Thursday, August 26, 1999

ANNOUNCEMENT OF CHANGE IN LENDING LIMITS
FOR SOMA SECURITIES LENDING PROGRAM

On February 12, the Federal Reserve Bank of New York (FRBNY) announced significant revisions to the System Open Market Account (SOMA) securities lending program. The new program was launched on April 26 and has been operational for about four months.

The program has been running smoothly and has elicited widespread demand from a cross-section of our counterparties. Securities throughout the Treasury yield curve have been in demand at one time or another.

The program has thus far met our objective of serving as a temporary and secondary source of liquidity for specific issues in the Treasury market which are "on special" in the financing market.

Up to now, we have limited the amount of securities to be auctioned on any one day to 25 percent of the amount we hold of a given issue and set dealer limits of $100 million per issue, and $500 million total per dealer. We also made clear our expectation that, over time, these limits may be raised based on evident demand, our assessment of the program's effectiveness and sufficient confidence in our operations to expand capacity.

Today, we are announcing our intention to raise the per issue limit from 25 percent to 45 percent of the SOMA holdings in each security, but for now, to leave the per dealer limits intact. This will take effect beginning with the lending auction on Tuesday, September 7.

SOMA Securities Lending Program Terms and Conditions ➞