Treasury, Fed Board, and FDIC

Joint Press Release

March 12, 2023

Joint Statement by Treasury, Federal Reserve, and FDIC

Department of the Treasury

Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

For release at 6:15 p.m. EDT

Washington, DC -- The following statement was released by Secretary of the Treasury Janet L. Yellen, Federal Reserve Board Chair Jerome H. Powell, and FDIC Chairman Martin J. Gruenberg:

Today we are taking decisive actions to protect the U.S. economy by strengthening public confidence in our banking system. This step will ensure that the U.S. banking system continues to perform its vital roles of protecting deposits and providing access to credit to households and businesses in a manner that promotes strong and sustainable economic growth.

After receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13. No losses associated with the resolution of Silicon Valley Bank will be borne by the taxpayer.

We are also announcing a similar systemic risk exception for Signature Bank, New York, New York, which was closed today by its state chartering authority. All depositors of this institution will be made whole. As with the resolution of Silicon Valley Bank, no losses will be borne by the taxpayer.

Shareholders and certain unsecured debtholders will not be protected. Senior management has also been removed. Any losses to the Deposit Insurance Fund to support uninsured depositors will be recovered by a special assessment on banks, as required by law.

Finally, the Federal Reserve Board on Sunday announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors.

The U.S. banking system remains resilient and on a solid foundation, in large part due to reforms that were made after the financial crisis that ensured better safeguards for the banking industry. Those reforms combined with today's actions demonstrate our commitment to take the necessary steps to ensure that depositors' savings remain safe.

Fed Board

Press Release

March 12, 2023

Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors

For release at 6:15 p.m. EDT

To support American businesses and households, the Federal Reserve Board on Sunday announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. This action will bolster the capacity of the banking system to safeguard deposits and ensure the ongoing provision of money and credit to the economy.

The Federal Reserve is prepared to address any liquidity pressures that may arise.

The additional funding will be made available through the creation of a new Bank Term Funding Program (BTFP), offering loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets will be valued at par. The BTFP 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.

With approval of the Treasury Secretary, the Department of the Treasury will make available up to $25 billion from the Exchange Stabilization Fund as a backstop for the BTFP. The Federal Reserve does not anticipate that it will be necessary to draw on these backstop funds.

After receiving a recommendation from the boards of the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve, Treasury Secretary Yellen, after consultation with the President, approved actions to enable the FDIC to complete its resolutions of Silicon Valley Bank and Signature Bank in a manner that fully protects all depositors, both insured and uninsured. These actions will reduce stress across the financial system, support financial stability and minimize any impact on businesses, households, taxpayers, and the broader economy.

The Board is carefully monitoring developments in financial markets. The capital and liquidity positions of the U.S. banking system are strong and the U.S. financial system is resilient.

Depository institutions may obtain liquidity against a wide range of collateral through the discount window, which remains open and available. In addition, the discount window will apply the same margins used for the securities eligible for the BTFP, further increasing lendable value at the window.

The Board is closely monitoring conditions across the financial system and is prepared to use its full range of tools to support households and businesses, and will take additional steps as appropriate.

For media inquiries, please email media@frb.gov or call 202-452-2955.

Bank Term Funding Program

Program: To provide liquidity to U.S. depository institutions, each Federal Reserve Bank would make advances to eligible borrowers, taking as collateral certain types of securities.

Borrower Eligibility: 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 (see 12 CFR 201.4(a)) is eligible to borrow under the Program.

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

Advance Size: Advances will be limited to the value of eligible collateral pledged by the eligible borrower.

Rate: The rate for term advances 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.

Collateral Valuation: The collateral valuation will be par value. Margin will be 100% of par value.

Prepayment: Borrowers may prepay advances (including for purposes of refinancing) at any time without penalty.

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

Fees: There are no fees associated with the Program.

Credit Protection by the Department of the Treasury: The Department of the Treasury, using the Exchange Stabilization Fund, would provide $25 billion as credit protection to the Federal Reserve Banks in connection with the Program.

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

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