Bank Term Funding Program

The following is intended to address questions about the Bank Term Funding Program ("Program"). The Federal Reserve expects to periodically update these FAQs; please check this website for new FAQs or revisions to previously issued FAQs.

Updated March 13, 2023

I. Purpose and design

1) Why did the Federal Reserve establish the Program?

To support American businesses and households, the Federal Reserve Board, pursuant to section 13(3) of the Federal Reserve Act, authorized all twelve Reserve Banks to establish the Program to make available additional funding to eligible depository institutions in order to help assure banks have the ability to meet the needs of all their depositors. The Program will be an additional source of liquidity against high-quality securities, eliminating an institution's need to quickly sell those securities in times of stress.

2) How will the Program work?

The Program offers loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging any collateral eligible for purchase by the Federal Reserve Banks in open market operations (see 12 CFR 201.108(b)), such as U.S. Treasuries, U.S. agency securities, and U.S. agency mortgage-backed securities. These assets will be valued at par. Eligible borrowers that have discount window borrowing documentation in place and are eligible for primary credit will be able to borrow from the Program immediately.

3) How is the Program different from primary credit, the main discount window lending program for depository institutions?

The Program differs from primary credit lending in several ways.

Eligible collateral: The eligible collateral under the Program is limited to collateral eligible for purchase by the Federal Reserve in open market operations (see 12 CFR 201.108(b)). Primary credit accepts this collateral, as well as a wider range of securities and loans.

Collateral valuation: Under the Program, collateral will be valued at its par value. In contrast, collateral is valued at its fair market value for primary credit. Par value is equivalent to the outstanding face amount of the collateral.

Margin: Under the Program, there will be no haircuts applied to eligible collateral. Primary credit will apply the same margins used for the securities eligible for the Program, further increasing lendable value at the discount window. The margins for other collateral eligible for the discount window but not eligible for the Program are not affected. For additional information on margins for primary credit, visit: https://www.frbdiscountwindow.org/Pages/Collateral/collateral_valuation.

Term: Advances made under the Program may have a term of up to one year. Advances under primary credit may be made for a term of up to 90 days.

Rate: The rate for term advances under the Program will be the one-year overnight index swap rate plus 10 basis points; the rate will be fixed for the term of the advance on the day the advance is made. With primary credit advances, if the primary credit rate is changed while a term primary credit loan is still outstanding, the new rate applies on and after the effective date of the change.

For additional information on the primary credit facility, visit: https://www.frbdiscountwindow.org/.

4) When will the Program be operational?

Federal Reserve Banks will begin making advances under the Program to eligible borrowers effective March 12, 2023.

5) How long will the Program be in effect?

Advances can be requested under the Program until at least March 11, 2024.

II. Borrower information

6) Who is eligible to participate in the Program?

Any U.S. federally insured depository institution (including a bank, savings association, or credit union) or U.S. branch or agency of a foreign bank that is eligible for primary credit under the Federal Reserve discount window is eligible to borrow under the Program.

7) Are depository institutions that are eligible for secondary credit eligible to participate in the Program?

No.

8) Will non-depository institutions be eligible to participate in the Program?

No.

9) What documentation is required for an eligible borrower in order to obtain an advance under the Program?

In order to obtain an advance under the Program, eligible borrowers must submit a request using a standard template email (will be available at https://frbdiscountwindow.org) to its lending Reserve Bank at the time it requests its first advance under the Program. If the depository institution has not previously agreed to the terms of the Federal Reserve Bank's Operating Circular No 10 (Lending), the depository institution must provide any Operating Circular No 10 documentation that a Federal Reserve Bank requires immediately upon the Federal Reserve Bank's request. Depository institutions should contact the Federal Reserve Bank in whose District they are located to determine whether additional documentation is necessary and for detailed information on the documentation requirements. For contact information for each District, visit https://www.frbdiscountwindow.org/pages/select-your-district.

III. Collateral

10) What is eligible collateral?

Eligible collateral includes any collateral that (i) is eligible for purchase by the Federal Reserve Banks in open market operations (see 12 CFR 201.108(b)), and (ii) was owned by the borrower as of March 12, 2023.

11) How is collateral valued?

The collateral valuation will be par value or equal to the outstanding face amount. Margin will be 100% of par value. There will be no haircuts applied.

12) If your institution already has eligible collateral pledged to the discount window, can this collateral be used for the Program?

Yes. Please contact your local Reserve Bank for more information. For contact information for each District, visit https://www.frbdiscountwindow.org/pages/select-your-district.

13) Are advances extended under the Program made with recourse?

Yes. Advances made under the Program are made with recourse beyond the pledged collateral to the eligible borrower.

14) Can a borrower pledge eligible collateral for the purpose of requesting an extension of credit under the Program at a later date?

Yes.

IV. Basic mechanics

15) How do depository institutions initiate an advance under the Program?

A depository institution should contact the Reserve Bank in whose District it is located to request an advance under the Program. See Regulation D, 12 CFR 204.3(g)(1)–(2), for information on determining the District in which the depository institution is located. In order to obtain an advance under the Program, eligible borrowers must submit a request using a standard template email (which will be available at https://frbdiscountwindow.org) to its lending Reserve Bank at the time it requests its first advance under the Program.

16) At what rate will advances under the Program be extended?

Advances made under the Program will be extended at the one year overnight index swap (OIS) rate as of the day the advance is made + 10 basis points. The interest rate will be fixed for the term of the advance on the day the advance is made.

17) Where is the Program rate available to the public?

The Program rate will be updated daily and posted on https://frbdiscountwindow.org.

18) Is the rate fixed for the life of a Program advance?

Yes.

19) Are there any fees to participate in the Program?

No.

20) What will be the maturity of Program extensions of credit?

Advances will be made available to eligible borrowers for a term of up to one year.

21) Is there a limit on the total amount of Program extensions of credit that an individual eligible depository institution may obtain?

No. An individual depository institution may borrow up to the par value of eligible collateral that it can pledge to the Federal Reserve.

22) Are there any penalties associated with prepayment of a Program advance?

No.

V. Other

23) Does a depository institution have to have a master account at a Federal Reserve Bank in order to borrow under the Program?

No, it is not necessary for a depository institution to have a master account at a Federal Reserve Bank in order to obtain an extension of credit under the Program. If a depository institution does not have a master account, however, the depository institution must have a correspondent relationship with an institution that does have a master account into which the proceeds of Program extensions of credit can be credited and repaid. A non-accountholder borrower and its correspondent will need to execute the relevant documentation required by the Reserve Bank extending Program credit to the borrower.

24) Can a bank that receives advances under the Program also receive primary credit advances?

Yes.

25) Where should questions regarding the Program be directed?

Questions regarding the Program should be directed to the institution's local Reserve Bank.

26) What information does the Federal Reserve publicly disclose about the Program?

The Federal Reserve's disclosures under the Program will be consistent with the disclosures it made, beginning in 2020, under the Primary Dealer Credit Facility, Commercial Paper Funding Facility, and Money Market Mutual Fund Liquidity Facility.

Under section 11(s) of the Federal Reserve Act, the Federal Reserve will publicly disclose information concerning the facility one year after the Program ends (the program is currently scheduled to end on March 11, 2024). This disclosure will include names and identifying details of each participant in the facility, the amount borrowed, the interest rate or discount paid, and information concerning the types and amounts of collateral pledged or assets transferred in connection with participation in the facility.

On an aggregate basis, balance sheet items related to the Program will be reported weekly on the H.4.1 statistical release titled "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," published by the Federal Reserve (*Updated 3/13/2023)*