I. Procedures

a. Announcement

The Board will issue an announcement (“Announcement”) on or prior to the Auction Announcement Date specifying, among other things, the following terms for a particular Auction:

- Offering Amount
- Minimum Bid Amount
- Maximum Bid Amount
- Minimum Bid Rate
- Bid Increment
- Opening Time
- Closing Time
- Bid Submission Date
- Notification Date
- Settlement Date
- Stated Maturity Date
- Rounding convention, if any, and
- Other applicable terms or conditions, if any

b. Bidding

Authorized Submitters shall submit Bids on behalf of the Participant to its Local Reserve Bank using the Local Reserve Bank’s Discount Window telephone hotline for requesting an Advance. A Participant may submit no more than two Bids at any Auction, the aggregate amount of which may not exceed the Maximum Bid Amount. In addition, a Participant may not submit an aggregate Bid amount in an Auction which, if such aggregate Bid amount were accepted in full, would cause it to fail to comply with the collateralization requirement set forth in Section I.d. herein. Multiple Bids should be separately identified and submitted on the same phone call to the Local Reserve Bank.

A Bid shall specify:

- the Participant's name and ABA number
- Authorized Submitter(s) Name(s) and contact number(s)
- the requested amount of each Bid
- the interest rate (expressed as an annual rate to three decimal points for each Bid)
All Bids that are submitted after the Opening Time and before the Closing Time and meet all other terms of the Announcement and these Terms shall be considered submitted. The Local Reserve Banks reserve all rights to determine whether a Bid was timely submitted and meets all other applicable conditions, including the Terms and the collateralization requirement in Section I.d. herein, and such determinations by Local Reserve Banks are final when made.

c. Determination of Auction Awards

After the Closing Time, the Local Reserve Banks will deliver submitted Bids to the Auction Agent. The Auction Agent shall review all such Bids and accept Bids at the highest interest rate through successively lower rates. The aggregate amount of all accepted Bids shall not exceed the lesser of (i) the Offering Amount, and (ii) the aggregate amount of all Bids accepted at or above the Minimum Bid Rate. When necessary, Bids at the lowest accepted interest rate will be prorated. Auction awards will be rounded according to the rounding convention specified in the Announcement.

This is a single-price auction; all Participants whose Bids have been accepted will be awarded Advances under the Term Auction Facility at the same interest rate, which shall be the lowest interest rate at which Bids were accepted, regardless of the rates they bid.

d. Collateralization Requirement for an Advance of More Than 28 Days

The aggregate sum of all Advances outstanding with a term to maturity of more than 28 days shall not exceed 75% of the Collateral Value of the Collateral available to secure such Advances. A Participant may not request any Advance of more than 28 days which, if extended by a Reserve Bank, would cause it to fail to comply with the foregoing collateralization requirement.

If, as a result of other Advances, the foregoing collateralization requirement is not met, the Participant is required to pledge additional Collateral within two (2) Business Days to cover the shortfall, failing which the Reserve Bank may exercise its remedial rights under OC-10.

Notwithstanding the foregoing, this collateralization requirement does not apply to (i) any Advances made before July 30, 2008, (ii) any Seasonal Credit, (iii) an Advance with a remaining term to maturity of 28 days or less, or (iv) an Advance with a remaining term to maturity of 29 days, the 28th day of which is not a Business Day.

e. Collateralization Requirement for an Advance with Remaining Term of 28 or Fewer Days

All Advances outstanding with a term to maturity (whether original or unexpired) of 28 or fewer days must be collateralized to the satisfaction of the Local Reserve Bank,
which has all of the rights and remedies available under OC-10, including the right to require that a Participant pledge additional Collateral to secure Advances outstanding.

f. **Rules for a Foreign Bank with Multiple U.S. Branches and/or Agencies**

With respect to a foreign bank with multiple U.S. branches and/or agencies which qualify as Participants in an Auction, the following terms apply in each Auction:

(i) each such branch or agency may submit a maximum of two Bids;
(ii) the collateralization requirement in Section I.d. herein applies to each branch or agency; and
(iii) a foreign bank, as a whole, may not submit more than two interest rates and the aggregate amount of all Bids submitted by all branches and agencies of a foreign bank may not exceed the Maximum Bid Amount.

g. **Notification of Auction Awards and Publication**

The Auction Agent will notify the Local Reserve Banks of the Auction results. The Local Reserve Banks will, in turn, notify those Participants who have been awarded Advances in the Auction between 10:00 a.m. and 11:30 a.m. New York time on the Notification Date of the amount of Advance awarded and the applicable interest rate. In addition, summary statistics on the Auction results will be published on the Board’s website on the Notification Date.

For the Auctions held on August 11 and 12, 2008 and September 8 and 9, 2008, a Participant shall have until 12:00 p.m. (Noon) New York time on the Notification Date to inform the Local Reserve Bank of any error. Except as specified otherwise, for all other Auctions, a Participant shall have until 12:30 p.m. New York time on the Notification Date to inform the Local Reserve Bank of any error. If a Participant does not inform its Local Reserve Bank of any error by the specified time, neither the Auction Agent nor the Local Reserve Bank shall have any obligation to review or correct such error and, notwithstanding anything to the contrary herein, shall not be liable for such error, and the results will be considered final at such time.

h. **Settlement**

An Advance made in an Auction to a Participant will be credited by the Local Reserve Bank to the Participant’s Account on the Settlement Date.

i. **No Prepayment of Auction Advances**

No Participant may elect to prepay an Advance awarded in an Auction before the Stated Maturity Date.
j. **Acceleration of Auction Advances**

If a Participant ceases to qualify for Primary Credit while any Advance extended to the Participant under the Term Auction Facility is outstanding, the Local Reserve Bank may, at its sole discretion, accelerate the repayment of such Advance to such Participant, which Advance is then immediately due and payable.

II. **Miscellaneous**

a. **Application of OC-10**

Credit extended under the Term Auction Facility is an "Advance" as such term is defined in OC-10. All Advances extended under the Term Auction Facility shall be governed by OC-10 (including, without limitation, provisions relating to interest, the addition or substitution of Collateral, repayment of Advances and remedies upon the occurrence of an Event of Default) and by the Terms.

Notwithstanding the foregoing, to the extent there is any inconsistency or conflict between the Terms and OC-10, the Terms shall control with respect to the Advances extended under the Term Auction Facility.

b. **Limitation on Liability**

Neither the Auction Agent nor any Local Reserve Bank is responsible for, among other things, technical or any other failures that prevent a Participant from receiving an Announcement, participating in an Auction, making any communication with respect to a Bid or receiving Auction results. Neither the Auction Agent nor any Local Reserve Bank is responsible for any delays, errors or omissions, including any errors in determining the Auction results, except for its delays, errors or omissions that constitute gross negligence. Neither the Auction Agent nor any Local Reserve Bank shall be liable for any lost profit, consequential, incidental, exemplary, special or punitive damages in connection with or in any way related to any Advance extended under the Term Auction Facility. In performing Auction functions, the Auction Agent acts on behalf of the Local Reserve Banks only, and the Auction Agent shall not have liability to any Local Reserve Bank except for direct damages resulting from delays, errors or omissions that constitute gross negligence.

c. **Governing Law**

These Terms shall be construed in accordance with the laws of the State in which the applicable Local Reserve Bank is located, without regard to that State’s conflict of laws principles.
III. Defined Terms

Any capitalized term used but not defined herein shall have the meaning specified in OC-10.

“Account” has the meaning set forth in the Local Reserve Bank’s Operating Circular No. 1, as amended and supplemented from time to time.

“Auction” means the process by which the rate offered on Advances extended under the Term Auction Facility is determined, including the bidding process under the Term Auction Facility.

“Auction Agent” means the Markets Group, Federal Reserve Bank of New York, or such other entity as designated by the Board.

“Auction Announcement Date” means the Business Day on which the terms for a specific Auction are announced.

“Authorized Submitter” means one or more individuals at a Participant authorized under OC-10 to make a borrowing request on behalf of and commit the Participant to the terms of an Advance under OC-10 with its Local Reserve Bank.

- Those Participants that require two members of their own staff to request an Advance under OC-10 would be expected to observe the same standard for submissions of Bids.

“Bid” means a request to participate in the Term Auction Facility pursuant to these Terms.

“Bid Increment” means the smallest incremental amount above the Minimum Bid Amount that may be bid for in an Auction.

“Bid Submission Date” means the day specified in the Announcement on which Bids for a specific Auction must be submitted.

“Board” means the Board of Governors of the Federal Reserve System.

“Closing Time” means, with respect to an Auction, the time on the Bid Submission Date as specified in the Announcement by which Participants must submit Bids to their Local Reserve Banks.

“Collateral Value” means, with respect to the Collateral pledged by a Participant to its Local Reserve Bank, the value assigned by the Local Reserve Bank to such Collateral.

“Local Reserve Bank” means, with respect to a Participant, the Reserve Bank in whose district the Participant is located (determined in accordance with 12 C.F.R. Section
204.3(b)), or such other Reserve Bank with which the Participant has entered into a borrowing relationship under OC-10.

“Maximum Bid Amount” means the maximum amount of an Advance (represented by all the Bids) that may be bid for by a Participant in an Auction as stated in the Announcement.

“Minimum Bid Amount” means the minimum amount of an Advance that may be bid for by one Participant in an Auction as stated in the Announcement.

“Minimum Bid Rate” means, with respect to an Auction, the rate specified in the Announcement as the lowest interest rate at which Bids may be submitted and at which Advances will be awarded.

“Notification Date” means, with respect to an Auction, the Business Day on which the results of the Auction are announced.

“OC-10” means, with respect to a Participant, the Local Reserve Bank’s Operating Circular No. 10, as amended and supplemented from time to time.

“Offering Amount” means the total amount of Advances the Reserve Banks are offering for bidding in an Auction as stated in the Announcement.

“Opening Time” means, with respect to an Auction, the time on the Bid Submission Date as specified in the Announcement when Authorized Submitters may begin to submit Bids to their Local Reserve Banks.

“Participant” means a depository institution or a U.S. branch or a U.S. agency of a foreign bank which, at the time the Bid is made:

(i) has executed the Letter of Agreement to OC-10 and all other related documents in form and substance satisfactory to its Local Reserve Bank, which documents are on file with its Local Reserve Bank at the time a Bid is made;
(ii) is eligible for Primary Credit; and
(iii) has pledged assets to its Local Reserve Bank to secure any Indebtedness under OC-10.

A Participant which is awarded an Advance under the Term Auction Facility is a Borrower as that term is defined in OC-10.

“Primary Credit” has the meaning set forth in the Board’s Regulation A.

“Seasonal Credit” has the meaning set forth in the Board’s Regulation A.
“Settlement Date” means, with respect to an Auction, the Business Day that funds will be credited to the Accounts of the Participants that have been awarded Advances in the Auction.

“Stated Maturity Date” means the date specified in the Announcement as the date on which Advances awarded in an Auction will be due and payable.

“Term Auction Facility” has the meaning set forth in Regulation A.

“Terms” means the terms and conditions set forth herein for the Term Auction Facility, and such other terms or conditions as may be specified in the applicable Announcement, each as amended and supplemented from time to time.