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SPEECH

Remarks at the New York Bankers Association Hudson Valley Regional Meeting

March 29, 2023

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Remarks at the NYBA Hudson Valley Regional Meeting, Kingston, New York

As prepared for delivery

Good morning. Thank you for the opportunity to take part in the Hudson Valley Regional Meeting of the New York Bankers Association. It is a pleasure to join you today. Let me begin by noting that vibrant and diverse banks of all sizes that serve communities across the country are critical to our nation's economy.

In our time together, I'll discuss the present environment and emphasize the importance of contingency planning. I'll also provide an overview of the Bank Term Funding Program (BTFP), which is a temporary lending facility recently created by the Federal Reserve Board with the Treasury Department's approval. I want to note that my remarks today are my own and do not necessarily reflect the views of the Federal Reserve Bank of New York or the Federal Reserve System.

As Vice Chair for Supervision Michael Barr said just yesterday, our banking system is sound and resilient, with strong capital and liquidity.[1] The Federal Reserve, working with the Treasury Department and the Federal Deposit Insurance Corporation, took decisive actions to protect the U.S. economy and to strengthen public confidence in our banking system. These actions demonstrated that we are committed to ensuring that all deposits are safe. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools for any size institution, as needed, to keep the system safe and sound.

A changing economic environment poses new risks to banks, and we remain attuned to those risks from a supervisory perspective. The management of interest rate risk is one example.[2] The composition of deposits is another example. Key risk management considerations will vary with the types of deposits. A bank needs to consider the funding implications of any type of deposit and planning for funding contingencies is paramount.

Let me spend a few moments on the Bank Term Funding Program. To support American businesses and households, the Federal Reserve established the temporary program to help banks meet the needs of all their depositors.[3] The BTFP allows banks to borrow against safe Treasury and agency securities at par for up to one year. It is an additional source of liquidity against high-quality securities, eliminating an institution's need to quickly sell those securities in times of stress.

Eligible borrowers that have discount window borrowing documentation in place and are eligible for primary credit can borrow from the BTFP immediately. Advances can be requested under the BTFP until at least March 11, 2024, when the program is currently scheduled to end. As outlined in a set of Frequently Asked Questions available on the Federal Reserve Board's website, the Federal Reserve will disclose information concerning the facility, including amounts borrowed by individual institutions, one year after the program ends.[4] Depository institutions should contact Reserve Bank staff in their District—for many of you in this room, that would be my colleagues at the New York Fed—to determine whether any additional documentation is necessary or to initiate an advance.

In closing, I'd like to note that use of the BTFP will not raise bank supervisory concerns. We believe banks' use of the program can be part of sound liquidity risk management. Together with banks' internal liquidity and stable deposits, other external sources, and discount window lending, the BTFP provides ample liquidity for the banking system as a whole. And again, I'd reiterate the recent comments from Vice Chair Barr that our banking system is strong and resilient.

Thank you, and I look forward to our discussion.

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[1] Vice Chair for Supervision Michael S. Barr, Bank Oversight, Testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, Washington, D.C. (March 28, 2023).

[2] Dianne Dobbeck, A Supervisory Perspective on the U.S. Banking System, Remarks at the Financial Times Global Banking Summit, delivered via videoconference (December 1, 2022).

[3] Board of Governors of the Federal Reserve System, Bank Term Funding Program FAQs (March 16, 2023).

[4] Ibid.