transactions.<sup>3</sup> Securities loans under the overnight facility are off-balance-sheet transactions. These loans are shown here as a memo item to indicate the portion of securities held outright that have been lent through this program.<sup>4</sup> Current face value. Includes commitments associated with outright purchases, dollar rolls, and coupon swaps.<sup>5</sup> Total of primary, secondary, and seasonal credit.<sup>6</sup> Dollar value of the foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank.<sup>7</sup> Book value.<sup>8</sup> As of January 25, 2012, TALF LLC had purchased no assets from the FRBNY.<sup>9</sup> Fair value, reflecting values as of December 31, 2011. Fair value reflects an estimate of the price that would be received upon selling an asset if the transaction were to be conducted in an orderly market on the measurement date. Fair values are updated quarterly.

Figure 1. Credit and liquidity programs and the Federal Reserve's balance sheet



+ indicates most recent data point. Data are shown through 1/25/2012.

\*All Liquidity Facilities includes: Term Auction credit; primary credit; secondary credit; seasonal credit; Primary Dealer Credit Facility; Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility; Term Asset-Backed Securities Loan Facility; Commercial Paper Funding Facility; and central bank liquidity swaps.

# System Open Market Account

## Domestic SOMA Portfolio

### Recent Developments

- Between December 28, 2011, and January 25, 2012, the SOMA's holdings of Treasury securities declined. As purchases and sales of Treasury securities continue under the maturity extension program announced by the FOMC on September 21, 2011, holdings may fluctuate modestly due to differences in the amounts and settlement dates for individual purchase and sale transactions.
- The SOMA's holdings of agency debt also declined between December 28, 2011, and January 25, 2012, due to principal payments, as did holdings of agency mortgage-backed securities (MBS). As principal payments from agency debt and MBS are reinvested in agency MBS under the FOMC's reinvestment policy announced on September 21, 2011, holdings of agency MBS may vary modestly due to differences between principal payment dates and settlement dates for purchases.
- As of February 10, 2012, the FRBNY had completed approximately half of the FOMC's \$400 billion maturity extension program. Additional information about cumulative purchases and sales under the maturity extension program is available at [www.newyorkfed.org/markets/pomo\\_landing.html](http://www.newyorkfed.org/markets/pomo_landing.html).

### Background

Open market operations (OMOs)—the purchase and sale of securities in the open market by a central bank—are a key tool used by the Federal Reserve in the implementation of monetary policy. Historically, the Federal Reserve has used OMOs to adjust the supply of reserve balances so as to keep the federal funds rate around the target federal funds rate established by the FOMC. OMOs are conducted by the Trading Desk at the FRBNY, which acts as agent for the FOMC. The range of securities that the Federal Reserve is authorized to purchase and sell is relatively

limited. The authority to conduct OMOs is granted under Section 14 of the Federal Reserve Act.

OMOs can be divided into two types: permanent and temporary. Permanent OMOs are outright purchases or sales of securities for the SOMA, the Federal Reserve's portfolio. Permanent OMOs traditionally have been used to accommodate the longer-term factors driving the expansion of the Federal Reserve's balance sheet, principally the trend growth of currency in circulation. More recently, the expansion of SOMA securities holdings has been driven by large-scale asset purchase programs (LSAPs). Temporary OMOs typically are used to address reserve needs that are deemed to be transitory in nature. These operations are either repurchase agreements (repos) or reverse repurchase agreements (reverse repos). Under a repo, the Trading Desk buys a security under an agreement to resell that security in the future; under a reverse repo, the Trading Desk sells a security under an agreement to repurchase that security in the future. A repo is the economic equivalent of a collateralized loan; conversely, a reverse repo is the economic equivalent of collateralized borrowing. In both types of transactions, the difference between the purchase and sale prices reflects the interest on the loan or borrowing. The composition of the SOMA is presented in **table 2**.

Each OMO affects the Federal Reserve's balance sheet; the size and nature of the effect depend on the specifics of the operation. The Federal Reserve publishes its balance sheet each week in the H.4.1 statistical release, "Factors Affecting Reserve Balances of Depository Institutions and Consolidated Statement of Condition of Reserve Banks," available at [www.federalreserve.gov/releases/h41/](http://www.federalreserve.gov/releases/h41/). The release separately reports securities held outright, repos, and reverse repos.

In addition, the Federal Reserve has long operated an overnight securities lending facility as a vehicle to address market pressures for specific Treasury securities. Since July 9, 2009, this facility has also lent housing-related government-sponsored enterprise

**Table 2. Domestic SOMA securities holdings**

Billions of dollars, as of January 25, 2012

Security type	Total par value
U.S. Treasury bills	18
U.S. Treasury notes and bonds, nominal	1,565
U.S. Treasury notes and bonds, inflation-indexed <sup>1</sup>	78
Federal agency debt securities <sup>2</sup>	101
MBS <sup>3</sup>	836
<b>Total SOMA securities holdings</b>	<b>2,599</b>

Note: Unaudited. Components may not sum to total because of rounding. Does not include investments denominated in foreign currencies or unsettled transactions.

<sup>1</sup> Includes inflation compensation.

<sup>2</sup> Direct obligations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

<sup>3</sup> Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages.

(GSE) debt securities that are particularly sought after. Amounts outstanding under this facility are reported weekly in table 1A of the H.4.1 statistical release.

The FRBNY's traditional counterparties for OMOs are the primary dealers with which the FRBNY trades U.S. government and select other securities.<sup>1</sup> In early 2010, the FRBNY revised its policy regarding the administration of its relationships with primary dealers in order to provide greater transparency about the significant business standards expected of primary dealers and to offer clearer guidance on the process to become a primary dealer. The revised policy offers a more structured presentation of the business standards expected of a primary dealer; a more formal application process for prospective primary dealers; an increase in the minimum net capital requirement, from \$50 million to \$150 million; a seasoning requirement of one year of relevant operations before a prospective dealer may submit an application; and a clear notice of actions the FRBNY may take against a noncompliant primary dealer.<sup>2</sup> Since late 2009, the FRBNY has taken steps to expand the types of counterparties for some OMOs to include entities other than primary dealers. Details on the counterparty expansion effort are presented below.

<sup>1</sup> A current list of primary dealers is available on the FRBNY's website at [www.newyorkfed.org/markets/pridealers\\_current.html](http://www.newyorkfed.org/markets/pridealers_current.html).

<sup>2</sup> More information on the FRBNY's administration of its relationships with primary dealers—including requirements for business standards, financial condition and supervision, and compliance and controls—is available at [www.newyorkfed.org/markets/pridealers\\_policies.html](http://www.newyorkfed.org/markets/pridealers_policies.html) and [www.newyorkfed.org/markets/pridealers\\_faq\\_100111.html](http://www.newyorkfed.org/markets/pridealers_faq_100111.html).

## Large-Scale Asset Purchase Programs

In November 2008, the Federal Reserve announced that it would buy direct obligations of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Banks, and MBS guaranteed by Fannie Mae, Freddie Mac, and the Government National Mortgage Association (Ginnie Mae). The goal of these debt purchases was to reduce the cost and increase the availability of credit for the purchase of houses. In March 2009, the FOMC authorized purchases of up to \$1.25 trillion of agency MBS and up to \$200 billion of agency direct obligations. Subsequently, in November 2009, the FOMC announced that agency debt purchases would be about \$175 billion. This amount, while somewhat less than the previously announced maximum of \$200 billion, was consistent with the path of purchases and reflected the limited availability of agency debt.

The Federal Reserve also determined that supporting the MBS “dollar roll” market promoted the goals of the MBS purchase program. Dollar roll transactions consist of a purchase or sale of “to be announced” (TBA) MBS combined with an agreement to sell or purchase TBA MBS on a specified future date. Because of principal and interest payments and, during the time in which transactions were being conducted, occasional delays in the settlement of transactions, the Federal Reserve also holds some cash and short-term investments associated with the MBS purchase program. On June 28, 2010, the Federal Reserve began entering into coupon swaps, which are trades with a single counterparty in which the Federal Reserve agrees to simultaneously sell TBA MBS in one coupon and to buy an equal face value of TBA MBS in a different coupon. MBS dollar roll transactions and coupon swaps are recorded on settlement date and may generate realized gains and losses.

In March 2009, the FOMC announced that it would also purchase up to \$300 billion of longer-term Treasury securities to help improve conditions in private credit markets. The Federal Reserve purchased a range of securities across the maturity spectrum, including Treasury Inflation-Protected Securities (TIPS). The bulk of purchases were in intermediate maturities. In August 2009, the FOMC announced that it would gradually slow the pace of these transactions in order to promote a smooth transition in markets as purchases of these Treasury securities

were completed. As anticipated, the purchases were completed by the end of October 2009.

The FRBNY announced in August 2009 that it would streamline the set of external investment managers for the agency-guaranteed MBS purchase program, reducing the number of investment managers from four to two. As of March 2, 2010, the FRBNY began to use its own staff on select days to transact directly in the secondary market for agency MBS as part of the FOMC's LSAPs, consistent with the announcement of November 2009. These changes were not performance-related: the FRBNY had anticipated that it would adjust its use of external investment managers as it gained more experience with the program.

In September 2009, the Federal Reserve began to purchase on-the-run agency debt securities—the most recently issued securities—in order to mitigate market dislocations and promote overall market functioning. Prior to this change, purchases were focused on off-the-run agency debt securities.

On September 23, 2009, the FOMC announced its intention to gradually slow the pace of its purchases of agency-guaranteed MBS and agency debt. In implementing this directive, the Trading Desk of the FRBNY announced that it would scale back the average weekly purchase amounts of agency MBS and reduce the size and frequency of agency debt purchases. As anticipated by the FOMC, these transactions were completed by the end of the first quarter of 2010. As of August 19, 2010, the settlement of all remaining outstanding MBS from these purchases was complete. In January 2011, the FRBNY began a process to streamline the administration of agency MBS held in the SOMA portfolio by consolidating these securities through a service offered by Fannie Mae and Freddie Mac called CUSIP aggregation.

The Federal Reserve's outright holdings of MBS are reported weekly in tables 1, 3, 8, and 9 of the H.4.1 statistical release. In addition, detailed data on all settled agency MBS holdings, including those that have been aggregated, are published weekly on the FRBNY website at [www.newyorkfed.org/markets/soma/sysopen\\_accholdings.html](http://www.newyorkfed.org/markets/soma/sysopen_accholdings.html).

On August 10, 2010, the FOMC announced that the Federal Reserve would maintain the level of domestic securities holdings in the SOMA portfolio by reinvesting principal payments from agency debt and agency MBS in longer-term Treasury securities.

On November 3, 2010, the FOMC decided to expand its holdings of securities and announced that, in addition to maintaining the existing reinvestment policy, it intended to purchase a further \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011.

As the FRBNY executed the purchase of additional Treasury securities and the reinvestment plan, as directed by the FOMC in November 2010, it announced the distribution of maturities of securities it planned to purchase. In addition, in order to promote transparency in the market, the FRBNY began publishing the prices at which the securities were purchased at the end of each scheduled monthly purchase period. Finally, to provide operational flexibility and to ensure that it was able to purchase the most attractive securities on a relative-value basis, the FRBNY temporarily relaxed the 35 percent per-issue limit on SOMA holdings under which it had been operating.

On June 22, 2011, the FOMC announced that it would maintain its existing policy of reinvesting principal payments on all domestic securities in the SOMA in Treasury securities. The last purchase under the \$600 billion program announced in November 2010 occurred on June 30, 2011.

On September 21, 2011, the FOMC announced that it would extend the average maturity of its holdings of securities—by purchasing \$400 billion par of Treasury securities with remaining maturities of 6 years to 30 years and selling an equal par amount of Treasury securities with remaining maturities of 3 years or less—by the end of June 2012. The FOMC also announced that it will reinvest principal payments from its holdings of agency debt and agency MBS in agency MBS. In addition, the FOMC will maintain its existing policy of rolling over maturing Treasury securities at auction. The FRBNY Trading Desk began to execute these directives on October 3, 2011. Additional information on the maturity extension program and the reinvestment of agency securities is available at [www.newyorkfed.org/markets/opolicy/operating\\_policy\\_110921.html](http://www.newyorkfed.org/markets/opolicy/operating_policy_110921.html) and [www.newyorkfed.org/markets/pomo\\_landing.html](http://www.newyorkfed.org/markets/pomo_landing.html).

## Reverse Repos

Reverse repos are a tool that could be used to support a reduction in monetary accommodation at the appropriate time. Under a reverse repo, the FRBNY Trading Desk sells a security under an agreement to

repurchase that security in the future. A reverse repo is the economic equivalent of collateralized borrowing. The FRBNY periodically conducts these transactions to ensure operational readiness at the Federal Reserve, the major clearing banks, the primary dealers, and other counterparties; the transactions have no material impact on the availability of reserves or on market rates.

These activities with respect to reverse repos are a matter of prudent advance planning by the Federal Reserve. They do not represent any change in the stance of monetary policy, and no inference should be drawn about the timing of any change in the stance of monetary policy in the future.

### Expanded Counterparties

Since late 2009, the FRBNY has taken steps to expand the types of counterparties for reverse repos to include entities other than primary dealers. This initiative is intended to enhance the Federal Reserve's capacity to conduct large-scale reverse repo operations to drain reserves beyond what could likely be conducted through primary dealers. The additional counterparties are not eligible to participate in transactions conducted by the FRBNY other than reverse repos.

To date, the FRBNY has initiated three waves of counterparty expansions aimed at domestic money market funds. With each wave, the set of eligibility criteria was broadened to allow more and smaller money market funds to participate as counterparties. With each expansion, the FRBNY published updated eligibility criteria and the Reverse Repurchase Program Form Master Repurchase Agreement for Money Funds, which set out the legal terms and conditions under which the FRBNY and its money market mutual fund counterparties may undertake reverse repos.

In addition, on July 27, 2011, the FRBNY announced that it had accepted two GSEs—Freddie Mac and Fannie Mae—as reverse repo counterparties. On July 28, the FRBNY released the criteria for acceptance of banks and savings associations as counterparties eligible to participate in reverse repos. On December 1, 2011, the FRBNY announced that eight banks had been accepted as reverse repo counterparties and, on December 2, released a second round of criteria for the acceptance of banks and savings associations as reverse repo counterparties. The expanded reverse repo counterparties list is available at [www.newyorkfed.org/markets/expanded\\_counterparties.html](http://www.newyorkfed.org/markets/expanded_counterparties.html).

Each institution accepted as a reverse repo counterparty submitted an application and meets the criteria published by the FRBNY pursuant to the relevant counterparty expansion wave. Acceptance as a counterparty does not constitute a public endorsement by the FRBNY of any listed counterparty and should not substitute for prudent counterparty risk management and due diligence. Further information on reverse repo counterparties is available on the FRBNY's website at [www.newyorkfed.org/markets/rrp\\_announcements.html](http://www.newyorkfed.org/markets/rrp_announcements.html).

### Transactions

In December 2009, the FRBNY conducted its first set of small-scale, real-value, triparty reverse repos with primary dealers. Additional series of reverse repos have been conducted in 2010 and 2011, some of which were open to the sets of expanded counterparties (money market mutual funds and GSEs) announced through July 2011. On August 12, 2011, the FRBNY announced that it plans to conduct a series of small-scale reverse repos about every two months, which will bring the frequency of these operational exercises in line with that of similar exercises of the Term Deposit Facility (TDF).

Additional details and the results of these operations are available on the FRBNY website at [www.newyorkfed.org/markets/omo/dmm/temp.cfm](http://www.newyorkfed.org/markets/omo/dmm/temp.cfm). The outstanding amounts of reverse repos are reported weekly in tables 1, 2, 8, and 9 of the H.4.1 statistical release.

## Liquidity Arrangements with Foreign Central Banks

### Recent Developments

- As presented in **table 3**, as of January 25, 2012, the amount outstanding under the central bank liquidity swap arrangements increased modestly to \$103.2 billion. The outstanding dollar liquidity extended under these arrangements included \$20.3 billion to the Bank of Japan, \$82.5 billion to the European Central Bank, and \$0.5 billion to the Swiss National Bank. Detailed information about swap operations is available at [www.newyorkfed.org/markets/fxswap/fxswap.cfm](http://www.newyorkfed.org/markets/fxswap/fxswap.cfm).

### Background

Because of the global character of bank funding markets, the Federal Reserve has at times coordinated with other central banks to provide liquidity. In

**Table 3. Amounts outstanding under dollar liquidity swaps**  
As of January 25, 2012

Central bank	Amount (\$ billions)	Settlement date	Term	Interest rate
Bank of Canada	—	—	—	—
Bank of England	—	—	—	—
Bank of Japan	0.1	11/04/2011	83-day	1.10%
	0.1	12/01/2011	85-day	1.12%
	4.8	12/15/2011	84-day	0.61%
	12.6	1/12/2012	84-day	0.59%
	2.7	1/20/2012	6-day	0.60%
European Central Bank	0.4	11/10/2011	84-day	1.09%
	50.7	12/08/2011	84-day	0.59%
	25.5	1/05/2012	84-day	0.58%
	5.9	1/19/2012	7-day	0.59%
Swiss National Bank	0.1	12/08/2011	84-day	0.59%
	0.4	1/05/2012	84-day	0.58%
<b>Total</b>	<b>103.2</b>	—	—	—

Note: Unaudited. Components may not sum to totals because of rounding.

December 2007, the Federal Reserve entered into agreements to establish temporary reciprocal currency arrangements (central bank liquidity swap lines) with the European Central Bank and the Swiss National Bank in order to provide liquidity in U.S. dollars. Subsequently, the FOMC authorized swap lines with the Reserve Bank of Australia, the Banco Central do Brasil, the Bank of Canada, the Bank of Japan, Danmarks Nationalbank, the Bank of England, the Bank of Korea, the Banco de Mexico, the Reserve Bank of New Zealand, Norges Bank, the Monetary Authority of Singapore, and Sveriges Riskbank. Two types of temporary swap lines were established: U.S. dollar liquidity lines and foreign currency liquidity lines. These temporary arrangements expired on February 1, 2010.

However, in May 2010, temporary U.S. dollar liquidity swap lines were re-established with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank in order to address the re-emergence of strains in global U.S. dollar short-term funding markets. In December 2010, the FOMC authorized an extension of the arrangements through August 1, 2011. In June 2011, the FOMC authorized another extension of the arrangements through August 1, 2012. On November 30, 2011, the FOMC and these five foreign central banks (FCBs) agreed to reduce the rate on these swap arrangements from the U.S. dollar overnight index swap (OIS) rate plus 100 basis points to the OIS rate plus 50 basis points, and extended the authorization of these swap arrangements through February 1, 2013. In addition, as a contingency

measure, the FOMC agreed to establish temporary bilateral liquidity swap arrangements with these five FCBs to provide liquidity in any of their currencies if necessary.

The FRBNY operates the swap lines under the authority granted under Section 14 of the Federal Reserve Act and in compliance with authorizations, policies, and procedures established by the FOMC.

### Dollar Liquidity Swaps

Dollar liquidity swaps consist of two transactions. When an FCB draws on its swap line with the FRBNY, the FCB transfers a specified amount of its currency to the FRBNY in exchange for dollars at the prevailing market exchange rate. The FRBNY holds the foreign currency in an account at the FCB. The dollars that the FRBNY provides are then deposited in an account that the FCB maintains at the FRBNY. At the same time, the FRBNY and the FCB enter into a binding agreement for a second transaction that obligates the FCB to return the U.S. dollars and the FRBNY to return the foreign currency on a specified future date at the same exchange rate as the initial transaction. Because the swap transactions will be unwound at the same exchange rate used in the initial transaction, the recorded value of the foreign currency amounts is not affected by changes in the market exchange rate. At the conclusion of the second transaction, the FCB compensates the FRBNY at a market-based interest rate.

When the FCB lends the dollars it obtained by drawing on its swap line to institutions in its jurisdiction, the dollars are transferred from the FCB account at the FRBNY to the account of the bank that the borrowing institution uses to clear its dollar transactions. The FCB is obligated to return the dollars to the FRBNY under the terms of the agreement. Neither the FRBNY nor the Federal Reserve is counterparty to the loan extended by the FCB. The FCB bears the credit risk associated with the loans it makes to institutions in its jurisdiction.

The foreign currency that the Federal Reserve acquires in these transactions is recorded as an asset on the Federal Reserve's balance sheet. In tables 1, 8, and 9 of the weekly H.4.1 statistical release, the dollar value of amounts that the FCBs have drawn but not yet repaid is reported in the line entitled "Central bank liquidity swaps." Dollar liquidity swaps have maturities ranging from overnight to three months. Table 2 of the H.4.1 statistical release reports the



maturity distribution of the outstanding dollar liquidity swaps. Detailed information about drawings on the swap lines by the participating FCBs is presented on the FRBNY's website at [www.newyorkfed.org/markets/fxswap](http://www.newyorkfed.org/markets/fxswap).

### Foreign Currency Liquidity Swap Lines

On April 6, 2009, the FOMC announced foreign currency liquidity swap lines with the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank. These lines were designed to provide the Federal Reserve with the capacity to offer liquidity to U.S. institutions in foreign currency should a need arise. These lines mirror dollar liquidity swap lines, which provide FCBs with the capacity to offer U.S. dollar liquidity to financial institutions in their jurisdictions. Under the foreign currency

swap lines established in April 2009, the Federal Reserve had the ability to provide foreign currency-denominated liquidity to U.S. institutions in amounts of up to £30 billion (sterling), €80 billion (euro), ¥10 trillion (yen), and CHF 40 billion (Swiss francs). The Federal Reserve did not draw on these swap lines, and they expired on February 1, 2010.

In November 2011, as a contingency measure, the FOMC agreed to establish temporary bilateral liquidity swap arrangements with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank so that liquidity can be provided in any of their currencies if necessary. The swap lines are authorized until February 1, 2013. Additional information is available at [www.newyorkfed.org/markets/liquidity\\_swap.html](http://www.newyorkfed.org/markets/liquidity_swap.html).

# Lending Facilities to Support Overall Market Liquidity

## Lending to Depository Institutions

### Recent Developments

- Credit provided to depository institutions through the discount window remains generally around the levels seen prior to 2007. As presented in **table 6**, the lendable value of collateral pledged by depository institutions with discount window loans outstanding on January 25, 2012, was less than \$500 million; discount window credit outstanding on that date amounted to \$14 million.

### Background

The discount window helps to relieve liquidity strains for individual depository institutions and for the banking system as a whole by providing a source of funding in times of need. Much of the statutory framework that governs lending to depository institutions is contained in Section 10B of the Federal Reserve Act, as amended. The general policies that govern discount window lending are set forth in the Federal Reserve Board's Regulation A.

Depository institutions have, since 2003, had access to three types of discount window credit: primary credit, secondary credit, and seasonal credit. Primary credit is available to depository institutions in generally sound financial condition with few administrative requirements. Secondary credit may be provided to depository institutions that do not qualify for primary credit, subject to review by the lending Reserve Bank. Seasonal credit provides short-term funds to smaller depository institutions that experience regular seasonal swings in loans and deposits.

On August 17, 2007, in order to promote orderly market functioning, the Federal Reserve narrowed the spread between the primary credit rate (generally referred to as the discount rate) and the FOMC's target federal funds rate to 50 basis points and began to allow the provision of primary credit for terms as long as 30 days. On March 16, 2008, the Federal Reserve further narrowed the spread between the

**Table 4. Discount window credit outstanding to depository institutions**

Daily average borrowing for each class of borrower over four weeks ending January 25, 2012

Type and size of borrower	Average number of borrowers <sup>1</sup>	Average borrowing (\$ billions) <sup>2</sup>
<i>Commercial banks<sup>3</sup></i>		
Assets: more than \$50 billion	0	0
Assets: \$5 billion to \$50 billion	*	**
Assets: \$250 million to \$5 billion	3	**
Assets: less than \$250 million	6	**
Thrift institutions and credit unions	1	**
<b>Total</b>	<b>10</b>	<b>**</b>

Note: Unaudited. Includes primary, secondary, and seasonal credit. Size categories based on total domestic assets from Call Report data as of September 30, 2011. Components may not sum to totals because of rounding.

\* Fewer than one borrower.

\*\* Less than \$500 million.

<sup>1</sup> Average daily number of depository institutions with credit outstanding. Over this period, a total of 219 institutions borrowed.

<sup>2</sup> Average daily borrowing by all depositories in each category.

<sup>3</sup> Includes branches and agencies of foreign banks.

primary credit rate and the target federal funds rate to 25 basis points, and increased the maximum maturity of primary credit loans to 90 days.

On November 17, 2009, in response to improved financial conditions, the Federal Reserve announced that the maximum maturity on primary credit loans would be reduced to 28 days effective January 14, 2010. On February 18, 2010, the Federal Reserve increased the spread between the primary credit rate and the top of the target range for the federal funds rate to 50 basis points, effective February 19, 2010. The Federal Reserve also announced that, effective March 18, 2010, the typical maximum maturity of primary credit loans would be shortened to overnight. These changes represented further normalization of the Federal Reserve's lending facilities and did not signal any change in the outlook for the economy or for monetary policy.

On August 6, 2010, the Federal Reserve announced changes to its practices for disclosure of discount

**Table 5. Concentration of discount window credit outstanding to depository institutions**

For four weeks ending January 25, 2012

Rank by amount of borrowing	Number of borrowers	Daily average borrowing (\$ billions)
Top five	5	*
Other	5	*
<b>Total</b>	<b>10</b>	<b>*</b>

Note: Unaudited. Amount of primary, secondary, and seasonal credit extended to the top five and other borrowers on each day, as ranked by daily average borrowing. Components may not sum to totals because of rounding.

\* Less than \$500 million.

window lending information in accordance with the provisions of the Dodd-Frank Act. For discount window loans extended to depository institutions on or after July 21, 2010, the Federal Reserve will publicly disclose certain information about the transaction approximately two years after the loan is extended. The disclosure will include the name and identifying details of the depository institution, the amount borrowed, the interest rate paid, and information identifying the types and amount of collateral pledged. More detail on these changes is reported on the Federal Reserve's Discount Window website at [www.frbdiscountwindow.org](http://www.frbdiscountwindow.org).

In extending credit to depository institutions, the Federal Reserve closely monitors the financial condition of borrowers. Monitoring the financial condition of depository institutions is a four-step process designed to minimize the risk of loss to the Federal Reserve posed by weak or failing depository institutions. The first step is monitoring, on an ongoing basis, the safety and soundness of all depository institutions that access or may access the discount window and the payment services provided by the Federal Reserve. The second step is identifying institutions whose condition, characteristics, or affiliation would present higher-than-acceptable risk to the Federal Reserve in the absence of controls on their access to Federal Reserve lending facilities and other Federal Reserve services. The third step is communicating—to staff within the Federal Reserve System and to other supervisory agencies, if and when necessary—relevant information about those institutions identified as posing higher risk. The fourth step is implementing appropriate measures to mitigate the risks posed by such entities.

At the heart of the condition-monitoring process is an internal rating system that provides a framework for identifying institutions that may pose undue risks

to the Federal Reserve. The rating system relies mostly on information from each institution's primary supervisor, including CAMELS ratings, to identify potentially problematic institutions and classify them according to the severity of the risk they pose to the Federal Reserve.<sup>3</sup> Having identified institutions that pose a higher risk, the Federal Reserve then puts in place a standard set of risk controls that become increasingly stringent as the risk posed by an institution grows; individual Reserve Banks may implement additional risk controls to further mitigate risk if they deem it necessary.

## Collateral

All extensions of discount window credit by the Federal Reserve must be secured to the satisfaction of the lending Reserve Bank by "acceptable collateral." Assets accepted as collateral are assigned a lendable value deemed appropriate by the Reserve Bank; lendable value is determined as the market price of the asset, less a haircut. When a market price is not available, a haircut may be applied to the outstanding balance or a valuation based on an asset's cash flow. Haircuts reflect credit risk and, for traded assets, the historical volatility of the asset's price and the liquidity of the market in which the asset is traded; the Federal Reserve's haircuts are generally in line with typical market practice. The Federal Reserve applies larger haircuts, and thus assigns lower lendable values, to assets for which no market price is available relative to comparable assets for which a market price is available. A borrower may be required to pledge additional collateral if its financial condition weakens. Collateral is pledged by depository institutions under the terms and conditions specified in the Federal Reserve Banks' standard lending agreement, Operating Circular No. 10, available at [www.frb services.org/files/regulations/pdf/operating\\_circular\\_10.pdf](http://www.frb services.org/files/regulations/pdf/operating_circular_10.pdf).

Discount window loans are generally made with recourse to the borrower beyond the pledged collateral. Nonetheless, collateral plays an important role in mitigating the credit risk associated with these extensions of credit. The Federal Reserve generally accepts as collateral for discount window loans any assets that meet regulatory standards for sound asset quality. This category of assets includes most per-

<sup>3</sup> CAMELS (Capital, Assets, Management, Earnings, Liquidity, and Sensitivity) is a rating system employed by banking regulators to assess the soundness of commercial banks and thrifts. Similar rating systems are used for other types of depository institutions.

**Table 6. Lendable value of collateral pledged by borrowing depository institutions**

Billions of dollars, as of January 25, 2012

Type of collateral	Lendable value
<i>Loans</i>	
Commercial	*
Residential mortgage	*
Commercial real estate	*
Consumer	*
<i>Securities</i>	
U.S. Treasury/agency	*
Municipal	*
Corporate market instruments	0
MBS/CMO: agency-guaranteed	*
MBS/CMO: other	0
Asset-backed	0
International (sovereign, agency, municipal, and corporate)	0
<i>Other</i>	
Term Deposit Facility deposits	0
<b>Total</b>	<b>*</b>

Note: Unaudited. Collateral pledged by borrowers of primary, secondary, and seasonal credit as of the date shown. Total primary, secondary, and seasonal credit on this date was \$14 million. The lendable value of collateral pledged by all depository institutions, including those without any outstanding loans, was \$1,353 billion. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

\* Less than \$500 million.

forming loans and most investment-grade securities, although for some types of securities (including commercial mortgage-backed securities, collateralized debt obligations, collateralized loan obligations, and certain non-dollar-denominated foreign securities) only AAA-rated securities are accepted. An institution may not pledge as collateral any instruments that the institution or its affiliates have issued. To ensure that they can borrow from the Federal Reserve should the need arise, many depository institutions that do not have an outstanding discount window loan nevertheless routinely pledge collateral.

The Federal Reserve periodically reviews its collateral valuation practices. The most recent changes to the lending margins on discount window collateral took effect on October 19, 2009, and reflected the results of a broad-based review, which began before the financial crisis, of methodology and data sources. For more information on collateral margins, refer to the Discount Window and Payments System Risk public website, [www.frbdiscountwindow.org](http://www.frbdiscountwindow.org).

As presented in **table 8**, depository institutions that borrow from the Federal Reserve generally maintain collateral in excess of their current borrowing levels.

**Table 7. Lendable value of securities pledged by depository institutions by rating**

Billions of dollars, as of January 25, 2012

Type of security and rating	Lendable value
U.S. Treasury, agency, and agency-guaranteed securities	228
<i>Other securities</i>	
AAA	126
Aa/AA <sup>1</sup>	61
A <sup>2</sup>	40
Baa/BBB <sup>3</sup>	14
Other investment-grade <sup>4</sup>	33
<b>Total</b>	<b>504</b>

Note: Unaudited. Lendable value for all institutions that have pledged collateral, including those that were not borrowing on the date shown. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

<sup>1</sup> Includes short-term securities with A-1+ or F1+ rating or MIG 1 or SP-1+ municipal bond rating.

<sup>2</sup> Includes short-term securities with A-1 or F1 rating or SP-1 municipal bond rating.

<sup>3</sup> Includes short-term securities with A-2, P-2, A-3, or P-3 rating.

<sup>4</sup> Determined based on a credit review by a Reserve Bank.

**Table 8. Discount window credit outstanding to borrowing depository institutions—percent of collateral used**

As of January 25, 2012

Percent of collateral used	Number of borrowers	Total borrowing (\$ billions)
More than 0 and less than 25	8	*
25 to 50	1	*
50 to 75	1	*
75 to 90	1	*
More than 90	0	0
<b>Total</b>	<b>11</b>	<b>*</b>

Note: Unaudited. Components may not sum to totals because of rounding.

\* Less than \$500 million.

## Term Asset-Backed Securities Loan Facility

### Recent Developments

- As of January 25, 2012, the amount of TALF loans outstanding and the number of TALF borrowers had declined somewhat from their December 2011 levels. Voluntary prepayments by borrowers and principal receipts accounted for the decline in the number of TALF borrowers. TALF LLC, a limited liability company (LLC) formed to purchase and manage assets received by the FRBNY from the TALF program, remains in operation, but as of January 25, 2012, TALF LLC had purchased no assets from the FRBNY.

**Table 9. TALF: Number of borrowers and loans outstanding**  
As of January 25, 2012

Lending program	Number of borrowers	Borrowing (\$ billions) <sup>1</sup>
Non-CMBS	40	6
CMBS	20	2
<b>Total</b>	<b>49</b>	<b>8</b>

Note: Unaudited. "Number of borrowers" may exceed total because borrowers may be included in more than one category. "Borrowing" amounts may not sum to total because of rounding.

<sup>1</sup> Book value.

## Background

On November 25, 2008, the Federal Reserve announced the creation of the TALF under the authority of Section 13(3) of the Federal Reserve Act. The TALF is a funding facility under which the FRBNY was authorized to extend up to \$200 billion of credit to holders of eligible asset-backed securities (ABS).<sup>4</sup> The TALF was intended to assist financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of ABS collateralized by a variety of consumer and business loans; it was also intended to improve market conditions for ABS more generally. TALF loans backed by commercial mortgage-backed securities (CMBS) or by ABS backed by government guaranteed loans have maturities of up to five years; all other TALF loans have three-year maturities. Using funds authorized under the Troubled Asset Relief Program (TARP) of the Emergency Economic Stabilization Act of 2008, the Treasury committed to provide \$20 billion in credit protection to the FRBNY in connection with the TALF to support the \$200 billion of authorized lending value under the program. This commitment was reduced to \$4.3 billion in July 2010 to reflect the fact that only \$43 billion of TALF loans were outstanding when the program was closed to new lending.

Eligible collateral for TALF loans included U.S. dollar-denominated ABS backed by student loans, auto loans, credit card loans, equipment loans, floor-plan loans, insurance premium finance loans, loans guaranteed by the Small Business Administration (SBA), residential mortgage servicing advances, or commercial mortgages. At the time a TALF loan was extended, all eligible collateral was required to have a credit rating in the highest investment-grade rating category from two or more eligible nationally recog-

nized statistical rating organizations (NRSROs) and could not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. Certain collateral also had to pass an internal risk assessment by the FRBNY.

Additionally, all or substantially all of the credit exposures underlying eligible ABS were required to be exposures to U.S.-domiciled obligors or with respect to real property located in the United States or its territories. Except for ABS for which the underlying credit exposures are SBA-guaranteed loans, eligible newly issued ABS must have been issued on or after January 1, 2009. Eligible legacy CMBS must have been issued before January 1, 2009, must be senior in payment priority to all other interests in the underlying pool of commercial mortgages, and must meet certain other criteria designed to protect the Federal Reserve and the Treasury from credit risk. Collateral would not be accepted from a particular borrower if the collateral was backed by loans originated or securitized by that borrower or its affiliate except in very limited circumstances.

The loans provided through the TALF were designed to be limited in recourse to the collateral, generally allowing borrowers the option of surrendering the collateral to the FRBNY in full satisfaction of the TALF loan. The FRBNY's loan is secured by the ABS collateral, with the FRBNY lending an amount equal to the market value of the ABS, less a haircut. The haircut is a buffer which protects the FRBNY against a decline in the collateral's value. The Federal Reserve set initial haircuts for each type of eligible collateral to reflect an assessment of the riskiness and maturity of the various types of eligible ABS. Break-downs of TALF collateral by underlying loan type and credit rating are presented in **tables 10 and 11**, respectively.

Consistent with previous announcements, the Federal Reserve closed the TALF for new loan extensions against newly issued CMBS on June 30, 2010, and for new loans against all other types of collateral on March 31, 2010. All TALF loans were extended by the FRBNY and will mature over the next several years, with all loans maturing no later than March 30, 2015.

## TALF LLC

TALF LLC was formed to purchase and manage any ABS that might be surrendered by a TALF borrower or otherwise claimed by the FRBNY in connection

<sup>4</sup> For additional information on the TALF, refer to [www.federalreserve.gov/monetarypolicy/bst\\_lendingother.htm](http://www.federalreserve.gov/monetarypolicy/bst_lendingother.htm).

**Table 10. TALF collateral by underlying loan type**

Billions of dollars, as of January 25, 2012

Type of collateral	Value
<i>By underlying loan type</i>	
Auto	*
Commercial mortgages	2
Newly issued	0
Legacy	2
Credit card	2
Equipment	*
Floorplan	1
Premium finance	1
Servicing advances	*
Small business	*
Student loan	2
<b>Total</b>	<b>9</b>

Note: Unaudited. Components may not sum to total because of rounding. Data represent the face value of collateral.

\* Less than \$500 million.

with its enforcement rights to the TALF collateral. In certain limited circumstances, TALF LLC may also purchase TALF program loans from the FRBNY. TALF LLC has committed to purchase, for a fee, all such assets at a price equal to the TALF loan, plus accrued but unpaid interest.

**Table 11. TALF collateral by rating**

Billions of dollars, as of January 25, 2012

Type of collateral	Value
<i>Asset-backed securities with minimum rating of:</i> <sup>1</sup>	
AAA/Aaa	9
<b>Total</b>	<b>9</b>

Note: Unaudited. Data represent the face value of collateral.

<sup>1</sup> Eligible ABS collateral for the TALF was required to have a credit rating in the highest investment-grade rating category from at least two eligible NRSROs and could not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. When pledged collateral is downgraded below the highest investment-grade rating, existing loans against the collateral remain outstanding.

Purchases of these securities are funded first through the fees received by TALF LLC and any interest TALF LLC has earned on its investments. In the event that such funding proves insufficient, the TARP will provide additional subordinated debt funding to TALF LLC to finance up to \$4.3 billion of asset purchases. Subsequently, the FRBNY will finance any additional purchases of securities by providing senior debt funding to TALF LLC. Thus, the TARP funds provide credit protection to the FRBNY. Financial information on TALF LLC is reported weekly in tables 1, 2, 7, 8, and 9 of the H.4.1 statistical release. As of January 25, 2012, TALF LLC had purchased no assets from the FRBNY.

**Table 12A. Issuers of non-CMBS that collateralize outstanding TALF loans**

As of January 25, 2012

Issuers
Ally Master Owner Trust
American Express Credit Account Master Trust
AmeriCredit Automobile Receivables Trust 2009-1
ARI Fleet Lease Trust 2010-A
Bank of America Auto Trust 2009-1
CarMax Auto Owner Trust 2009-1
CarMax Auto Owner Trust 2009-A
Chase Issuance Trust
Chesapeake Funding LLC
Chrysler Financial Auto Securitization Trust 2009-A
Citibank Omni Master Trust
CNH Equipment Trust 2009-B
CNH Wholesale Master Note Trust
Discover Card Execution Note Trust
FIFC Premium Funding LLC
First National Master Note Trust
Ford Credit Auto Owner Trust 2009-A
Ford Credit Floorplan Master Owner Trust A
GE Capital Credit Card Master Note Trust
GE Dealer Floorplan Master Note Trust
Harley-Davidson Motorcycle Trust 2009-2
Honda Auto Receivables 2009-2 Owner Trust
Marlin Leasing Receivables XII LLC
OCWEN Servicer Advance Receivables Funding Company II LTD.
PFS Financing Corp.
SLC Private Student Loan Trust 2009-A
SLC Private Student Loan Trust 2010-B
SLM Private Education Loan Trust 2009-CT
SLM Private Education Loan Trust 2009-D
SLM Private Education Loan Trust 2010-A
U.S. Small Business Administration
WHEELS SPV, LLC
World Financial Network Credit Card Master Note Trust
World Omni Auto Receivables Trust 2009-A

**Table 12B. Issuers of newly issued CMBS that collateralize outstanding TALF loans**

As of January 25, 2012

Issuers <sup>1</sup>

<sup>1</sup> There are no outstanding TALF loans collateralized with newly issued CMBS.**Table 12C. Issuers of legacy CMBS that collateralize outstanding TALF loans**

As of January 25, 2012

Issuers
Banc of America Commercial Mortgage Inc. Series 2004-2
Banc of America Commercial Mortgage Inc. Series 2005-3
Banc of America Commercial Mortgage Inc. Series 2005-5
Banc of America Commercial Mortgage Trust 2006-1
Banc of America Commercial Mortgage Trust 2006-5
Banc of America Commercial Mortgage Trust 2007-1
Banc of America Commercial Mortgage Trust 2007-2
Banc of America Commercial Mortgage Trust 2007-3
Bear Stearns Commercial Mortgage Securities Trust 2004-PWR4
Bear Stearns Commercial Mortgage Securities Trust 2004-TOP16
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR10
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR7
Bear Stearns Commercial Mortgage Securities Trust 2006-PWR11
Bear Stearns Commercial Mortgage Securities Trust 2007-PWR16
CD 2006-CD3 Mortgage Trust
CD 2007-CD4 Commercial Mortgage Trust
Citigroup Commercial Mortgage Trust 2004-C1
COMM 2004-LNB2 Mortgage Trust
COMM 2005-C6 Mortgage Trust
COMM 2006-C7 Mortgage Trust
COMM 2006-C8 Mortgage Trust
Commercial Mortgage Trust 2005-GG3
Commercial Mortgage Trust 2005-GG5
Commercial Mortgage Trust 2007-GG9
Credit Suisse Commercial Mortgage Trust Series 2007-C1
Credit Suisse Commercial Mortgage Trust Series 2007-C2
Credit Suisse Commercial Mortgage Trust Series 2007-C4
CS First Boston Mortgage Secur 2004-C1
CSFB Commercial Mortgage Trust 2005-C1
CSFB Commercial Mortgage Trust 2005-C3
GE Commercial Mortgage Corporation Series 2005-C1
GE Commercial Mortgage Corporation Series 2005-C4
GE Commercial Mortgage Corporation, Series 2007-C1 Trust
GS Mortgage Securities Corporation II Series 2005-GG4
GS Mortgage Securities Trust 2006-GG6
GS Mortgage Securities Trust 2006-GG8
GS Mortgage Securities Trust 2007-GG10
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-C2
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-C3
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-CIBC10
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-CIBC8
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-CIBC13
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-LDP5
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-CIBC15
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-LDP9
J.P. Morgan Chase Commercial Mortgage Securities Trust 2007-LDP11
J.P. Morgan Chase Commercial Mortgage Securities Trust 2007-LDP12

*(continued on next page)*

**Table 12C. Issuers of legacy CMBS that collateralize outstanding TALF loans—Continued**

As of January 25, 2012

Issuers
LB Commercial Mortgage Trust 2007-C3
LB-UBS Commercial Mortgage Trust 2004-C1
LB-UBS Commercial Mortgage Trust 2004-C7
LB-UBS Commercial Mortgage Trust 2005-C2
LB-UBS Commercial Mortgage Trust 2007-C1
LB-UBS Commercial Mortgage Trust 2007-C2
LB-UBS Commercial Mortgage Trust 2007-C6
Merrill Lynch Mortgage Trust 2004-KEY2
Merrill Lynch Mortgage Trust 2007-C1
ML-CFC Commercial Mortgage Trust 2006-4
ML-CFC Commercial Mortgage Trust 2007-5
ML-CFC Commercial Mortgage Trust 2007-8
Morgan Stanley Capital I Trust 2005-HQ6
Morgan Stanley Capital I Trust 2005-IQ9
Morgan Stanley Capital I Trust 2006-TOP21
Morgan Stanley Capital I Trust 2007-IQ14
Morgan Stanley Capital I Trust 2007-IQ15
Morgan Stanley Capital I Trust 2007-TOP27
Wachovia Bank Commercial Mortgage Trust Series 2005-C19
Wachovia Bank Commercial Mortgage Trust Series 2005-C20
Wachovia Bank Commercial Mortgage Trust Series 2006-C28
Wachovia Bank Commercial Mortgage Trust Series 2006-C29
Wachovia Bank Commercial Mortgage Trust Series 2007-C32
Wachovia Bank Commercial Mortgage Trust Series 2007-C33



# Lending in Support of Specific Institutions

## Quarterly Developments

- Cash flows generated from the Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC portfolios are used to pay down the FRBNY's loans to those LLCs. For the third quarter of 2011, repayments totaled approximately \$11.6 billion, as presented in **tables 14, 17, and 20**.

## Background

During the financial crisis, the Federal Reserve extended credit to certain specific institutions in order to avert disorderly failures that could result in severe dislocations and strains for the financial system as a whole and harm the U.S. economy. In certain other cases, the Federal Reserve committed to extend credit, if necessary, to support important financial firms.

**Table 13. Fair value asset coverage of FRBNY loan**

Millions of dollars

	Fair value asset coverage of FRBNY loan on 9/30/2011	Fair value asset coverage of FRBNY loan on 6/30/2011
Maiden Lane LLC	2,240	2,335
Maiden Lane II LLC	2,374	2,684
Maiden Lane III LLC	7,465	9,841

Note: Unaudited. Fair value asset coverage is the amount by which the fair value of the net portfolio assets of each LLC (refer to table 26) is greater or less than the outstanding balance of the loans extended by the FRBNY, including accrued interest.

## Bear Stearns and Maiden Lane LLC

### Recent Developments

- The repayments of the senior loan extended by the FRBNY to Maiden Lane LLC totaled \$8.4 billion during the period from September 30, 2011, to January 25, 2012.

**Table 14. Maiden Lane LLC outstanding principal balance of loans**

Millions of dollars

	FRBNY senior loan	JPMC subordinate loan
<i>Since inception</i>		
Principal balance at closing	28,820	1,150
Accrued and capitalized interest to 9/30/2011	738	217
Repayments to 9/30/2011	(16,608)	—
Principal balance on 9/30/2011 (including accrued and capitalized interest)	12,950	1,367
<i>Most recent quarterly activity</i>		
Principal balance on 6/30/2011 (including accrued and capitalized interest)	21,601	1,349
Accrued and capitalized interest from 6/30/2011 to 9/30/2011	32	18
Repayment during the period from 6/30/2011 to 9/30/2011 <sup>1</sup>	(8,683)	—
Principal balance on 9/30/2011 (including accrued and capitalized interest)	12,950	1,367

Note: Unaudited. As part of the asset purchase agreement, JPMC made a loan to Maiden Lane LLC. For repayment purposes, this obligation is subordinated to the senior loan extended by the FRBNY.

<sup>1</sup> Repayment amount for the period includes \$7.8 billion of proceeds received from asset sales. Due to the cash flow cut off date used to calculate the cash available for the repayment, the portion of the repayment amount comprised of sale proceeds may not reconcile to the total sale proceeds reported each month. Proceeds received after the cut off date are applied to the loan in the next monthly payment cycle.

## Background

In March 2008, the FRBNY and JPMorgan Chase & Co. (JPMC) entered into an arrangement related to financing provided by the FRBNY to facilitate the acquisition by JPMC of The Bear Stearns Companies Inc. (Bear Stearns). In connection with the transaction, the Federal Reserve Board authorized the FRBNY, under Section 13(3) of the Federal Reserve Act, to extend credit to a Delaware limited liability company, Maiden Lane LLC, to partially fund the purchase of a portfolio of mortgage-related securities, residential and commercial mortgage loans, and associated hedges from Bear Stearns. In the second quarter of 2008, the FRBNY extended

credit to Maiden Lane LLC. The LLC manages its assets through time to maximize the repayment of credit extended to the LLC and to minimize disruption to the financial markets.

The two-year accumulation period that followed the closing date for Maiden Lane LLC ended on June 26, 2010. Consistent with the terms of the Maiden Lane LLC transaction, the distribution of the proceeds realized on the asset portfolio held by Maiden Lane LLC, after payment of certain fees and expenses, will occur on a monthly basis going forward unless otherwise directed by the Federal Reserve. The monthly distributions will be used to cover the expenses and repay the obligations of the LLC, including the principal and interest on the loan from the FRBNY.

The assets of Maiden Lane LLC are presented weekly in tables 1, 8, and 9 of the H.4.1 statistical release. Additional details on the accounts of Maiden Lane LLC are presented in table 4 of the H.4.1 statistical release. Detailed information on the terms of the loan, the holdings of Maiden Lane LLC (including

**Table 15. Maiden Lane LLC summary of portfolio composition, cash and cash equivalents, and other assets and liabilities**

Millions of dollars		
	Fair value on 9/30/2011 <sup>1</sup>	Fair value on 6/30/2011 <sup>1</sup>
Federal Agency and GSE MBS	4,415	11,177
Non-agency RMBS	1,675	1,838
Commercial loans	4,527	5,214
Residential loans	425	577
Swap contracts	572	570
Other investments	677	937
Cash and cash equivalents	3,368	3,514
Other assets <sup>2</sup>	133	717
Other liabilities <sup>3</sup>	(602)	(608)
<b>Net assets</b>	<b>15,190</b>	<b>23,936</b>

Note: Unaudited. Components may not sum to totals because of rounding.  
<sup>1</sup> Change in fair value from the prior quarter reflects a combination of asset repayment of principal, change in the price of portfolio securities, realized gains and losses as a result of sales, and the disbursement of cash to repay the Senior Loan.  
<sup>2</sup> Including interest and principal receivable and other assets (options included).  
<sup>3</sup> Including amounts payable for securities purchased, collateral posted to Maiden Lane LLC by swap counterparties, and other liabilities and accrued expenses.

**Table 16. Maiden Lane LLC securities distribution by sector and rating**

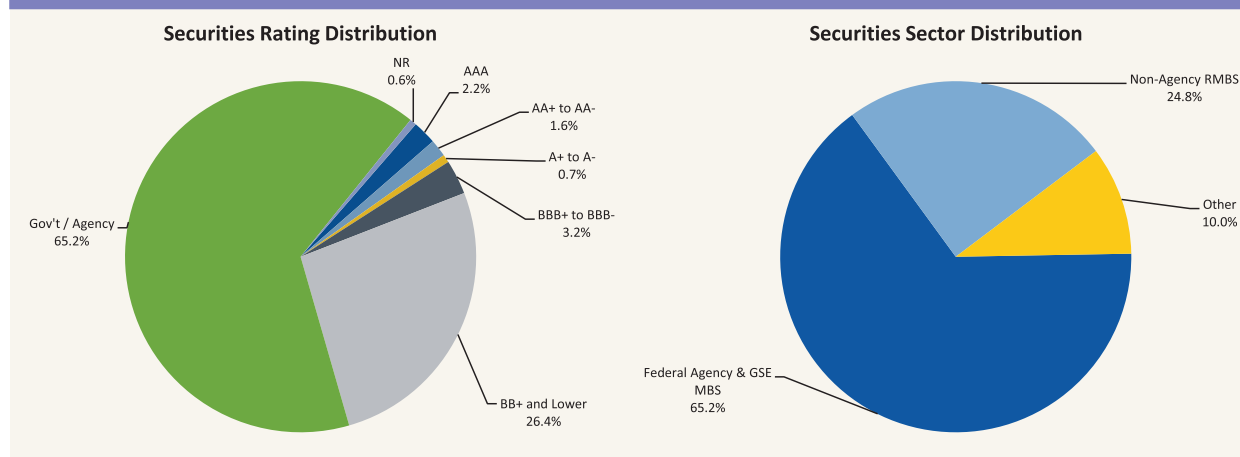
Percent, as of September 30, 2011

Sector <sup>1</sup>	Rating							Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Gov't/ Agency	Not Rated	
Federal Agency and GSE MBS	0.0	0.0	0.0	0.0	0.0	65.2	0.0	65.2
Non-agency RMBS	0.7	0.4	0.3	0.3	22.8	0.0	0.3	24.8
Other <sup>2</sup>	1.5	1.2	0.5	2.9	3.6	0.0	0.3	10.0
<b>Total</b>	<b>2.2</b>	<b>1.6</b>	<b>0.7</b>	<b>3.2</b>	<b>26.4</b>	<b>65.2</b>	<b>0.6</b>	<b>100.0</b>

Note: Unaudited. This table presents the sector and ratings composition of the securities in the Maiden Lane LLC portfolio as a percentage of all securities in the portfolio. It is based on the fair value of the securities. Lowest of all ratings is used for purposes of this table. Rows and columns may not sum to totals because of rounding.

<sup>1</sup> Does not include Maiden Lane LLC's swaps and other derivative contracts and commercial and residential mortgage loans.  
<sup>2</sup> Includes all asset sectors that, individually, represent less than 5 percent of the aggregate fair value of securities in the portfolio.

**Figure 2. Maiden Lane LLC securities distribution as of September 30, 2011**



the CUSIP number, descriptor, and the current principal balance or notional amount outstanding for nearly all of the holdings of Maiden Lane LLC with the exception of residential whole loans), and the sale of Maiden Lane LLC assets (including monthly lists of assets sold from Maiden Lane LLC and quarterly updates on total proceeds from sales and the total amount purchased by each counterparty) is published on the FRBNY website at [www.newyorkfed.org/markets/maidenlane.html](http://www.newyorkfed.org/markets/maidenlane.html).

Information about the assets and liabilities of Maiden Lane LLC is presented as of September 30, 2011, in **tables 14 through 16** and **figure 2**. This information is updated on a quarterly basis.

## AIG, Maiden Lane II LLC, and Maiden Lane III LLC

### Recent Developments

- The repayments of the senior loans extended by the FRBNY to Maiden Lane II LLC and Maiden Lane III LLC totaled \$0.6 billion and \$1.3 billion, respectively, during the period from September 30, 2011, to January 25, 2012.
- On January 19, 2012, the FRBNY announced that it had sold \$7.014 billion in face value of assets from its Maiden Lane II LLC portfolio through a competitive process to Credit Suisse Securities (USA) LLC. On February 8, 2012, the FRBNY announced that it had sold an additional \$6.2 billion in face value of Maiden Lane II LLC portfolio assets through a competitive process to Goldman Sachs & Co. Proceeds from these two transactions will enable the repayment of the entire remaining outstanding balance of the senior loan from the FRBNY to Maiden Lane II LLC. Additional information about these transactions is available at [www.newyorkfed.org/newsevents/news/markets/2012/an120119.html](http://www.newyorkfed.org/newsevents/news/markets/2012/an120119.html) and [www.newyorkfed.org/newsevents/news/markets/2012/an120208.html](http://www.newyorkfed.org/newsevents/news/markets/2012/an120208.html).

### Background

On September 16, 2008, the Federal Reserve, with the full support of the Treasury, announced that it would lend to American International Group, Inc. (AIG) to prevent a disorderly failure of this systemically important firm, protect the financial system and the broader economy, and provide the company time to restructure its operations in an orderly manner. At

that time, the Federal Reserve, under the authority of Section 13(3) of the Federal Reserve Act, authorized the FRBNY to extend an \$85 billion line of credit (the “revolving credit facility”) to AIG. The Federal Reserve and the Treasury subsequently restructured the government’s financial support to AIG as follows:

- On November 10, 2008, the Federal Reserve and the Treasury announced a restructuring as part of which the line of credit extended to AIG was reduced, and which included Federal Reserve loans to two new LLCs, Maiden Lane II LLC and Maiden Lane III LLC. More detail on these LLCs is reported below. Additional information is included in tables 5 and 6 of the H.4.1 statistical release.
- On March 2, 2009, the Federal Reserve and Treasury announced a further restructuring of the government’s assistance to AIG. As part of this restructuring, the FRBNY received \$25 billion of preferred interests in two special purpose vehicles (SPVs), AIA Aurora LLC and ALICO Holdings LLC, (the “SPV Preferred Interests”) in exchange for an equivalent reduction of the amount of debt then outstanding on the revolving credit facility. Additional information on the March 2009 restructuring is available at [www.federalreserve.gov/newsevents/press/other/20090302a.htm](http://www.federalreserve.gov/newsevents/press/other/20090302a.htm).

On September 30, 2010, AIG announced a comprehensive recapitalization plan (the “Recapitalization”) that included repayment of AIG’s obligations to the FRBNY and termination of the FRBNY’s commitment to lend any further funds. At the closing of the Recapitalization on January 14, 2011, AIG repaid in full the remaining amount outstanding under the revolving credit facility established by the FRBNY, including all accrued interest and fees. The FRBNY also received the full amount, including all accrued dividends, of the SPV Preferred Interests. AIG purchased a portion of the SPV Preferred Interests from the FRBNY through a draw on the Treasury’s Series F preferred stock commitment. AIG then transferred the SPV Preferred Interests purchased from the FRBNY to the Treasury as consideration for the draw on the available Series F funds.

On October 31, 2011, the U.S. Government Accountability Office (GAO) released a report that reviewed the Federal Reserve’s financial assistance to AIG. The report can be found on the Federal Reserve’s audit webpage at [www.federalreserve.gov/newsevents/reform\\_audit\\_gao.htm](http://www.federalreserve.gov/newsevents/reform_audit_gao.htm). A comprehensive overview of financial assistance provided to AIG is available

online at [www.federalreserve.gov/monetarypolicy/bst\\_supportspecific.htm](http://www.federalreserve.gov/monetarypolicy/bst_supportspecific.htm) and [www.newyorkfed.org/aboutthefed/aig/index.html](http://www.newyorkfed.org/aboutthefed/aig/index.html).

## Maiden Lane II LLC

Pursuant to authority granted by the Federal Reserve Board under Section 13(3) of the Federal Reserve Act, on December 12, 2008, the FRBNY lent approximately \$19.5 billion to a newly formed Delaware limited liability company, Maiden Lane II LLC, to partially fund the purchase of residential

mortgage-backed securities (RMBS) from the securities lending portfolio of several regulated U.S. insurance subsidiaries of AIG. Maiden Lane II LLC acquired the RMBS, which had an aggregate par value of approximately \$39.3 billion, at the then-current market value of approximately \$20.8 billion, which was substantially below par value.<sup>5</sup> The full portfolio of RMBS held by Maiden Lane II LLC serves as collateral for the Federal Reserve's loan to Maiden Lane II LLC. AIG's insurance subsidiaries also have a \$1 billion subordinated position in Maiden Lane II LLC that is available to absorb first any losses that may be realized.

**Table 17. Maiden Lane II LLC outstanding principal balance of senior loan and fixed deferred purchase price**  
Millions of dollars

	FRBNY senior loan	AIG fixed deferred purchase price
<i>Since inception</i>		
Principal balance at closing	19,494	1,000
Accrued and capitalized interest to 9/30/2011	547	97
Repayments to 9/30/2011	(12,840)	—
Principal balance on 9/30/2011 (including accrued and capitalized interest)	7,201	1,097
<i>Most recent quarterly activity</i>		
Principal balance on 6/30/2011 (including accrued and capitalized interest)	8,584	1,088
Accrued and capitalized interest from 6/30/2011 to 9/30/2011	22	9
Repayment during the period from 6/30/2011 to 9/30/2011 <sup>1</sup>	(1,406)	—
Principal balance on 9/30/2011 (including accrued and capitalized interest)	7,201	1,097

Note: Unaudited. As part of the asset purchase agreement, AIG subsidiaries were entitled to receive from Maiden Lane II LLC a fixed deferred purchase price plus interest on the amount. This obligation is subordinated to the senior loan extended by the FRBNY, and it reduced the amount paid by Maiden Lane II LLC for the assets by a corresponding amount.

<sup>1</sup> Repayment amount for the period includes \$0 in proceeds received from asset sales. Due to the cash flow cut off date used to calculate the cash available for the repayment, the portion of the repayment amount comprised of sale proceeds may not reconcile to the total sale proceeds reported each month. Proceeds received after the cut off date are applied to the loan in the next monthly payment cycle.

<sup>5</sup> The aggregate amount of interest and principal proceeds from RMBS received after the announcement date, but prior to the settlement date, net of financing costs, amounted to approximately \$0.3 billion and therefore reduced the amount of funding required at settlement by \$0.3 billion, from \$20.8 billion to \$20.5 billion.

**Table 18. Maiden Lane II LLC summary of RMBS portfolio composition, cash and cash equivalents, and other assets and liabilities**  
Millions of dollars

	Fair value on 9/30/2011 <sup>1</sup>	Fair value on 6/30/2011 <sup>1</sup>
Alt-A ARM	2,235	2,394
Subprime	5,611	6,084
Option ARM	562	611
Other <sup>2</sup>	1,011	1,077
Cash and cash equivalents	154	1,099
Other assets <sup>3</sup>	3	1
Other liabilities <sup>4</sup>	(1)	(1)
<b>Net assets</b>	<b>9,575</b>	<b>11,266</b>

Note: Unaudited. Components may not sum to totals because of rounding

<sup>1</sup> Change in fair value from the prior quarter reflects a combination of asset repayment of principal, change in the price, realized gains and losses as a result of sales and the disbursement of cash to repay the Senior Loan.

<sup>2</sup> Includes all asset sectors that, individually, represent less than 5 percent of aggregate outstanding fair value of securities in the portfolio.

<sup>3</sup> Including interest and principal receivable.

<sup>4</sup> Including accrued expenses and other payables.

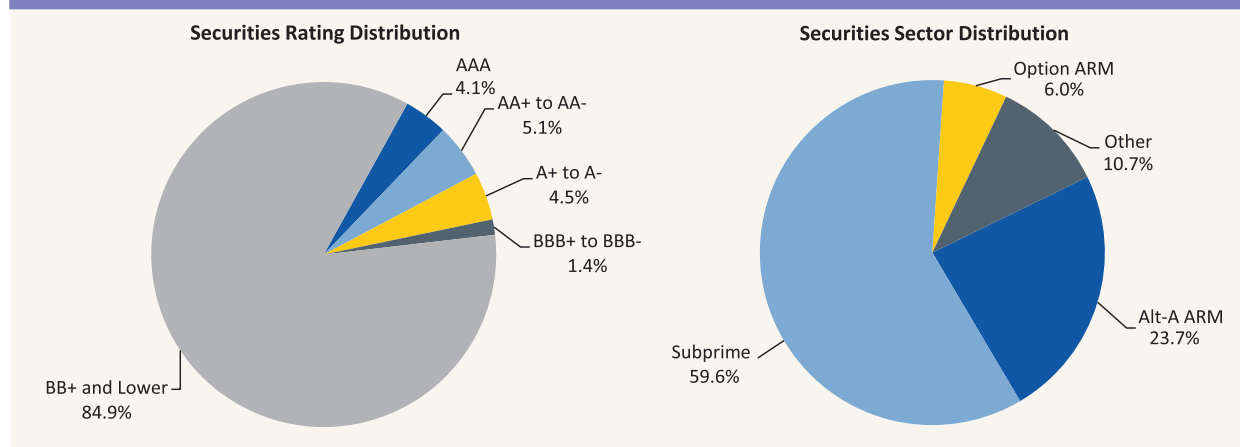
**Table 19. Maiden Lane II LLC securities distribution by sector and rating**  
Percent, as of September 30, 2011

RMBS sector	Rating					
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Total
Alt-A ARM	0.0	1.1	1.2	0.2	21.3	23.7
Subprime	4.1	3.2	1.7	1.3	49.3	59.6
Option ARM	0.0	0.0	0.0	0.0	6.0	6.0
Other <sup>1</sup>	0.0	0.8	1.7	0.0	8.3	10.7
<b>Total</b>	<b>4.1</b>	<b>5.1</b>	<b>4.5</b>	<b>1.4</b>	<b>84.9</b>	<b>100.0</b>

Note: Unaudited. This table presents the sector and ratings composition of Maiden Lane II LLC's RMBS portfolio as a percentage of aggregate fair value of the securities in the portfolio. Lowest of all ratings is used for the purposes of this table. Rows and columns may not sum to totals because of rounding.

<sup>1</sup> Includes all asset sectors that, individually, represent less than 5 percent of the aggregate fair value of securities in the portfolio.

Figure 3. Maiden Lane II LLC securities distribution as of September 30, 2011



On March 30, 2011, the Federal Reserve announced that the FRBNY, through its investment manager, BlackRock Solutions, will dispose of the securities in the ML II portfolio individually and in segments through a competitive sales process over time as market conditions warrant. On June 29, 2011, BlackRock Solutions, acting in an advisory capacity as investment manager and on behalf of the FRBNY, announced to broker-dealers that, given prevailing market conditions for non-agency RMBS, it did not anticipate any sales of bonds in the near term or until such time as the FRBNY deemed it appropriate.

The net portfolio holdings of Maiden Lane II LLC are presented in tables 1, 8, and 9 of the weekly H.4.1 statistical release. Additional detail on the accounts of Maiden Lane II LLC is presented in table 5 of the H.4.1 statistical release. Detailed information on the terms of the loan, the holdings of Maiden Lane II LLC (including the CUSIP number, descriptor, and the current principal balance or notional amount outstanding for all the positions in the portfolio), and the disposition of Maiden Lane II assets (including offering announcements and results, monthly lists of assets sold from Maiden Lane II LLC, and quarterly updates on total proceeds from sales and the total amount purchased by each counterparty) is published on the FRBNY website at [www.newyorkfed.org/markets/maidenlane.html](http://www.newyorkfed.org/markets/maidenlane.html).

Information about the assets and liabilities of Maiden Lane II LLC is presented as of September 30, 2011, in **tables 17 through 19** and **figure 3**. This information is updated on a quarterly basis.

### Maiden Lane III LLC

Pursuant to authority granted by the Federal Reserve Board under Section 13(3) of the Federal Reserve Act, the FRBNY in November and December 2008, lent approximately \$24.3 billion to a newly formed Delaware limited liability company, Maiden Lane III LLC, to fund the purchase of certain asset-backed collateralized debt obligations (ABS CDOs) from certain counterparties of AIG Financial Products Corp. (AIGFP) on which AIGFP had written credit default swaps and similar contracts. Maiden Lane III LLC acquired these CDOs, which had an aggregate par value of approximately \$62.1 billion, at the then-current market value of approximately \$29.6 billion, which was substantially below par value.<sup>6</sup> The full portfolio of CDOs held by Maiden Lane III LLC serves as collateral for the Federal Reserve's loan to Maiden Lane III LLC. AIG together with an AIG subsidiary also have a \$5 billion subordinated position in Maiden Lane III LLC that is available to absorb first any losses that may be realized. Assets of the portfolio of the LLC will be managed to maximize cash flows to ensure repayment of obligations of the LLC while minimizing disruptions to financial markets.

<sup>6</sup> The aggregate amount of interest and principal proceeds from CDOs received after the announcement date, but prior to the settlement dates, net of financing costs, amounted to approximately \$0.3 billion and therefore reduced the amount of funding required at settlement by \$0.3 billion, from \$29.6 billion to \$29.3 billion.

**Table 20. Maiden Lane III LLC outstanding principal balance of senior loan and equity contribution**

Millions of dollars

	FRBNY senior loan	AIG equity contribution
<i>Since inception</i>		
Principal balance at closing	24,339	5,000
Accrued and capitalized interest to 9/30/2011	660	496
Repayments to 9/30/2011	(14,118)	—
Principal balance on 9/30/2011 (including accrued and capitalized interest)	10,881	5,496
<i>Most recent quarterly activity</i>		
Principal balance on 6/30/2011 (including accrued and capitalized interest)	12,324	5,452
Accrued and capitalized interest from 6/30/2011 to 9/30/2011	34	44
Repayment during the period from 6/30/2011 to 9/30/2011 <sup>1</sup>	(1,478)	—
Principal balance on 9/30/2011 (including accrued and capitalized interest)	10,881	5,496

Note: Unaudited. As part of the asset purchase agreement, AIG purchased a \$5 billion equity contribution, which is subordinated to the senior loan extended by the FRBNY.

**Table 21. Maiden Lane III LLC summary of portfolio composition, cash and cash equivalents, and other assets and liabilities**

Millions of dollars

	Fair value on 9/30/2011 <sup>1</sup>	Fair value on 6/30/2011 <sup>1</sup>
High-grade ABS CDO	11,634	13,578
Mezzanine ABS CDO	1,468	1,788
Commercial real estate CDO	4,640	5,597
RMBS, CMBS, and Other	275	314
Cash and cash equivalents	307	865
Other assets <sup>2</sup>	25	25
Other liabilities <sup>3</sup>	(3)	(3)
<b>Net assets</b>	<b>18,346</b>	<b>22,165</b>

Note: Unaudited. Components may not sum to totals because of rounding.

<sup>1</sup> Change in fair value from the prior quarter reflects a combination of asset repayment of principal, change in the price, and realized gains and losses as a result of sales and the disbursement of cash to repay the Senior Loan.

<sup>2</sup> Including interest and principal receivable.

<sup>3</sup> Including accrued expenses.

**Table 22. Maiden Lane III LLC securities distribution by sector, vintage, and rating**

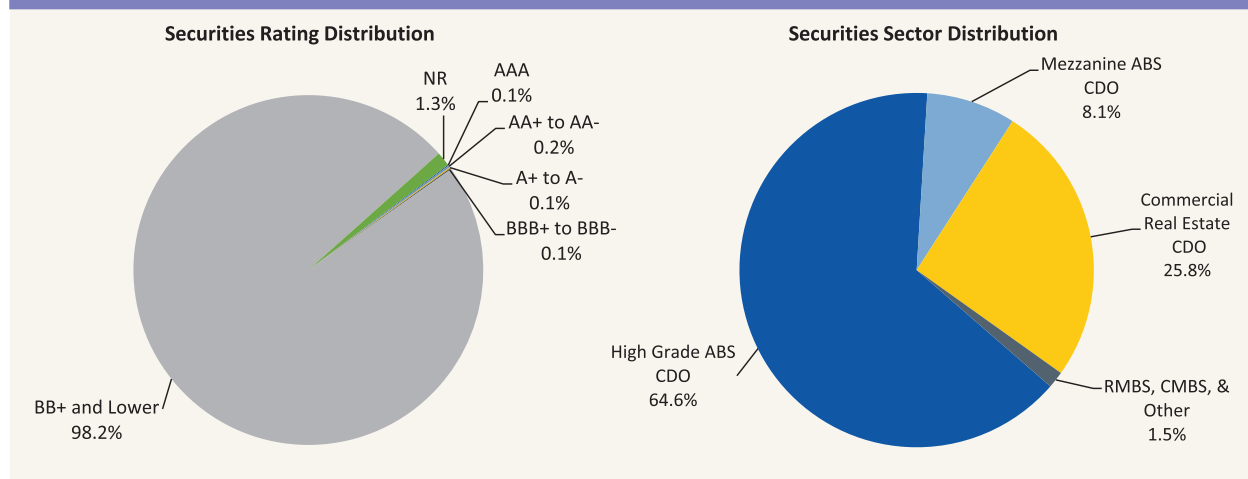
Percent, as of September 30, 2011

Sector and vintage <sup>1</sup>	Rating						Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Not Rated	
High-grade ABS CDO	0.0	0.0	0.0	0.0	63.4	1.2	64.6
Pre-2005	0.0	0.0	0.0	0.0	21.8	0.0	21.8
2005	0.0	0.0	0.0	0.0	29.0	1.2	30.2
2006	0.0	0.0	0.0	0.0	5.8	0.0	5.8
2007	0.0	0.0	0.0	0.0	6.8	0.0	6.8
Mezzanine ABS CDO	0.0	0.0	0.0	0.0	8.0	0.2	8.1
Pre-2005	0.0	0.0	0.0	0.0	4.5	0.2	4.7
2005	0.0	0.0	0.0	0.0	2.9	0.0	2.9
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.6	0.0	0.6
Commercial real estate CDO	0.0	0.0	0.0	0.0	25.7	0.0	25.8
Pre-2005	0.0	0.0	0.0	0.0	3.5	0.0	3.5
2005	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	22.3	0.0	22.3
RMBS, CMBS, and Other	0.1	0.2	0.1	0.1	1.1	0.0	1.5
Pre-2005	0.0	0.0	0.0	0.0	0.1	0.0	0.2
2005	0.1	0.2	0.1	0.1	0.8	0.0	1.2
2006	0.0	0.0	0.0	0.0	0.1	0.0	0.1
2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>98.2</b>	<b>1.3</b>	<b>100.0</b>

Note: Unaudited. This table presents the sector, vintage, and rating composition of the securities in the Maiden Lane III LLC portfolio as a percentage of all securities in the portfolio. It is based on the fair value of the securities. Lowest of all ratings is used for purposes of this table. Rows and columns may not sum to totals because of rounding.

<sup>1</sup> The year of issuance with the highest concentration of underlying assets as measured by outstanding principal balance determines the vintage of the CDO.

Figure 4. Maiden Lane III LLC securities distribution as of September 30, 2011



The net portfolio holdings of Maiden Lane III LLC are presented in tables 1, 8, and 9 of the weekly H.4.1 statistical release. Additional detail on the accounts of Maiden Lane III LLC is presented in table 6 of the H.4.1 statistical release. Information on the holdings of the Maiden Lane III LLC, including the CUSIP number, descriptor, and the current principal balance or notional amount outstanding for all the

positions in the portfolio, is published on the FRBNY website at [www.newyorkfed.org/markets/maidenlane.html](http://www.newyorkfed.org/markets/maidenlane.html).

Information about the assets and liabilities of Maiden Lane III LLC is presented as of September 30, 2011, in **tables 20 through 22** and **figure 4**. This information is updated on a quarterly basis.

# Federal Reserve Banks' Financial Tables

## Quarterly Developments

- The average daily balance of the Federal Reserve SOMA holdings was approximately \$2.5 trillion during the first three quarters of 2011, as presented in **table 24**. Net earnings from the portfolio were approximately \$63.9 billion; most of the earnings were attributable to interest income on Treasury securities and federal agency and GSE MBS.
- Interest earned from Federal Reserve lending programs was approximately \$0.6 billion during the first three quarters of 2011, as presented in **table 25**; interest earned on credit extended to AIG and loans made by the TALF accounted for most of the total.
- As presented in **table 26**, the consolidated financial statements of the FRBNY reported net income (including changes in valuation) of approximately \$1.0 billion for Maiden Lane LLC, and net losses of \$0.4 billion and \$1.3 billion for Maiden Lane II and Maiden Lane III LLCs, respectively, during the first three quarters of 2011.
- After providing for the payment of dividends and reserving an amount necessary to equate surplus with capital paid in, distributions to the Treasury as interest on Federal Reserve notes totaled \$57.5 billion during the first three quarters of 2011, as presented in **table 23**.

## Background

The Federal Reserve Banks prepare annual financial statements reflecting balances as of December 31, and income and expenses for the year then ended. The Federal Reserve Bank financial statements also include the accounts and results of operations of several LLCs that have been consolidated with the FRBNY (the “consolidated LLCs”).

The Board of Governors, the Federal Reserve Banks, and the consolidated LLCs are all subject to several levels of audit and review. The Reserve Banks' finan-

cial statements and those of the consolidated LLC entities are audited annually by an independent auditing firm retained by the Board of Governors. To ensure auditor independence, the Board requires that the external auditor be independent in all matters relating to the audit. Specifically, the external auditor may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In addition, the Reserve Banks, including the consolidated LLCs, are subject to oversight by the Board.

The Board of Governors' financial statements are audited annually by an independent auditing firm retained by the Board's Office of Inspector General (OIG). The audit firm also provides a report on compliance and on internal control over financial reporting in accordance with government auditing standards. The OIG also conducts audits, reviews, and investigations relating to the Board's programs and operations as well as of Board functions delegated to the Reserve Banks.

Audited annual financial statements for the Reserve Banks and Board of Governors are available at [www.federalreserve.gov/monetarypolicy/bst\\_fedfinancials.htm](http://www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm). In this report, the Federal Reserve prepares unaudited quarterly updates to tables included in the Federal Reserve Board's Annual Report, available at [www.federalreserve.gov/publications/annual-report/default.htm](http://www.federalreserve.gov/publications/annual-report/default.htm). As required by the Dodd-Frank Act, the Federal Reserve posted an audit webpage on December 3, 2010. This page will be updated as reports and other information become available. More information can be found at [www.federalreserve.gov/newsevents/reform\\_audit.htm](http://www.federalreserve.gov/newsevents/reform_audit.htm).

## Combined Statement of Income and Comprehensive Income

Table 23 presents unaudited combined Reserve Bank income and expense information for the first three



**Table 23. Federal Reserve Banks' Combined Statement of Income and Comprehensive Income**

Millions of dollars

	January 1, 2011 – September 30, 2011
Interest income:	
Loans to depository institutions (refer to table 25)	—
Other loans, net (refer to table 25)	627
System Open Market Account (refer to table 24)	63,302
Investments held by consolidated variable interest entities (refer to table 26)	<u>2,746</u>
Total interest income	<u>66,675</u>
Interest expense:	
System Open Market Account (refer to table 24)	33
Depository institution deposits	2,772
Term deposit facility	5
Beneficial interest in consolidated variable interest entities (refer to table 26)	<u>212</u>
Total interest expense	<u>3,022</u>
Provision for loan restructuring (refer to table 25)	—
Net interest income, after provision for loan restructuring	<u>63,653</u>
Non-interest income (loss):	
Other loans unrealized gains (losses) <sup>1</sup>	(70)
System Open Market Account—realized and unrealized losses, net (refer to table 24)	652
Investments held by consolidated variable interest entities gains (losses), net (refer to table 26):	(3,958)
Beneficial interest in consolidated variable interest entities gains (losses), net	671
Dividends on preferred securities	47
Income from services	364
Reimbursable services to government agencies	332
Other income	<u>116</u>
Total non-interest income (loss)	<u>(1,846)</u>
Operating expenses:	
Salaries and other benefits	2,070
Occupancy expense	227
Equipment expense	135
Assessments by the Board of Governors:	
Board of Governors operating expenses	764
Bureau of Consumer Financial Protection	147
Office of Financial Research	11
Professional fees related to consolidated variable interest entities (refer to table 26)	57
Other expenses	<u>429</u>
Total operating expenses	<u>3,840</u>
Net income prior to distribution	<u>57,967</u>
Change in funded status of benefit plans <sup>2</sup>	<u>240</u>
Comprehensive income prior to distribution	<u>58,207</u>
Distribution of comprehensive income:	
Dividends paid to member banks	1,180
Transferred to surplus and change in accumulated other comprehensive income (loss)	(519)
Payments to U.S. Treasury as interest on Federal Reserve notes <sup>3</sup>	<u>57,546</u>
Total distribution	<u>58,207</u>

Note: Unaudited.

<sup>1</sup> The fair value option was elected for all TALF loans. Recording all TALF loans at fair value, rather than at the remaining principal amount outstanding, results in consistent accounting treatment among all TALF-related transactions and provides the most appropriate presentation of the TALF program in the financial statements by matching the change in fair value of TALF loans, the related put agreement with the consolidated TALF LLC, and the valuation of the other beneficial interests in TALF LLC.

<sup>2</sup> Represents the recognition of benefit plan deferred actuarial gains and losses and prior service costs.

<sup>3</sup> The Board of Governors requires each Reserve Bank to distribute any remaining net earnings to the U.S. Treasury as interest on Federal Reserve notes, after providing for the payment of dividends and reservation of an amount necessary to equate surplus with capital paid-in. These distributions are made weekly based on estimated net earnings for the preceding week. The amount of each Bank's weekly distribution to the U.S. Treasury is affected by significant losses and increases in capital paid-in at a Reserve Bank, and requires that the Reserve Bank retain net earnings until the surplus is equal to the capital paid-in. The distributions to the U.S. Treasury are reported on an accrual basis; actual payments to the U.S. Treasury during the period from January 1, 2011, through September 30, 2011, were \$63.8 billion.

quarters of 2011. Tables 24 through 26 present information for the SOMA portfolio, the Federal Reserve loan programs, and the variable interest entities (VIEs)—Maiden Lane, Maiden Lane II, and Maiden Lane III LLCs; and TALF LLC—for the period from January 1, 2011, to September 30, 2011. These tables are updated quarterly.

## SOMA Financial Summary

Table 24 shows the Federal Reserve's average daily balance of assets and liabilities in the SOMA portfolio for the period from January 1, 2011, through September 30, 2011, the related interest income and expense, and the realized and unrealized gains and losses for the year to date. Treasury securities, GSE debt securities, as well as federal agency and GSE MBS making up the SOMA portfolio, are recorded at amortized cost on a settlement-date basis, rather than using a fair value presentation. The amortized cost presentation more appropriately reflects the Reserve Banks' purpose for holding these securities given the Federal Reserve's unique responsibility to conduct monetary policy.

Although the fair value of security holdings can be substantially greater than or less than the recorded value at any point in time, these unrealized gains or losses have no effect on the ability of the Reserve Banks to meet their financial obligations and responsibilities. As of September 30, 2011, the fair value of the Treasury securities held in the SOMA, excluding accrued interest, was \$1,891 billion (amortized cost was \$1,731 billion); the fair value of the GSE debt, excluding accrued interest, was \$119 billion (amortized cost was \$112 billion); the fair value of the federal agency and GSE MBS, excluding accrued interest, was \$930 billion (amortized cost was \$881 billion); and the fair value of investments denominated in foreign currencies was \$26 billion (amortized cost was \$26 billion). Fair value was determined by reference to quoted prices for identical securities, except for MBS, for which market values are determined using a model-based approach based on observable inputs for similar securities.

The FRBNY conducts purchases and sales of U.S. government securities under authorization and direction from the FOMC. The FRBNY buys and sells

**Table 24. SOMA financial summary**

Millions of dollars

	January 1, 2011 – September 30, 2011				
	Average daily balance	Interest income (expense)	Realized gains (losses)	Unrealized gains (losses)	Net earnings
<i>SOMA assets</i>					
U.S. Treasury securities <sup>1</sup>	1,495,186	31,179	—	—	31,179
Government-sponsored enterprise debt securities <sup>1</sup>	130,737	2,339	—	—	2,339
Federal agency and government-sponsored enterprise mortgage-backed securities <sup>2</sup>	937,801	29,590	—	—	29,590
Investments denominated in foreign currencies <sup>3</sup>	26,614	193	—	652	845
Central bank liquidity swaps <sup>4</sup>	65	1	—	—	1
Securities purchased under agreements to resell	—	—	—	—	—
Other assets <sup>5</sup>	—	—	—	—	—
<b>Total assets</b>	<b>2,590,403</b>	<b>63,302</b>	<b>—</b>	<b>652</b>	<b>63,954</b>
<i>SOMA liabilities</i>					
Securities sold under agreements to repurchase	67,098	(33)	—	—	(33)
Other liabilities <sup>6</sup>	—	—	—	—	—
<b>Total liabilities</b>	<b>67,098</b>	<b>(33)</b>	<b>—</b>	<b>—</b>	<b>(33)</b>
<b>SOMA assets and liabilities</b>	<b>2,523,305</b>	<b>63,269</b>	<b>—</b>	<b>652</b>	<b>63,921</b>

Note: Unaudited. Components may not sum to totals because of rounding.

<sup>1</sup> Face value, net of unamortized premiums and discounts.

<sup>2</sup> Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages, net of premiums and discounts. Does not include unsettled transactions.

<sup>3</sup> Includes accrued interest. Investments denominated in foreign currencies are revalued daily at market exchange rates.

<sup>4</sup> Dollar value of foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank. This exchange rate equals the market exchange rate used when the foreign currency was acquired from the foreign central bank.

<sup>5</sup> Cash and short-term investments related to the federal agency and government-sponsored enterprise mortgage-backed securities portfolio.

<sup>6</sup> Related to the purchases of federal agency and government-sponsored enterprise mortgage-backed securities that the seller fails to deliver the securities on the settlement date.

**Table 25. Loan programs financial summary**

Millions of dollars

Loan programs <sup>1</sup>	January 1, 2011 – September 30, 2011			
	Average daily balance <sup>2</sup>	Interest income <sup>3</sup>	Provision for loan restructuring	Total
Primary, secondary, and seasonal credit	56	—	—	—
Total loans to depository institutions	56	—	—	—
Credit extended to American International Group, Inc. (AIG), net	951	409	—	409
Term Asset-Backed Securities Loan Facility (TALF) <sup>4</sup>	16,321	218	—	218
Total other loans	17,272	627	—	627
<b>Total loan programs</b>	<b>17,328</b>	<b>627</b>	<b>—</b>	<b>627</b>
Allowance for loan losses	—	—	—	—
<b>Total loan programs net</b>	<b>17,328</b>	<b>627</b>	<b>—</b>	<b>627</b>

Note: Unaudited. Components may not sum to totals because of rounding.

<sup>1</sup> Does not include loans to consolidated VIEs. Does not include preferred interests in AIA Aurora LLC and ALICO Holdings LLC.<sup>2</sup> Average daily balance includes outstanding principal and capitalized interest net of unamortized deferred commitment fees and allowance for loan restructuring, and excludes undrawn amounts.<sup>3</sup> Interest income includes the amortization of the deferred commitment and administrative fees.<sup>4</sup> Book value.

securities at market prices from securities dealers and foreign and international account holders. The FOMC has also authorized the FRBNY to purchase and sell U.S. government securities under agreements to resell or repurchase such securities (commonly referred to as repurchase and reverse repurchase transactions).

The SOMA holds foreign currency deposits and foreign government debt instruments denominated in foreign currencies with foreign central banks and the Bank for International Settlements. Central bank liquidity swaps are the foreign currencies that the Federal Reserve acquires and records as an asset (excluding accrued interest) on the Federal Reserve's balance sheet. On January 5, 2009, the Federal Reserve began purchasing MBS guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Transactions in MBS are recorded on settlement dates, which can extend several months into the future. MBS dollar roll transactions, which consist of a purchase or sale of TBA MBS combined with an agreement to sell or purchase TBA MBS on a specified future date, may generate realized gains and losses. Beginning on June 28, 2010, the Federal Reserve entered into a limited number of coupon swaps, which are trades with a single counterparty in which the Federal Reserve agrees to simultaneously sell TBA MBS in one coupon and to buy an equal face value of TBA MBS in a different coupon. MBS dollar roll transactions, and coupon swaps are recorded on settlement date and may generate realized gains and losses.

## Loan Programs Financial Summary

Table 25 summarizes the average daily loan balances and interest income of the Federal Reserve during the first three quarters of 2011. The most significant loan balance is the TALF, which was established in 2009. As noted earlier in this report, during 2008 the Federal Reserve established several lending facilities under authority of Section 13(3) of the Federal Reserve Act. Many of these lending facilities have since been closed. The Reserve Banks recorded amounts funded under these facilities as loans. Interest income from these loan facilities was about \$0.6 billion during the first three quarters of 2011. All loans must be fully collateralized to the satisfaction of the lending Reserve Bank, with an appropriate haircut applied to the collateral. At September 30, 2011, no loans were impaired, and an allowance for loan losses was not required.

## Consolidated VIEs Financial Summary

Table 26 summarizes the assets and liabilities of various consolidated VIEs previously discussed in this report. It also summarizes the net position of senior and subordinated interest holders and the allocation of the change in net assets to interest holders. The FRBNY is the sole and managing member of TALF LLC and the primary beneficiary of the Maiden Lane LLCs.

**Table 26. Consolidated Variable Interest Entities Financial Summary**

Millions of dollars

Item	TALF LLC	ML LLC	ML II LLC	ML III LLC	Total Maiden Lane LLCs
<i>Net portfolio assets of the consolidated LLCs and the net position of FRBNY and subordinated interest holders as of September 30, 2011</i>					
Net portfolio assets <sup>1</sup>	785	15,943	9,575	18,349	43,867
Liabilities of consolidated LLCs	0	(753)	0	(3)	(756)
Net portfolio assets available	785	15,190	9,575	18,346	43,111
<i>Loans extended to the consolidated LLCs by FRBNY<sup>2</sup></i>					
Loans extended to the consolidated LLCs by FRBNY <sup>2</sup>	0	12,950	7,201	10,881	31,032
Other beneficial interests <sup>2,3</sup>	109	1,367	1,097	5,496	7,960
Total loans and other beneficial interests	109	14,317	8,298	16,377	38,992
<i>Cumulative change in net assets since the inception of the programs</i>					
Allocated to FRBNY	16	874	1,063	1,319	3,256
Allocated to other beneficial interests	660	0	213	650	863
Cumulative change in net assets	676	874	1,276	1,969	4,119
<i>Summary of consolidated VIE net income for the current year through September 30, 2011, including a reconciliation of total consolidated VIE net income to the consolidated VIE net income recorded by FRBNY</i>					
Portfolio interest income <sup>4</sup>	0	712	469	1,564	2,745
Interest expense on loans extended by FRBNY <sup>5</sup>	0	(120)	(96)	(114)	(330)
Interest expense—other	(3)	(52)	(26)	(131)	(209)
Portfolio holdings gains (losses)	0	482	(964)	(3,477)	(3,959)
Professional fees	0	(34)	(6)	(16)	(56)
Net income (loss) of consolidated LLCs	(3)	988	(623)	(2,174)	(1,809)
Less: Net income (loss) allocated to other beneficial interests	36*	114	(104)	(717)	(707)
Net income (loss) allocated to FRBNY	(39)	874	(519)	(1,457)	(1,102)
Add: Interest expense on loans extended by FRBNY, eliminated in consolidation <sup>5</sup>	0	120	96	114	330
Net income (loss) recorded by FRBNY	(39)**	994	(423)	(1,343)	(772)

Note: Unaudited. Components may not sum to totals because of rounding.

\* Represents the amount of TALF LLC's income allocated to the Treasury.

\*\* In addition to the TALF LLC net loss of \$39 million, the FRBNY reported \$148 million of income on TALF loans during the first three quarters of 2011. Income on TALF loans includes interest of \$218 million and loss on the valuation of loans of \$70 million.

<sup>1</sup> TALF LLC, Maiden Lane, Maiden Lane II, and Maiden Lane III holdings are recorded at fair value.

<sup>2</sup> Includes accrued interest.

<sup>3</sup> The other beneficial interest holder related to TALF LLC is the Treasury. JPMC is the beneficial interest holder for Maiden Lane LLC. AIG is the beneficial interest holder for Maiden Lane II and Maiden Lane III LLCs.

<sup>4</sup> Interest income is recorded when earned, and it includes amortization of premiums, accretion of discounts, and paydown gains and losses.

<sup>5</sup> Interest expense recorded by each VIE on the loans extended by the FRBNY is eliminated when the VIEs are consolidated in the FRBNY's financial statements and, as a result, the consolidated VIEs' net income (loss) recorded by the FRBNY is increased by this amount.

Maiden Lane LLC, Maiden Lane II LLC, Maiden Lane III LLC, and TALF LLC holdings are recorded at fair value, which reflects an estimate of the price that would be received upon selling an asset if the transaction were to be conducted in an orderly market on the measurement date. Consistent with U.S. generally accepted accounting principles (GAAP), the assets and liabilities of these LLCs have been consolidated with the assets and liabilities of the FRBNY. As a consequence of the consolidation, the extensions of credit from the FRBNY to the LLCs are eliminated.

“Net portfolio assets available” represents the net assets available to beneficiaries of the consolidated

VIEs and for repayment of loans extended by the FRBNY. “Net income (loss) allocated to FRBNY” represents the allocation of the change in net assets and liabilities of the consolidated VIEs available for repayment of the loans extended by the FRBNY and other beneficiaries of the consolidated VIEs. The differences between the fair value of the net assets available and the face value of the loans (including accrued interest) are indicative of gains or losses that would have been incurred by the beneficiaries if the assets had been fully liquidated at prices equal to the fair value as of September 30, 2011.

# Appendix A

## Additional Information Provided Pursuant to Section 129 of the Emergency Economic Stabilization Act of 2008

In light of improved functioning of financial markets, on February 1, 2010, the Federal Reserve closed the Term Securities Lending Facility (TSLF), Primary Dealer Credit Facility (PDCF), the Commercial Paper Funding Facility (CPFF), and the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF). As of that date, all loans under the TSLF, PDCF, and AMLF had been repaid in full, with interest, in accordance with the terms of each facility, and each of the facilities resulted in no loss to the Federal Reserve or taxpayers. All remaining commercial paper holdings of the CPFF matured on April 26, 2010, and the CPFF LLC was dissolved on August 30, 2010, following the payment of expenses and the termination or expiration of existing contractual agreements. The CPFF did not result in any loss to the Federal Reserve or taxpayers.

AIG, on September 30, 2010, announced a comprehensive recapitalization plan designed to restructure the assistance provided by the U.S. government to the company. The company completed the Recapitalization on January 14, 2011. At closing of the Recapitalization, AIG repaid in full the amount then outstanding under the revolving credit facility established by the FRBNY, including all accrued interest and fees. The FRBNY also received the full amount, including all accrued dividends, of the SPV Preferred Interests in AIA Aurora LLC and ALICO Holdings LLC, two SPVs formed as part of the March 2009 restructuring of the U.S. government's assistance. The FRBNY received the SPV Preferred Interests as part of the March 2009 restructuring in exchange for an equivalent reduction of the amount of debt then outstanding on the revolving credit facility. As part of the Recapitalization, AIG redeemed a portion of the FRBNY's SPV Preferred

Interests with cash proceeds from asset dispositions, and purchased the remaining SPV Preferred Interests, valued at approximately \$20 billion, from the FRBNY through a draw on the Treasury's Series F preferred stock commitment. AIG then transferred the SPV Preferred Interests purchased from the FRBNY to the Treasury as consideration for the draw on the available Series F funds. At the time of the closing, the collateral backing the remaining SPV Preferred Interests received by the Treasury had an estimated value of more than \$25 billion. The revolving credit facility, and the SPV Preferred Interests held by the FRBNY in connection with the revolving credit facility, did not result in any loss to the Federal Reserve or taxpayers.

For the reasons discussed below, the Board does not anticipate that the Federal Reserve or taxpayers will incur any net loss on the loans provided by the FRBNY under the TALF or to Maiden Lane LLC, Maiden Lane II LLC, or Maiden Lane III LLC (collectively, the "Maiden Lane facilities"). In making these assessments, the Board has considered, among other things, the terms and conditions governing the relevant facility and the type, nature, and value of the current collateral or other security arrangements associated with the facility. As discussed earlier in this report, the Federal Reserve has established various terms and conditions governing the types of collateral that may be pledged in support of a loan under a facility in order to mitigate the risk of loss. In the case of the Maiden Lane facilities, the Board also has considered analyses of the projected returns on the portfolio holdings of the respective SPV (the assets of which serve as collateral for the loan(s) extended to the SPV) conducted by the FRBNY or its advisors in connection with the most recent quarterly revaluation of the assets of each SPV.

### TALF

Under the TALF, the FRBNY made loans on a collateralized basis to holders of eligible ABS and CMBS. The potential for the Federal Reserve or tax-

payers to incur any net loss on the TALF loans extended by the FRBNY to the holders of ABS and CMBS is mitigated by the quality of the collateral, the risk assessment performed by the FRBNY on all pledged collateral, and the margin by which the value of the collateral exceeds the amount of the loan (the haircut). Potential losses to the Federal Reserve also are mitigated by the portion of interest on the TALF loans to borrowers transferred to TALF LLC and by the credit protection provided by the Treasury under the TARP (initially \$20 billion and subsequently reduced to \$4.3 billion in light of the \$43 billion in TALF loans outstanding when the TALF closed to new lending on June 30, 2010), both of which are available to TALF LLC to purchase any collateral received by the FRBNY from a borrower in lieu of repaying a TALF loan or foreclosed upon due to a default by the borrower. All TALF loans were extended by the FRBNY and will mature over the next several years, with all loans maturing no later than March 30, 2015.

### **Loans to Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC**

The portfolio holdings of each of Maiden Lane LLC (Maiden Lane), Maiden Lane II LLC (ML II), and Maiden Lane III LLC (ML III) are revalued in accordance with GAAP as of the end of each quarter to reflect an estimate of the fair value of the assets on the measurement date. The fair value determined through these revaluations may fluctuate over time. In addition, the fair value of the portfolio holdings that is reported on the weekly H.4.1 statistical release reflects any accrued interest earnings, principal repayments, expense payments and, to the extent any may have occurred since the most recent measurement date, realized gains or losses. The fair values as of January 25, 2012—as shown in table 1 of this

report and reported in the H.4.1 release for that date—are based on quarterly revaluations as of December 31, 2011.

Because the collateral assets for the loans to Maiden Lane, ML II, and ML III are expected to generate cash proceeds and may be sold over time or held to maturity, the current reported fair values of the net portfolio holdings of Maiden Lane, ML II, and ML III do not reflect the amount of aggregate proceeds that the Federal Reserve could receive from the assets of the respective entity over the extended term of the loan to the entity. The extended terms of the loans provide an opportunity to dispose of the assets of each entity in an orderly manner over time and to collect interest on the assets held by the entity prior to their sale, other disposition, or maturity. Each of the loans extended to Maiden Lane, ML II, and ML III is current under the terms of the relevant loan agreement.

In addition, JPMorgan Chase will absorb the first \$1.15 billion of realized losses on the assets of Maiden Lane, should any occur. Similarly, certain U.S. insurance subsidiaries of AIG have a \$1 billion subordinated position in ML II and an AIG affiliate has a \$5 billion subordinated position in ML III, which are available to absorb first any loss that ultimately may be incurred by ML II or ML III, respectively. Moreover, under the terms of the agreements, the FRBNY is entitled to any residual cash flow generated by the collateral assets held by Maiden Lane after the loans made by the FRBNY and JPMorgan Chase are repaid, and five-sixths and two-thirds of any residual cash flow generated by the assets held by ML II and ML III, respectively, after the senior note of the FRBNY and the subordinate positions of AIG affiliates for these facilities are repaid.

## Appendix B

### Information about Closed and Expired Credit and Liquidity Facilities and Programs

During the financial crisis that emerged during the summer of 2007, the Federal Reserve took a number of important steps aimed at providing liquidity to important financial markets and institutions to support overall financial stability. Financial stability is a critical prerequisite for achieving sustainable economic growth, and all of the Federal Reserve's actions were directed toward achieving the Federal Reserve's statutory monetary policy objectives. Specifically, the Federal Reserve implemented a number of programs designed to support the liquidity of financial institutions and foster improved conditions in financial markets, and also extended credit to certain specific institutions and committed to extend credit to support systemically important financial firms. Broad-based facilities were open to participants that met clearly outlined eligibility criteria; participation in them reflected the severe market disruptions during the financial crisis and generally did not reflect participants' financial weakness.

As financial conditions improved, the need for the broad-based facilities dissipated, and most were closed in 2010. Specifically, on February 1, 2010, the Federal Reserve closed the AMLF, CPFF, the PDCF, and the TSLF. On April 26, 2010, all remaining commercial paper holdings of the CPFF matured, and the CPFF LLC was dissolved on August 30, 2010, following the payment of expenses and the termination or expiration of existing contractual agreements. Also in April 2010, the credit extended through the last Term Auction Facility (TAF) auction in March matured, marking the close of that facility.

The temporary liquidity swap arrangements between the Federal Reserve and other FCBs also expired on February 1, 2010. However, the Federal Reserve re-established temporary liquidity swap arrangements with a group of FCBs in May 2010 and subsequently authorized further extensions of these

arrangements, which enabled the FCBs to offer U.S. dollar liquidity to financial institutions in their jurisdictions. These arrangements are currently authorized through February 1, 2013. In November 2011, as a contingency measure, the FOMC agreed to establish temporary bilateral liquidity swap arrangements with five FCBs. Information related to these arrangements can be found in the body of this report.

As part of AIG's Recapitalization plan, completed on January 14, 2011, AIG fully repaid the amount outstanding under the revolving credit facility, including all accrued interest and fees, extended by the Federal Reserve; the Federal Reserve received the full amount, including all accrued dividends, of the preferred interests in AIA Aurora LLC and ALICO Holdings LLC; and the Federal Reserve's commitment to lend any further funds to the company was terminated. Additional information can be found in the body of this report.

The Federal Reserve followed sound risk-management practices in administering all of these programs, incurred no credit losses on programs that have been wound down, and expects to incur no credit losses on the few remaining programs. The Federal Reserve is committed to transparency and has previously provided extensive aggregate information on its liquidity and credit programs in this and other reports. Background information about the closed and expired facilities previously included in this appendix, as well as detailed information on individual loans under the TAF and PDCF, including the identities of borrowers and descriptions of pledged collateral; detailed information on the commercial paper purchased by the CPFF, including the identities of issuers and the issuers' parents/sponsors; detailed information on AMLF loans, including the identities of money market mutual funds (MMMFs) that sold asset-backed commercial paper (ABCP) that was used as AMLF collateral; and information about the support provided to AIG, Citigroup, and Bank of America, is available on the Federal Reserve's public website. This detailed data can be

downloaded in multiple formats at [www.federalreserve.gov/newsevents/reform\\_transaction.htm](http://www.federalreserve.gov/newsevents/reform_transaction.htm). Information about the single-tranche 28-day term repurchase agreements announced on March 7, 2008, and conducted by the Federal Reserve between March and December 2008 are available at [www.newyorkfed.org/markets/fast\\_facts\\_stomo.html](http://www.newyorkfed.org/markets/fast_facts_stomo.html).

Historical data related to these facilities, previously reported on the H.4.1 statistical release, “Factors Affecting Reserve Balances of Depository Institu-

tions and Condition Statement of Federal Reserve Banks,” which includes the weekly publication of the Federal Reserve’s balance sheet, is available through the Data Download Program, available at [www.federalreserve.gov/datadownload](http://www.federalreserve.gov/datadownload). The Data Download Program provides interactive access to Federal Reserve statistical data in a variety of formats. For prior editions of this report and other resources, please visit the Board’s public website at [www.federalreserve.gov/monetarypolicy/clbsreports.htm](http://www.federalreserve.gov/monetarypolicy/clbsreports.htm).



# Appendix C

## Federal Reserve Disclosure Requirements and Other Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

On July 21, 2010, the Dodd-Frank Act was signed into law.<sup>7</sup> The Dodd-Frank Act included changes designed to promote transparency while protecting monetary policy independence and the efficacy of the Federal Reserve's liquidity programs and OMOs. In addition, the Dodd-Frank Act modified the Federal Reserve's authority to provide emergency liquidity to nondepository institutions under Section 13(3) of the Federal Reserve Act in light of other amendments that provide the U.S. government with new authority to resolve failing, systemically important nonbank financial institutions in an orderly manner.

As provided by the Dodd-Frank Act, on December 1, 2010, the Federal Reserve posted to its public website detailed information about entities that received loans or other financial assistance under a Section 13(3) credit facility between December 1, 2007, and July 21, 2010, and about persons or entities that participated in the agency MBS purchase program, used foreign currency liquidity swap lines, or borrowed through the TAF during that time frame. This disclosure includes more than 21,000 individual credit and other transactions conducted to stabilize markets during the financial crisis, restore the flow of credit to American families and businesses, and support

economic recovery and job creation in the aftermath of the crisis. The Federal Reserve's disclosure about these transactions is available at [www.federalreserve.gov/newsevents/reform\\_transaction.htm](http://www.federalreserve.gov/newsevents/reform_transaction.htm).

As required by the Dodd-Frank Act, the Federal Reserve also posted an audit webpage, available at [www.federalreserve.gov/newsevents/reform\\_audit.htm](http://www.federalreserve.gov/newsevents/reform_audit.htm). This page will be updated as reports and other information become available.

The Dodd-Frank Act also established a framework for the delayed disclosure of information on entities that, after July 21, 2010, received a loan from the discount window under Section 10B of the Federal Reserve Act or from a Section 13(3) facility, or participated in OMO transactions. Generally, this framework requires the Federal Reserve to publicly disclose certain information about these discount window borrowers and OMO counterparties approximately two years after the relevant loan or transaction; information about borrowers under future Section 13(3) facilities will be disclosed one year after the authorization for the facility is terminated. Information to be disclosed will include the names and identifying details of each borrower or counterparty, the amount borrowed, the interest rate paid, and information identifying the types and amounts of collateral pledged or assets transferred in connection with the borrowing or transaction.

Going forward, any emergency lending programs and facilities authorized by the Federal Reserve under Section 13(3) of the Federal Reserve Act must have broad-based eligibility, and must be approved by the Secretary of the Treasury.

<sup>7</sup> The full text of the Dodd-Frank Act is available at [www.gpo.gov/fdsys/pkg/BILLS-111hr4173enr/pdf/BILLS-111hr4173enr.pdf](http://www.gpo.gov/fdsys/pkg/BILLS-111hr4173enr/pdf/BILLS-111hr4173enr.pdf).