December 2010

Federal Reserve System Monthly Report on

Credit and Liquidity Programs and the Balance Sheet

Board of Governors of the Federal Reserve System

Purpose

The Federal Reserve prepares this monthly report as part of its efforts to enhance transparency about the range of programs and tools that have been implemented in response to the financial crisis and to ensure appropriate accountability to the Congress and the public. The Federal Reserve's statutory mandate in conducting monetary policy is to foster maximum employment and stable prices. Financial stability is a critical prerequisite for achieving sustainable economic growth and price stability, and the Federal Reserve implemented a number of credit and liquidity programs to support the liquidity of financial institutions and to foster improved conditions in financial markets in response to the extraordinary strains that began to emerge in the summer of 2007.

This report provides detailed information on the policy tools that were implemented to address the financial crisis. In addition, it contains financial reporting for the third quarter of 2010.

In fulfillment of Section 129 of the Emergency Economic Stabilization Act of 2008, additional information on the status of certain credit facilities implemented in response to the financial crisis is included as Appendix A of this report. Information related to the Federal Reserve's temporary liquidity programs and facilities that have closed or expired is included in Appendix B of this report.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which was signed into law on July 21, 2010, included provisions designed to further promote transparency by requiring disclosure of certain information about entities that received loans or otherwise participated in Federal Reserve credit and liquidity programs. As provided by the Dodd-Frank Act, transaction-level details and audit information from December 1, 2007, to July 21, 2010, are now posted on the Federal Reserve's public website.[1] Further information on the transparency provisions of the Dodd-Frank Act is included in Appendix C of this report.

For prior editions of this report and other resources, please visit the Board's public website at www.federalreserve.gov/monetarypolicy/clbsreports.htm.

Note: Financial information in this report has not been audited. Financial data are audited annually and are available at www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm.

1. This detailed information can be found at www.federalreserve.gov/newsevents/reform_transaction.htm and www.federalreserve.gov/newsevents/reform_audit.htm

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Overview

Recent Developments

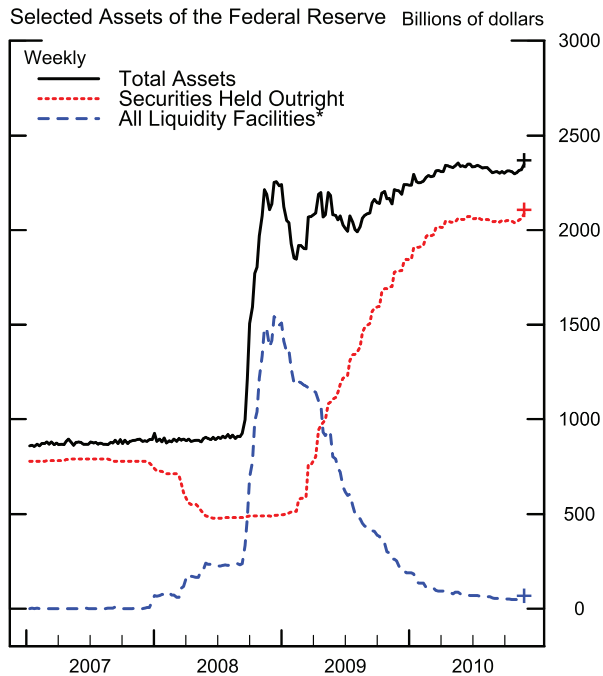
- On December 1, 2010, as provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the Federal Reserve posted detailed information on its public website about entities that received loans or other financial assistance under a Section 13(3) credit facility or that participated in the agency mortgage-backed securities (MBS) purchase program, used

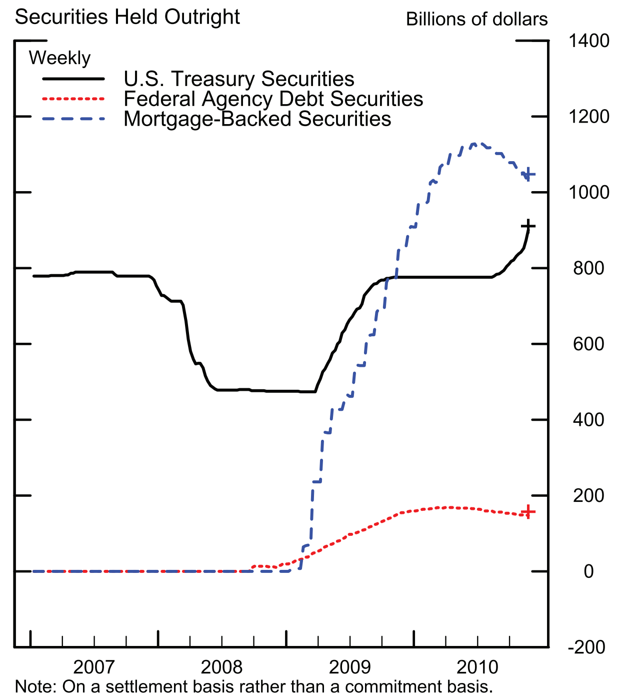
Table 1. Assets, Liabilities, and Capital of the Federal Reserve System
Billions of dollars

Item	Current November 24, 2010	Change from October 27, 2010	Change from November 25, 2009
Total assets	**2,349**	**+50**	**+139**
Selected assets			
Securities held outright	2,087	+48	+303
U.S. Treasury securities[1]	901	+63	+124
Federal agency debt securities[1]	148	−2	−7
Mortgage-backed securities[2]	1,038	−13	+186
Memo: Overnight securities lending[3]	7	+2	+*
Memo: Net commitments to purchase mortgage-backed securities[4]	0	0	−146
Lending to depository institutions[5]	1	+1	−19
Central bank liquidity swaps[6]	*	0	−26
Lending through other credit facilities	26	−2	−34
Net portfolio holdings of Commercial Paper Funding Facility LLC	0	0	−15
Term Asset-Backed Securities Loan Facility[7]	26	−2	−19
Net portfolio holdings of TALF LLC[8]	1	+*	+1
Support for specific institutions	113	−1	+3
Credit extended to American International Group, Inc., net[9]	20	+1	−25
Net portfolio holdings of Maiden Lane LLC[10]	28	−*	+2
Net portfolio holdings of Maiden Lane II LLC[10]	16	−*	+*
Net portfolio holdings of Maiden Lane III LLC[10]	23	−1	+*
Preferred interests in AIA Aurora LLC and ALICO Holdings LLC[7]	26	0	+26
Total liabilities	**2,292**	**+51**	**+135**
Selected liabilities			
Federal Reserve notes in circulation	937	+15	+54
Term deposits held by depository institutions	0	−5	0
Other deposits held by depository institutions	1,028	+17	−141
U.S. Treasury, general account	24	−3	+11
U.S. Treasury, supplementary financing account	200	−*	+185
Other deposits	*	−1	−2
Funds from American International Group, Inc. asset dispositions, held as agent[11]	27	+27	+27
Total capital	**57**	**−***	**+4**

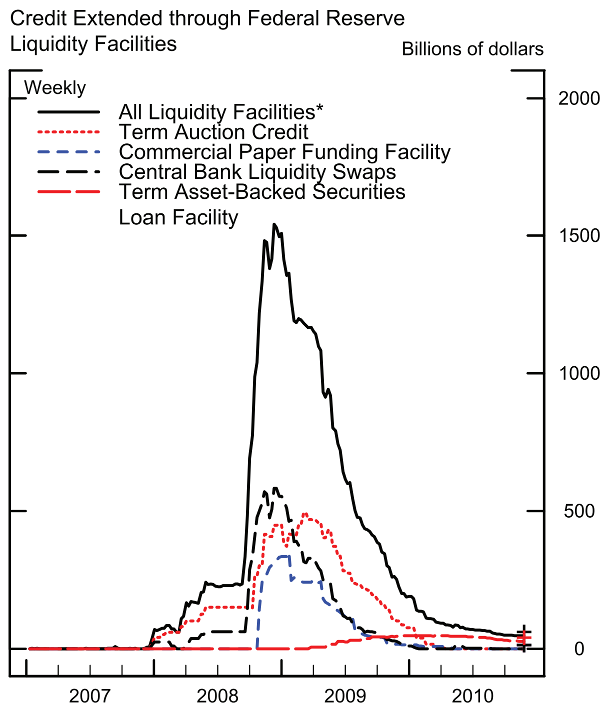
Note: Unaudited. Components may not sum to totals because of rounding.
* Less than $500 million.
1. Face value.
2. Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value, which is the remaining principal balance of the underlying mortgages. Does not include unsettled transactions.
3. Securities loans under the overnight facility are off-balance-sheet transactions. These loans are shown here as a memo item to indicate the portion of securities held outright that have been lent through this program.
4. Current face value. Includes commitments associated with outright purchases, dollar rolls, and coupon swaps.
5. Total of primary, secondary, and seasonal credit.
6. Dollar value of the foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank.
7. Book value.
8. As of November 24, 2010, TALF LLC had purchased no assets from the FRBNY.
9. Excludes credit extended to Maiden Lane II and III LLCs.
10. Fair value, reflecting values as of September 30, 2010. Fair value reflects an estimate of the price that would be received upon selling an asset if the transaction were to be conducted in an orderly market on the measurement date. Fair values are updated quarterly.
11. Pending the closing of the recapitalization plan announced by American International Group, Inc. (AIG) on September 30, 2010, the cash proceeds from the disposition of certain AIG assets will be held by the FRBNY as agent. At the closing of the recapitalization plan, the proceeds will be used first to repay in full the credit extended to AIG by the FRBNY under the revolving credit facility and then to retire a portion of the FRBNY's preferred interests in AIA Aurora LLC and ALICO Holdings LLC (preferred interests). Alternatively, if the recapitalization plan is terminated under the terms of the plan, then the proceeds from the initial public offering of AIA and the sale of ALICO will be used to redeem the preferred interests in accordance with the AIA Aurora LLC and ALICO Holdings LLC limited liability company agreements, and any excess proceeds from these transactions, as well as proceeds from the disposition of other assets, will be used to repay the credit extended to AIG under the revolving credit facility.

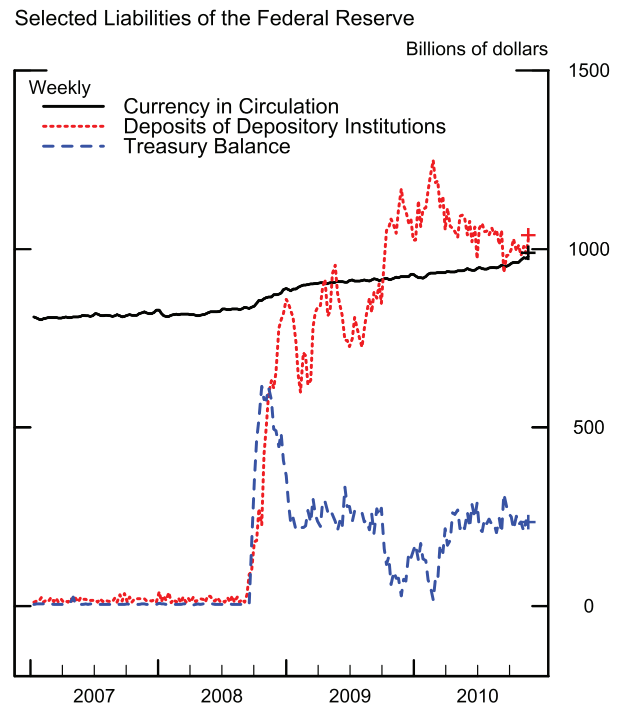
Figure 1. Credit and Liquidity Programs and the Federal Reserve's Balance Sheet





Note: On a settlement basis rather than a commitment basis.





+ indicates most recent data point. Data are shown through 11/24/2010.

*All Liquidity Facilities includes: Term Auction credit; primary credit; secondary credit; seasonal credit; Primary Dealer Credit Facility; Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility; Term Asset-Backed Securities Loan Facility; Commercial Paper Funding Facility; and central bank liquidity swaps.

Federal Reserve liquidity swap lines, or borrowed through the Term Auction Facility (TAF), between December 1, 2007, and July 21, 2010. This information includes more than 21,000 individual credit and other transactions that were conducted to stabilize markets during the financial crisis, restore the flow of credit to American families and businesses, and support economic recovery and job creation in the aftermath of the crisis. The Federal Reserve followed sound risk-management practices in administering each of these programs, incurred no credit losses on programs that have been wound down, and expects to incur no credit losses on the few remaining open programs. This information is available at www.federalreserve.gov/newsevents/reform_transaction.htm.

- As required by the Dodd-Frank Act, on December 3, 2010, the Federal Reserve posted an audit webpage at www.federalreserve.gov/newsevents/reform_audit.htm. This page will be updated as reports and other information become available.
- On December 8, 2010, American International Group, Inc. (AIG) announced that it has entered into a definitive agreement with ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York (FRBNY), the U.S. Department of the Treasury, and the AIG Credit Facility Trust (the “Trust”) regarding a series of integrated transactions, previously announced on September 30, 2010, to recapitalize AIG (the “Recapitalization”), including the repayment of all amounts outstanding under the revolving credit facility with the FRBNY. The definitive agreement supersedes the agreement in principle, dated as of September 30, 2010, and includes forms of several other agreements governing the Recapitalization.
- On November 29, 2010, the Federal Reserve conducted an auction of $5 billion of 28-day term deposits through its Term Deposit Facility (TDF). The awarded deposits settled on December 2, 2010, and will mature on December 30, 2010. Additional information about term deposits, auction results, and future small-value offerings is available through the TDF Resource Center at www.frbservices.org/centralbank/term_deposit_facility.html. The ongoing small-value TDF offerings are a matter of prudent planning and have no implications for the near-term conduct of monetary policy.
- Table 1 of this report now includes the funds held by the FRBNY as agent from the disposition of AIG’s assets in connection with the Recapitalization. This information is also included in table 1 of the H.4.1 statistical release and within “Other liabilities and accrued dividends” in tables 9 and 10 of the H.4.1 statistical release. As of November 24, 2010, the funds held by the FRBNY as agent totaled $26.8 billion.
- Background information about the closed and expired facilities previously included in Appendix B of this report now is available on the Federal Reserve’s public website at www.federalreserve.gov/monetarypolicy/bst.htm.

System Open Market Account (SOMA)

Domestic SOMA Portfolio

Recent Developments

- The SOMA portfolio increased between October 27 and November 24, 2010. This development is consistent with the Federal Open Market Committee's (FOMC's) November 3, 2010, announcement that it would expand its holdings of Treasury securities in the SOMA portfolio.
- On December 10, 2010, the Federal Reserve Bank of New York (FRBNY) published information on prices paid for securities included in the mid-November and mid-December 2010 tentative outright Treasury operations. The FRBNY also released the new outright Treasury operation schedule and announced plans to purchase approximately $105 billion in Treasury securities, which represents $75 billion of the announced $600 billion purchase program and $30 billion in purchases associated with principal payments from agency debt and agency mortgage-backed securities (MBS), expected to be received between mid-December 2010 and mid-January 2011. Details can be found at www.newyorkfed.org/markets/tot_operation_schedule.html.

Background

Open market operations (OMOs)—the purchase and sale of securities in the open market by a central bank—are a key tool used by the Federal Reserve in the implementation of monetary policy. Historically, the Federal Reserve has used OMOs to adjust the supply of reserve balances so as to keep the federal funds rate around the target federal funds rate established by the FOMC. OMOs are conducted by the Trading Desk at the FRBNY, which acts as agent for the FOMC. The range of securities that the Federal Reserve is authorized to purchase and sell is relatively limited. The authority to conduct OMOs is granted under Section 14 of the Federal Reserve Act.

OMOs can be divided into two types: permanent and temporary. Permanent OMOs are outright purchases or sales of securities for the SOMA, the Federal Reserve's portfolio. Permanent OMOs traditionally have been used to accommodate the longer-term factors driving the expansion of the Federal Reserve's balance sheet, principally the trend growth of currency in circulation. More recently, the expansion of SOMA securities holdings has been driven by large-scale asset purchase programs (LSAPs). Temporary OMOs typically are used to address reserve needs that are deemed to be transitory in nature. These operations are either repurchase agreements (repos) or reverse repurchase agreements (reverse repos). Under a repo, the Trading Desk buys a security under an agreement to resell that security in the future; under a reverse repo, the Trading Desk sells a security under an agreement to repurchase that security in the future. A repo is the economic equivalent of a collateralized loan; conversely, a reverse repo is the economic equivalent of collateralized borrowing. In both types of transactions, the difference between the purchase and sale prices reflects the interest on the loan or borrowing. The composition of the SOMA is presented in table 2.

Each OMO affects the Federal Reserve's balance sheet; the size and nature of the effect depend on the specifics of the operation. The Federal Reserve publishes its balance sheet each week in the H.4.1 statistical release, "Factors Affecting Reserve Balances of Depository Institutions and Consolidated Statement of Condition of Reserve Banks" (www.federalreserve.gov/releases/h41). The release separately reports securities held outright, repos, and reverse repos.

In addition, the Federal Reserve has long operated an overnight securities lending facility as a vehicle to address market pressures for specific Treasury securities. Since July 9, 2009, this facility has also lent housing-related government-sponsored enterprise (GSE) debt securities that are particularly sought after. Amounts outstanding under this facility are reported weekly in table 1A of the H.4.1 statistical release.

The FRBNY's traditional counterparties for OMOs are the primary dealers with which the FRBNY trades U.S. government and select other securities. In early 2010, the FRBNY revised its policy regarding the administration of its relationships with primary dealers in order to provide greater transparency about the significant business standards expected of primary dealers and to offer clearer guidance on the process to become a primary dealer. The revised policy offers a more structured presentation of the business standards expected of a primary dealer; a more formal application process for prospective primary dealers; an increase in the minimum net capital requirement, from $50 million to $150 million; a seasoning requirement of one year of relevant operations before a prospective dealer may submit an application; and a clear notice of actions the FRBNY may take against a noncompliant

primary dealer. Since late 2009, the FRBNY has taken steps to expand the types of counterparties for some OMOs to include entities other than primary dealers. Details on the counterparty expansion effort are presented below.

Large-Scale Asset Purchase Programs (LSAPs)

In November 2008, the Federal Reserve announced that it would buy direct obligations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, and MBS guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. The goal of these debt purchases was to reduce the cost and increase the availability of credit for the purchase of houses. In March 2009, the FOMC authorized purchases of up to $1.25 trillion of agency MBS and up to $200 billion of agency direct obligations. Subsequently, in November 2009, the FOMC announced that agency debt purchases would be about $175 billion. This amount, while somewhat less than the previously announced maximum of $200 billion, was consistent with the path of purchases and reflected the limited availability of agency debt.

The Federal Reserve also determined that supporting the MBS "dollar roll" market promoted the goals of the MBS purchase program. Dollar roll transactions consist of a purchase or sale of "to be announced" (TBA) MBS combined with an agreement to sell or purchase TBA MBS on a specified future date. Because of principal and interest payments and occasional delays in the settlement of transactions, the Federal Reserve also holds some cash and short-term investments associated with the MBS purchase program. On June 28, 2010, the Federal Reserve began entering into coupon swaps, which are trades with a single counterparty in which the Federal Reserve agrees to simultaneously sell TBA MBS in one coupon and to buy an equal face value of TBA MBS in a different coupon. MBS dollar roll transactions and coupon swaps are recorded on settlement date and may generate realized gains and losses.

Table 2. Domestic SOMA Securities Holdings
Billions of dollars, as of November 24, 2010

Security type	Total par value
U.S. Treasury bills	18
U.S. Treasury notes and bonds, nominal	832
U.S. Treasury notes and bonds, inflation-indexed[1]	51
Federal agency debt securities[2]	148
Mortgage-backed securities[3]	1,038
Total SOMA securities holdings	**2,087**

Note: Unaudited. Components may not sum to total because of rounding. Does not include investments denominated in foreign currencies or unsettled transactions.

1. Includes inflation compensation.

2. Direct obligations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

3. Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages.

In March 2009, the FOMC announced that it would also purchase up to $300 billion of longer-term Treasury securities to help improve conditions in private credit markets. The Federal Reserve purchased a range of securities across the maturity spectrum, including Treasury Inflation-Protected Securities (TIPS). The bulk of purchases were in intermediate maturities. In August 2009, the FOMC announced that it would gradually slow the pace of these transactions in order to promote a smooth transition in markets as purchases of these Treasury securities were completed. As anticipated, the purchases were completed by the end of October 2009.

The FRBNY announced in August 2009 that it would streamline the set of external investment managers for the agency-guaranteed MBS purchase program, reducing the number of investment managers from four to two. As of March 2, 2010, the FRBNY began to use its own staff on select days to transact directly in the secondary market for agency MBS as part of the FOMC's LSAPs, consistent with the announcement of November 2009. These changes were not performance-related: the FRBNY had anticipated that it would adjust its use of external investment managers as it gained more experience with the program.

In September 2009, the Federal Reserve began to purchase on-the-run agency securities—the most recently issued securities—in order to mitigate market dislocations and promote overall market functioning. Prior to this change, purchases were focused on off-the-run agency securities.

On September 23, 2009, the FOMC announced its intention to gradually slow the pace of its purchases of agency-guaranteed MBS and agency debt. In implementing this directive, the Trading Desk of the FRBNY announced that it would scale back the average weekly purchase amounts of agency MBS and reduce the size and frequency of agency debt purchases. As anticipated by the FOMC, these transactions were completed by the end of the first quarter of 2010. As of August 19, 2010, the settlement of all remaining outstanding MBS from these purchases was complete. The Federal Reserve's outright holdings of MBS are reported weekly in tables 1, 3, 10, and 11 of the H.4.1 statistical release. In addition, detailed data on all settled agency MBS holdings are published weekly on the FRBNY website at www.newyorkfed.org/markets/soma/sysopen_accholdings.html.

On August 10, 2010, the FOMC announced that the Federal Reserve would maintain the level of domestic

securities holdings in the SOMA portfolio by reinvesting principal payments from agency debt and agency MBS in longer-term Treasury securities. As of August 4, 2010, outright holdings of securities in the SOMA portfolio totaled roughly $2 trillion. On November 3, 2010, the FOMC decided to expand its holdings of securities and announced that, in addition to maintaining the existing reinvestment policy, it intends to purchase a further $600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about $75 billion per month. The FOMC will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.

In conjunction with the FOMC's November 3, 2010, announcement, the FRBNY announced its plan to execute the FOMC's existing reinvestment plan along with the additional Treasury purchases through the second quarter of 2011. Based on current estimates, the FRBNY expects to reinvest $250 billion to $300 billion in principal payments for agency debt and MBS, though the realized amount of reinvestment will depend on the actual principal payments from those securities. Combined with the announced additional $600 billion of purchases, the FRBNY anticipates purchasing a total of $850 billion to $900 billion of longer-term Treasury securities over this period. The FRBNY also announced the distribution of maturities of securities it plans to purchase. In addition, in order to promote transparency in the market, the FRBNY will publish the prices at which the securities are purchased at the end of each scheduled monthly purchase period. Finally, to provide operational flexibility and to ensure that it is able to purchase the most attractive securities on a relative-value basis, the FRBNY is temporarily relaxing the 35 percent per-issue limit on SOMA holdings under which it has been operating. However, SOMA holdings of an individual security will be allowed to rise above the 35 percent threshold only in modest increments. The FRBNY publishes a tentative schedule for Treasury security purchases at www.newyorkfed.org/markets/tot_operation_schedule.html.

Reverse Repurchase Agreements (Reverse Repos)

In December 2009, the FRBNY conducted its first set of small-scale, real-value, triparty reverse repos with primary dealers. Reverse repos are a tool that could be used to support a reduction in monetary accommodation at the appropriate time. Under a reverse repo, the FRBNY Trading Desk sells a security under an agreement to repurchase that security in the future. A reverse repo is the economic equivalent of collateralized borrowing. The FRBNY periodically conducts these transactions to ensure operational readiness at the Federal Reserve, the major clearing banks, and the primary dealers; the transactions had no material impact on the availability of reserves or on market rates.

In August 2010, the FRBNY conducted another series of small-scale, real-value reverse repos with primary dealers using all eligible collateral types, including, for the first time, agency MBS from the SOMA portfolio. Since late 2009, the FRBNY has taken steps to expand the types of counterparties for some OMOs to include entities other than primary dealers. On March 8, 2010, the FRBNY announced the beginning of a program to expand its counterparties for conducting reverse repos. This expansion was intended to enhance the capacity of such operations to drain reserves beyond what could likely be conducted through primary dealers. The additional counterparties are not eligible to participate in transactions conducted by the FRBNY other than reverse repos.

Over time, the FRBNY expects that it will modify the counterparty criteria to include a broader set of counterparties and anticipates that it will publish criteria for additional types of firms and for expanded eligibility within previously identified types of firms. In this context, the FRBNY published the Reverse Repurchase Transaction Eligibility Criteria for Money Funds for the first set of expanded counterparties, domestic money market mutual funds, and, on April 30, 2010, published the Reverse Repurchase Program Form Master Repurchase Agreement for Money Funds, which sets out the legal terms and conditions under which the FRBNY and its money market mutual fund counterparties may undertake reverse repos. This information is available at www.newyorkfed.org/markets/rrp_counterparties.html.

On August 18, 2010, the FRBNY published a list of money market funds eligible to participate as counterparties to reverse repos with the Federal Reserve. Each listed fund submitted an application and meets the criteria published by the FRBNY on March 8, 2010. Inclusion on the list does not constitute a public endorsement by the FRBNY of any listed counterparty and should not substitute for prudent counterparty risk management and due diligence. The list is available on the FRBNY's website at www.newyorkfed.org/markets/expanded_counterparties.html.

On September 23, 2010, the FRBNY published the Reverse Repurchase Transaction Eligibility Criteria for Money Funds II, allowing a second wave of money market mutual funds to apply to participate in reverse repo transactions with the FRBNY. The FRBNY also

published an updated version of the Reverse Repurchase Program Form Master Repurchase Agreement for Money Funds, including applicable Annexes.

On October 12, 2010, the FRBNY announced another series of small-scale, real-value, triparty reverse repo transactions using all eligible collateral types. The first set of operations, conducted using only the expanded reverse repo transaction counterparties announced on August 18, 2010, commenced on October 13, 2010. The second set of operations, which was open to all eligible reverse repo counterparties, commenced on October 18 and was completed on October 27, 2010. The results of these operations are available on the FRBNY website at www.newyorkfed.org/markets/omo/dmm/temp.cfm. The outstanding amounts of reverse repos are reported weekly in tables 1, 2, 9, and 10 of the H.4.1 statistical release.

These activities with respect to reverse repos are a matter of prudent advance planning by the Federal Reserve. They do not represent any change in the stance of monetary policy, and no inference should be drawn about the timing of any change in the stance of monetary policy in the future.

Liquidity Arrangements with Foreign Central Banks (FCBs)

Recent Developments

- Amounts outstanding under the dollar liquidity swap arrangements were little changed in November 2010. As presented in table 3, the total amount of liquidity provided under these lines was $0.1 billion as of November 24, 2010.

Background

Because of the global character of bank funding markets, the Federal Reserve has at times coordinated with other central banks to provide liquidity. During the financial crisis, the Federal Reserve entered into agreements to establish temporary reciprocal currency arrangements (central bank liquidity swap lines) with a number of foreign central banks (FCBs). Two types of temporary swap lines were established: dollar liquidity lines and foreign currency liquidity lines. These temporary arrangements expired on February 1, 2010. However, in May 2010, temporary dollar liquidity swap lines were re-established with certain FCBs in order to address the re-emergence of strains in global U.S. dollar short-term funding markets.

The FRBNY operates the swap lines under the authority granted under Section 14 of the Federal Reserve Act and in compliance with authorizations, policies, and procedures established by the FOMC.

Dollar Liquidity Swaps

On December 12, 2007, the FOMC announced that it had authorized dollar liquidity swap lines with the European Central Bank and the Swiss National Bank to provide liquidity in U.S. dollars to overseas markets. Subsequently, the FOMC authorized dollar liquidity swap lines between the Federal Reserve and each of the following FCBs: the Reserve Bank of Australia, the Banco Central do Brasil, the Bank of Canada, the Bank of Japan, Danmarks Nationalbank, the Bank of England, the European Central Bank, the Bank of Korea, the Banco de Mexico, the Reserve Bank of New Zealand, Norges Bank, the Monetary Authority of Singapore, Sveriges Riksbank, and the Swiss National Bank. These temporary dollar liquidity swap arrangements expired on February 1, 2010. In May 2010, the FOMC re-authorized dollar liquidity swap lines with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank through January 2011.

Swaps under these lines consist of two transactions. When an FCB draws on its swap line with the FRBNY, the FCB sells a specified amount of its currency to the FRBNY in exchange for dollars at the prevailing market exchange rate. The FRBNY holds the foreign currency in an account at the FCB. The dollars that the FRBNY provides are then deposited in an account that the FCB maintains at the FRBNY. At the same time, the FRBNY and the FCB enter into a binding agreement for a second transaction that obligates the FCB to buy back its currency on a specified future date at the same exchange rate. The second transaction unwinds the first at the same exchange rate used in the initial transaction; as a result, the recorded value of the foreign currency amounts is not affected by changes in the market exchange rate. At the conclusion of the second transaction, the FCB compensates the FRBNY at a market-based interest rate.

Table 3. Amounts Outstanding under Dollar Liquidity Swaps

As of November 24, 2010

Central bank	Amount ($ billions)	Settlement date	Term	Interest rate
Bank of Canada	—	—	—	—
Bank of England	—	—	—	—
Bank of Japan	—	—	—	—
European Central Bank	0.1	11/18/2010	8-day	1.19%
Swiss National Bank	—	—	—	—
Total	**0.1**	**—**	**—**	**—**

Note: Unaudited. Components may not sum to totals because of rounding.

When the FCB lends the dollars it obtained by drawing on its swap line to institutions in its jurisdiction, the dollars are transferred from the FCB account at the FRBNY to the account of the bank that the borrowing institution uses to clear its dollar transactions. The FCB is obligated to return the dollars to the FRBNY under the terms of the agreement, and the FRBNY is not a counterparty to the loan extended by the FCB. The FCB bears the credit risk associated with the loans it makes to institutions in its jurisdiction.

The foreign currency that the Federal Reserve acquires in these transactions is recorded as an asset on the Federal Reserve's balance sheet. In tables 1, 10, and 11 of the weekly H.4.1 statistical release, the dollar value of amounts that the FCBs have drawn but not yet repaid is reported in the line entitled "Central bank liquidity swaps." Dollar liquidity swaps have maturities ranging from overnight to three months. Table 2 of the H.4.1 statistical release reports the maturity distribution of the outstanding dollar liquidity swaps. Detailed information about drawings on the swap lines by the participating FCBs is presented on the FRBNY's website at www.newyorkfed.org/markets/fxswap.

Foreign-Currency Liquidity Swap Lines

On April 6, 2009, the FOMC announced foreign-currency liquidity swap lines with the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank. These lines were designed to provide the Federal Reserve with the capacity to offer liquidity to U.S. institutions in foreign currency should a need arise. These lines mirrored the existing dollar liquidity swap lines, which provided FCBs with the capacity to offer U.S. dollar liquidity to financial institutions in their jurisdictions. Foreign-currency swap lines provided the Federal Reserve with the ability to address financial strains by providing foreign currency-denominated liquidity to U.S. institutions in amounts of up to £30 billion (sterling), €80 billion (euro), ¥10 trillion (yen), and CHF 40 billion (Swiss francs). The Federal Reserve did not draw on these swap lines, and they expired on February 1, 2010.

Lending Facilities to Support Overall Market Liquidity

Lending to Depository Institutions

Recent Developments

- Credit provided to depository institutions through the discount window increased in November 2010, but remains generally around the levels seen prior to 2007. As presented in table 6, the lendable value of collateral pledged by depository institutions with discount window loans outstanding on November 24, 2010, was $3 billion; discount window credit outstanding on that date amounted to $1 billion.

Background

The discount window helps to relieve liquidity strains for individual depository institutions and for the banking system as a whole by providing a source of funding in times of need. Much of the statutory framework that governs lending to depository institutions is contained in Section 10B of the Federal Reserve Act, as amended. The general policies that govern discount window lending are set forth in the Federal Reserve Board's Regulation A.

Depository institutions have, since 2003, had access to three types of discount window credit—primary credit, secondary credit, and seasonal credit. Primary credit is available to depository institutions in generally sound financial condition with few administrative requirements. Secondary credit may be provided to depository institutions that do not qualify for primary credit, subject to review by the lending Reserve Bank. Seasonal credit provides short-term funds to smaller depository institutions that experience regular seasonal swings in loans and deposits.

Table 4. Discount Window Credit Outstanding to Depository Institutions

Daily average borrowing for each class of borrower over four weeks ending November 24, 2010

Type and size of borrower	Average number of borrowers[1]	Average borrowing ($ billions)[2]
Commercial banks[3]		
Assets: more than $50 billion	*	**
Assets: $5 billion to $50 billion	*	**
Assets: $250 million to $5 billion	4	**
Assets: less than $250 million	9	**
Thrift institutions and credit unions	3	**
Total	**16**	**

Note: Unaudited. Includes primary, secondary, and seasonal credit. Size categories based on total domestic assets from Call Report data as of September 30, 2010. Components may not sum to totals because of rounding.

* Fewer than one borrower.

** Less than $500 million.

1. Average daily number of depository institutions with credit outstanding. Over this period, a total of 142 institutions borrowed.
2. Average daily borrowing by all depositories in each category.
3. Includes branches and agencies of foreign banks.

On August 17, 2007, in order to promote orderly market functioning, the Federal Reserve narrowed the spread between the primary credit rate (generally referred to as the discount rate) and the Federal Open Market Committee's (FOMC's) target federal funds rate to 50 basis points and began to allow the provision of primary credit for terms as long as 30 days. On March 16, 2008, the Federal Reserve further narrowed the spread between the primary credit rate and the target federal funds rate to 25 basis points, and increased the maximum maturity of primary credit loans to 90 days.

On November 17, 2009, in response to improved financial conditions, the Federal Reserve announced that the maximum maturity on primary credit loans would be reduced to 28 days effective January 14, 2010. On February 18, 2010, the Federal Reserve increased the spread between the primary credit rate and the top of the target range for the federal funds rate to 50 basis points, effective February 19, 2010. The Federal Reserve also announced that, effective March 18, 2010, the typical maximum maturity of primary credit loans would be shortened to overnight. These changes represented further normalization of the Federal Reserve's lending facilities and did not signal any change in the outlook for the economy or for monetary policy.

On August 6, 2010, the Federal Reserve announced changes to its practices for disclosure of discount window lending information in accordance with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). For discount window loans extended to depository institutions on or after July 21, 2010, the Federal Reserve will publicly disclose certain information about the transaction approximately two years after the loan was extended. The disclosure will include the name and identifying details of the depository institution, the amount borrowed, the interest rate paid, and information identifying the types and amount of collateral pledged. More detail on these changes is reported on the Federal Reserve's Discount Window website at www.frbdiscountwindow.org.

Table 5. Concentration of Discount Window Credit Outstanding to Depository Institutions

For four weeks ending November 24, 2010

Rank by amount of borrowing	Number of borrowers	Daily average borrowing ($ billions)
Top five	5	*
Next five	5	*
Other	6	*
Total	**16**	*

Note: Unaudited. Amount of primary, secondary, and seasonal credit extended to the top five and next five borrowers on each day, as ranked by daily average borrowing. Components may not sum to totals because of rounding.

* Less than $500 million.

In extending credit to depository institutions, the Federal Reserve closely monitors the financial condition of borrowers. Monitoring the financial condition of depository institutions is a four-step process designed to minimize the risk of loss to the Federal Reserve posed by weak or failing depository institutions. The first step is monitoring, on an ongoing basis, the safety and soundness of all depository institutions that access or may access the discount window and the payment services provided by the Federal Reserve. The second step is identifying institutions whose condition, characteristics, or affiliation would present higher-than-acceptable risk to the Federal Reserve in the absence of controls on their access to Federal Reserve lending facilities and other Federal Reserve services. The third step is communicating—to staff within the Federal Reserve System and to other supervisory agencies, if and when necessary—relevant information about those institutions identified as posing higher risk. The fourth step is implementing appropriate measures to mitigate the risks posed by such entities.

At the heart of the condition-monitoring process is an internal rating system that provides a framework for identifying institutions that may pose undue risks to the Federal Reserve. The rating system relies mostly on information from each institution's primary supervisor, including CAMELS ratings, to identify potentially problematic institutions and classify them according to the severity of the risk they pose to the Federal Reserve.[1] Having identified institutions that pose a higher risk, the Federal Reserve then puts in place a standard set of risk controls that become increasingly stringent as the risk posed by an institution grows; individual Reserve Banks may implement additional risk controls to further mitigate risk if they deem it necessary.

1. CAMELS (Capital, Assets, Management, Earnings, Liquidity, and Sensitivity) is a rating system employed by banking regulators to assess the soundness of commercial banks and thrifts. Similar rating systems are used for other types of depository institutions.

Collateral

All extensions of discount window credit by the Federal Reserve must be secured to the satisfaction of the lending Reserve Bank by "acceptable collateral." Assets accepted as collateral are assigned a lendable value deemed appropriate by the Reserve Bank; lendable value is determined as the market price of the asset, less a haircut. When a market price is not available, a haircut may be applied to the outstanding balance or a valuation based on an asset's cash flow. Haircuts reflect credit risk and, for traded assets, the historical volatility of the asset's price and the liquidity of the market in which the asset is traded; the Federal Reserve's haircuts are generally in line with typical market practice. The Federal Reserve applies larger haircuts, and thus assigns lower lendable values, to assets for which no market price is available relative to comparable assets for which a market price is available. A borrower may be required to pledge additional collateral if its financial condition weakens. Collateral is pledged by depository institutions under the terms and conditions specified in the Federal Reserve Banks' standard lending agreement, Operating Circular No. 10 (www.frbservices.org/files/regulations/pdf/operating_circular_10.pdf).

Discount window loans are generally made with recourse to the borrower beyond the pledged collateral. Nonetheless, collateral plays an important role in mitigating the credit risk associated with these extensions of credit. The Federal Reserve generally accepts as collateral for discount window loans any assets that

Table 6. Lendable Value of Collateral Pledged by Borrowing Depository Institutions

Billions of dollars, as of November 24, 2010

Type of collateral	Lendable value
Loans	
Commercial	2
Residential mortgage	0
Commercial real estate	1
Consumer	*
Securities	
U.S. Treasury/agency	*
Municipal	*
Corporate market instruments	*
MBS/CMO: agency-guaranteed	*
MBS/CMO: other	*
Asset-backed	0
International (sovereign, agency, municipal, and corporate)	*
Other	
Term Deposit Facility deposits	0
Total	**3**

Note: Unaudited. Collateral pledged by borrowers of primary, secondary, and seasonal credit as of the date shown. Total primary, secondary, and seasonal credit on this date was $1 billion. The lendable value of collateral pledged by all depository institutions, including those without any outstanding loans, was $1,321 billion. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

* Less than $500 million.

Table 7. Lendable Value of Securities Pledged by Depository Institutions by Rating

Billions of dollars, as of November 24, 2010

Type of security and rating	Lendable value
U.S. Treasury, agency, and agency-guaranteed securities	205
Other securities	
AAA	182
Aa/AA[1]	45
A[2]	45
Baa/BBB[3]	14
Other investment-grade[4]	35
Total	**525**

Note: Unaudited. Lendable value for all institutions that have pledged collateral, including those that were not borrowing on the date shown. Lendable value is value after application of appropriate haircuts. Components may not sum to total because of rounding.

1. Includes short-term securities with A-1+ or F1+ rating or MIG 1 or SP-1+ municipal bond rating.
2. Includes short-term securities with A-1 or F1 rating or SP-1 municipal bond rating.
3. Includes short-term securities with A-2, P-2, A-3, or P-3 rating.
4. Determined based on a credit review by a Reserve Bank.

meet regulatory standards for sound asset quality. This category of assets includes most performing loans and most investment-grade securities, although for some types of securities (including commercial mortgage-backed securities, collateralized debt obligations, collateralized loan obligations, and certain non-dollar-denominated foreign securities) only AAA-rated securities are accepted. An institution may not pledge as collateral any instruments that the institution or its affiliates have issued. To ensure that they can borrow from the Federal Reserve should the need arise, many depository institutions that do not have an outstanding discount window loan nevertheless routinely pledge collateral.

The Federal Reserve periodically reviews its collateral valuation practices. The most recent changes to the lending margins on discount window collateral took effect on October 19, 2009, and reflected the results of a broad-based review, which began before the financial crisis, of methodology and data sources. For more information on collateral margins, refer to the Discount Window and Payments System Risk public website, www.frbdiscountwindow.org.

Table 8. Discount Window Credit Outstanding to Borrowing Depository Institutions—Percent of Collateral Used

As of November 24, 2010

Percent of collateral used	Number of borrowers	Total borrowing ($ billions)
More than 0 and less than 25	7	*
25 to 50	7	1
50 to 75	2	*
75 to 90	2	*
More than 90	1	*
Total	**19**	**1**

Note: Unaudited. Components may not sum to totals because of rounding.

* Less than $500 million.

As presented in table 8, depository institutions that borrow from the Federal Reserve generally maintain collateral in excess of their current borrowing levels.

Term Asset-Backed Securities Loan Facility (TALF)

Recent Developments

- As of November 24, 2010, the number of TALF borrowers and loans outstanding had declined from their levels in October 2010. Prepayments by borrowers primarily contributed to the decline in loans outstanding and fully accounted for the decline in TALF borrowers. TALF LLC, formed to purchase and manage assets received by the Federal Reserve Bank of New York (FRBNY) from the TALF program, remains in operation, but as of November 24, 2010, TALF LLC had not purchased any assets from the FRBNY.

Table 9. TALF: Number of Borrowers and Loans Outstanding

As of November 24, 2010

Lending program	Number of borrowers	Borrowing ($ billions)[1]
Non-CMBS	69	21
CMBS	44	4
Total	**95**	**26**

Note: Unaudited. "Number of borrowers" may exceed total because borrowers may be included in more than one category. "Borrowing" amounts may not sum to total because of rounding.

1. Book value.

Background

On November 25, 2008, the Federal Reserve announced the creation of the TALF under the authority of Section 13(3) of the Federal Reserve Act. The TALF is a funding facility under which the FRBNY was authorized to extend up to $200 billion of credit to holders of eligible asset-backed securities (ABS).[2] The TALF was intended to assist financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of ABS collateralized by a variety of consumer and business loans; it was also intended to improve market conditions for ABS more generally. TALF loans backed by commercial mortgage-backed securities (CMBS) or by ABS backed by government guaranteed loans have maturities of up to five years; all other TALF loans have three-year maturities. Using funds authorized under the Troubled Assets Relief Program (TARP) of the Emergency Economic Stabilization Act of 2008, the U.S. Department of the Treasury commit-

2. For additional information on the TALF, refer to www.federalreserve.gov/monetarypolicy/bst_lendingother.htm.

ted to provide $20 billion in credit protection to the FRBNY in connection with the TALF to support the $200 billion of authorized lending value under the program. This commitment was reduced to $4.3 billion in July 2010 to reflect the fact that only $43 billion of TALF loans were outstanding when the program was closed to new lending.

Eligible collateral for TALF loans included U.S. dollar-denominated ABS backed by student loans, auto loans, credit card loans, equipment loans, floorplan loans, insurance premium finance loans, loans guaranteed by the Small Business Administration (SBA), residential mortgage servicing advances, or commercial mortgages. At the time a TALF loan was extended, all eligible collateral was required to have a credit rating in the highest investment-grade rating category from two or more eligible nationally recognized statistical rating organizations (NRSROs) and could not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. Certain collateral also had to pass an internal risk assessment by the FRBNY.

Additionally, all or substantially all of the credit exposures underlying eligible ABS were required to be exposures to U.S.-domiciled obligors or with respect to real property located in the United States or its territories. Except for ABS for which the underlying credit exposures are SBA-guaranteed loans, eligible newly issued ABS must have been issued on or after January 1, 2009. Eligible legacy CMBS must have been issued before January 1, 2009, must be senior in payment priority to all other interests in the underlying pool of commercial mortgages, and must meet certain other criteria designed to protect the Federal Reserve and the Treasury from credit risk. Collateral would not be accepted from a particular borrower if the collateral was backed by loans originated or securitized by that borrower or its affiliate except in very limited circumstances.

Table 10. TALF Collateral by Underlying Loan Type

Billions of dollars, as of November 24, 2010

Type of collateral	Value
By underlying loan type	
Auto	2
Commercial mortgages:	5
Newly issued	0
Legacy	5
Credit card	8
Equipment	*
Floorplan	3
Premium finance	2
Servicing advances	*
Small business	1
Student loan	8
Total	**29**

Note: Unaudited. Components may not sum to total because of rounding. Data represent the face value of collateral.

* Less than $500 million.

Table 11. TALF Collateral by Rating

Billions of dollars, as of November 24, 2010

Type of collateral	Value
Asset-backed securities with minimum rating of:[1]	
AAA/Aaa	29
Total	**29**

Note: Unaudited. Data represent the face value of collateral.

1. Eligible ABS collateral for the TALF was required to have a credit rating in the highest investment-grade rating category from at least two eligible NRSROs and could not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. When pledged collateral is downgraded below the highest investment-grade rating, existing loans against the collateral remain outstanding.

The loans provided through the TALF were designed to be limited in recourse to the collateral, generally allowing borrowers the option of surrendering the collateral to the FRBNY in full satisfaction of the TALF loan. The FRBNY's loan is secured by the ABS collateral, with the FRBNY lending an amount equal to the market value of the ABS, less a haircut. The haircut is a buffer which protects the FRBNY against a decline in the collateral's value. The Federal Reserve set initial haircuts for each type of eligible collateral to reflect an assessment of the riskiness and maturity of the various types of eligible ABS. Breakdowns of TALF collateral by underlying loan type and credit rating are shown in tables 10 and 11, respectively.

Consistent with previous announcements, the Federal Reserve closed the TALF for new loan extensions against newly issued CMBS on June 30, 2010, and for new loans against all other types of collateral on March 31, 2010. TALF loans extended by the FRBNY during this program will mature over the next several years, with all loans maturing no later than March 30, 2015.

TALF LLC

TALF LLC, a limited liability company, was formed to purchase and manage any ABS that might be surrendered by a TALF borrower or otherwise claimed by the FRBNY in connection with its enforcement rights to the TALF collateral. In certain limited circumstances, TALF LLC may also purchase TALF program loans from the FRBNY. TALF LLC has committed to purchase, for a fee, all such assets at a price equal to the TALF loan, plus accrued but unpaid interest.

Purchases of these securities are funded first through the fees received by TALF LLC and any interest TALF LLC has earned on its investments. In the event that such funding proves insufficient, the U.S. Treasury's Troubled Asset Relief Program (TARP) will provide additional subordinated debt funding to TALF LLC to finance up to $4.3 billion of asset purchases. Subsequently, the FRBNY will finance any additional pur-

chases of securities by providing senior debt funding to TALF LLC. Thus, the TARP funds provide credit protection to the FRBNY. Financial information on TALF LLC is reported weekly in tables 1, 2, 8, 10, and 11 of the H.4.1 statistical release. As of November 24, 2010, TALF LLC had purchased no assets from the FRBNY.

Table 12A. Issuers of Non-CMBS that Collateralize Outstanding TALF Loans

As of November 24, 2010

Issuers
Ally Master Owner Trust
American Express Credit Account Master Trust
AmeriCredit Automobile Receivables Trust 2009-1
ARI Fleet Lease Trust 2010-A
Bank of America Auto Trust 2009-1
BMW Floorplan Master Owner Trust
BMW Vehicle Lease Trust 2009-1
Cabela's Credit Card Master Note Trust
CarMax Auto Owner Trust 2009-1
CarMax Auto Owner Trust 2009-A
Chase Issuance Trust
Chesapeake Funding LLC
Chrysler Financial Auto Securitization Trust 2009-A
CIT Equipment Collateral 2009-VT1
Citibank Omni Master Trust
CNH Equipment Trust 2009-B
CNH Wholesale Master Note Trust
Discover Card Execution Note Trust
FIFC Premium Funding LLC
First National Master Note Trust
Ford Credit Auto Lease Trust 2009-A
Ford Credit Auto Owner Trust 2009-A
Ford Credit Floorplan Master Owner Trust A
GE Capital Credit Card Master Note Trust
GE Dealer Floorplan Master Note Trust
Great America Leasing Receivables Funding, L.L.C.
Harley-Davidson Motorcycle Trust 2009-2
Honda Auto Receivables 2009-2 Owner Trust
Marlin Leasing Receivables XII LLC
Navistar Financial Dealer Note Master Owner Trust
Nissan Auto Lease Trust 2009-A
OCWEN Servicer Advance Receivables Funding Company II LTD.
PFS Financing Corp.
SLC Private Student Loan Trust 2009-A
SLC Private Student Loan Trust 2010-B
SLM Private Education Loan Trust 2009-B
SLM Private Education Loan Trust 2009-C
SLM Private Education Loan Trust 2009-CT
SLM Private Education Loan Trust 2009-D
SLM Private Education Loan Trust 2010-A
U.S. Small Business Administration
Volkswagen Auto Lease Trust 2009-A
WHEELS SPV, LLC
World Financial Network Credit Card Master Note Trust
World Omni Auto Receivables Trust 2009-A
World Omni Master Owner Trust

Table 12B. Issuers of Newly Issued CMBS that Collateralize Outstanding TALF Loans

As of November 24, 2010

Issuers[1]

1. There are no outstanding TALF loans collateralized with newly issued CMBS.

Table 12C. Issuers of Legacy CMBS that Collateralize Outstanding TALF Loans

As of November 24, 2010

Issuers
Banc of America Commercial Mortgage Inc. Series 2004-2
Banc of America Commercial Mortgage Inc. Series 2005-1
Banc of America Commercial Mortgage Inc. Series 2005-3
Banc of America Commercial Mortgage Inc. Series 2005-5
Banc of America Commercial Mortgage Inc. Series 2005-6
Banc of America Commercial Mortgage Trust 2006-1
Banc of America Commercial Mortgage Trust 2006-2
Banc of America Commercial Mortgage Trust 2006-4
Banc of America Commercial Mortgage Trust 2006-5
Banc of America Commercial Mortgage Trust 2006-6
Banc of America Commercial Mortgage Trust 2007-1
Banc of America Commercial Mortgage Trust 2007-2
Banc of America Commercial Mortgage Trust 2007-3
Banc of America Commercial Mortgage Trust 2007-5
Bear Stearns Commercial Mortgage Securities Trust 2004-PWR4
Bear Stearns Commercial Mortgage Securities Trust 2004-TOP16
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR7
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR9
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR10
Bear Stearns Commercial Mortgage Securities Trust 2005-TOP20
Bear Stearns Commercial Mortgage Securities Trust 2006-PWR11
Bear Stearns Commercial Mortgage Securities Trust 2006-PWR12
Bear Stearns Commercial Mortgage Securities Trust 2006-TOP24
Bear Stearns Commercial Mortgage Securities Trust 2007-PWR16
Bear Stearns Commercial Mortgage Securities Trust 2007-PWR17
Bear Stearns Commercial Mortgage Securities Trust 2007-PWR18
CD 2005-CD1 Commercial Mortgage Trust
CD 2006-CD2 Mortgage Trust
CD 2006-CD3 Mortgage Trust
CD 2007-CD4 Commercial Mortgage Trust
Citigroup Commercial Mortgage Trust 2004-C1
Citigroup Commercial Mortgage Trust 2008-C7
COMM 2004-LNB2 Mortgage Trust
COMM 2005-C6 Mortgage Trust
COMM 2005-LP5 Mortgage Trust
COMM 2006-C7 Mortgage Trust
COMM 2006-C8 Mortgage Trust
Commercial Mortgage Trust 2004-GG1
Commercial Mortgage Trust 2005-GG3
Commercial Mortgage Trust 2005-GG5
Commercial Mortgage Trust 2007-GG9
Credit Suisse Commercial Mortgage Trust Series 2006-C3
Credit Suisse Commercial Mortgage Trust Series 2006-C4
Credit Suisse Commercial Mortgage Trust Series 2006-C5
Credit Suisse Commercial Mortgage Trust Series 2007-C1
Credit Suisse Commercial Mortgage Trust Series 2007-C2
Credit Suisse Commercial Mortgage Trust Series 2007-C3
Credit Suisse Commercial Mortgage Trust Series 2007-C4
CSFB Commercial Mortgage Trust 2004-C1
CSFB Commercial Mortgage Trust 2005-C1
CSFB Commercial Mortgage Trust 2005-C3
CSFB Commercial Mortgage Trust 2005-C5
CSFB Commercial Mortgage Trust 2005-C6
GE Commercial Mortgage Corporation Series 2004-C3
GE Commercial Mortgage Corporation Series 2005-C1
GE Commercial Mortgage Corporation Series 2005-C4
GE Commercial Mortgage Corporation Series 2007-C1 Trust
GMAC Commercial Mortgage Securities, Inc. Series 2006-C1 Trust
GS Mortgage Securities Corporation II Series 2005-GG4
GS Mortgage Securities Trust 2006-GG6
GS Mortgage Securities Trust 2006-GG8
GS Mortgage Securities Trust 2007-GG10
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-C2
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-C3
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-CIBC8
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2004-CIBC10
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-CIBC11
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-CIBC13

Table 12C. Issuers of Legacy CMBS that Collateralize Outstanding TALF Loans—*Continued*

As of November 24, 2010

Issuers
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-LDP3
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-LDP4
J.P. Morgan Chase Commercial Mortgage Securities Corp. Series 2005-LDP5
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-CIBC15
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-CIBC16
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-LDP7
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-LDP8
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-LDP9
J.P. Morgan Chase Commercial Mortgage Securities Trust 2007-CIBC20
J.P. Morgan Chase Commercial Mortgage Securities Trust 2007-LDP11
J.P. Morgan Chase Commercial Mortgage Securities Trust 2007-LDP12
LB Commercial Mortgage Trust 2007-C3
LB-UBS Commercial Mortgage Trust 2004-C1
LB-UBS Commercial Mortgage Trust 2004-C7
LB-UBS Commercial Mortgage Trust 2005-C2
LB-UBS Commercial Mortgage Trust 2006-C1
LB-UBS Commercial Mortgage Trust 2006-C3
LB-UBS Commercial Mortgage Trust 2006-C6
LB-UBS Commercial Mortgage Trust 2006-C7
LB-UBS Commercial Mortgage Trust 2007-C1
LB-UBS Commercial Mortgage Trust 2007-C2
LB-UBS Commercial Mortgage Trust 2007-C6
Merrill Lynch Mortgage Trust 2004-KEY2
Merrill Lynch Mortgage Trust 2005-CIP1
Merrill Lynch Mortgage Trust 2007-C1
ML-CFC Commercial Mortgage Trust 2006-4
ML-CFC Commercial Mortgage Trust 2007-5
ML-CFC Commercial Mortgage Trust 2007-6
ML-CFC Commercial Mortgage Trust 2007-8
Morgan Stanley Capital I Trust 2005-HQ5
Morgan Stanley Capital I Trust 2005-HQ6
Morgan Stanley Capital I Trust 2005-IQ9
Morgan Stanley Capital I Trust 2006-HQ10
Morgan Stanley Capital I Trust 2006-IQ11
Morgan Stanley Capital I Trust 2006-TOP21
Morgan Stanley Capital I Trust 2007-IQ13
Morgan Stanley Capital I Trust 2007-IQ14
Morgan Stanley Capital I Trust 2007-IQ15
Morgan Stanley Capital I Trust 2007-TOP27
Wachovia Bank Commercial Mortgage Trust Series 2004-C14
Wachovia Bank Commercial Mortgage Trust Series 2005-C17
Wachovia Bank Commercial Mortgage Trust Series 2005-C19
Wachovia Bank Commercial Mortgage Trust Series 2005-C20
Wachovia Bank Commercial Mortgage Trust Series 2005-C22
Wachovia Bank Commercial Mortgage Trust Series 2006-C24
Wachovia Bank Commercial Mortgage Trust Series 2006-C25
Wachovia Bank Commercial Mortgage Trust Series 2006-C27
Wachovia Bank Commercial Mortgage Trust Series 2006-C28
Wachovia Bank Commercial Mortgage Trust Series 2006-C29
Wachovia Bank Commercial Mortgage Trust Series 2007-C30
Wachovia Bank Commercial Mortgage Trust Series 2007-C32
Wachovia Bank Commercial Mortgage Trust Series 2007-C33
Wachovia Bank Commercial Mortgage Trust Series 2007-C34

Lending in Support of Specific Institutions

Quarterly Developments

- Cash flows generated from the Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC portfolios are used to pay down the Federal Reserve Bank of New York's (FRBNY's) loans to those LLCs. For the third quarter of 2010, repayments totaled approximately $3 billion, as presented in tables 14, 18, and 21.

Background

During the financial crisis, the Federal Reserve extended credit to certain specific institutions in order to avert disorderly failures that could result in severe dislocations and strains for the financial system as a whole and harm the U.S. economy. In certain other cases, the Federal Reserve committed to extend credit, if necessary, to support important financial firms.

Bear Stearns and Maiden Lane LLC

In March 2008, the FRBNY and JPMorgan Chase & Co. (JPMC) entered into an arrangement related to financing provided by the FRBNY to facilitate the acquisition of JPMC and The Bear Stearns Companies Inc. (Bear Stearns). In connection with the transaction, the Federal Reserve Board authorized the FRBNY, under Section 13(3) of the Federal Reserve Act, to extend credit to a Delaware limited liability company, Maiden Lane LLC, to partially fund the purchase of a portfolio of mortgage-related securities, residential and commercial mortgage loans, and associated hedges from Bear Stearns. In the second quarter of 2008, the FRBNY extended credit to Maiden Lane LLC. The LLC manages its assets through time to maximize the repayment of credit extended to the LLC and to minimize disruption to the financial markets.

Table 13. Fair Value Asset Coverage
Millions of dollars

	Fair value asset coverage of FRBNY loan on 9/30/2010	Fair value asset coverage of FRBNY loan on 6/30/2010
Maiden Lane LLC	815	(17)
Maiden Lane II LLC	2,554	1,652
Maiden Lane III LLC	8,581	7,453

Note: Unaudited. Fair value asset coverage is the amount by which the fair value of the net portfolio assets of each LLC (refer to table 27) is greater or less than the outstanding balance of the loans extended by the FRBNY, including accrued interest.

The two-year accumulation period that followed the closing date for Maiden Lane LLC ended on June 26, 2010. Consistent with the terms of the Maiden Lane LLC transaction, the distribution of the proceeds realized on the asset portfolio held by Maiden Lane LLC, after payment of certain fees and expenses, will occur on a monthly basis going forward unless otherwise directed by the Federal Reserve. The monthly distributions will be used to cover the expenses and repay the obligations of the LLC, including the principal and interest on the loan from the FRBNY.

The assets of Maiden Lane LLC are presented weekly in tables 1, 10, and 11 of the H.4.1 statistical release. Additional details on the accounts of Maiden

Table 14. Maiden Lane LLC Outstanding Principal Balance of Loans
Millions of dollars

	FRBNY senior loan	JPMC subordinate loan
Principal balance at closing	28,820	1,150
Most Recent Quarterly Activity		
Principal balance on 6/30/2010 (including accrued and capitalized interest)	29,331	1,280
Accrued and capitalized interest from 6/30/2010 to 9/30/2010	55	17
Repayment during the period from 6/30/2010 to 9/30/2010	(1,180)	—
Principal balance on 9/30/2010 (including accrued and capitalized interest)	28,206	1,297

Note: Unaudited. As part of the asset purchase agreement, JPMC made a loan to Maiden Lane LLC. For repayment purposes, this obligation is subordinated to the senior loan extended by the FRBNY.

Table 15. Maiden Lane LLC Summary of Portfolio Composition, Cash and Cash Equivalents, and Other Assets and Liabilities
Millions of dollars

	Fair value on 9/30/2010	Fair value on 6/30/2010
Federal Agency and GSE MBS	18,547	19,880
Non-agency RMBS	1,907	1,922
Commercial loans	5,121	4,823
Residential loans	628	611
Swap contracts[1]	717	958
Other investments	1,032	1,029
Cash and cash equivalents	1,784	1,299
Other assets[2]	139	463
Other liabilities[1,3]	(854)	(1,671)
Net assets	**29,021**	**29,314**

Note: Unaudited. Components may not sum to totals because of rounding.

1. Fair value of swap contracts is presented net of associated liabilities.
2. Including interest and principal receivable and other receivables.
3. Including amounts payable for securities purchased, collateral posted to Maiden Lane LLC by swap counterparties, and other liabilities and accrued expenses.

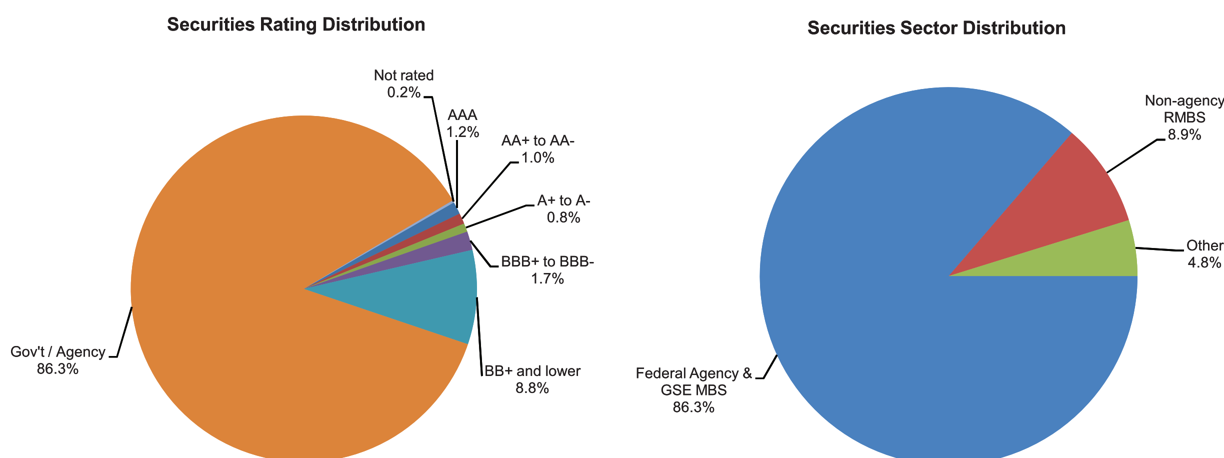
Table 16. Maiden Lane LLC Securities Distribution by Sector and Rating
Percent, as of September 30, 2010

Sector[1]	Rating							
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Gov't/ Agency	Not rated	Total
Federal Agency and GSE MBS	0.0	0.0	0.0	0.0	0.0	86.3	0.0	86.3
Non-agency RMBS	0.3	0.4	0.6	0.2	7.4	0.0	0.1	8.9
Other[2]	0.9	0.6	0.2	1.5	1.5	0.0	0.1	4.8
Total	**1.2**	**1.0**	**0.8**	**1.7**	**8.8**	**86.3**	**0.2**	**100.0**

Note: Unaudited. This table presents the sector and ratings composition of the securities in the Maiden Lane LLC portfolio as a percentage of all securities in the portfolio. It is based on the fair value of the securities. Lowest of all ratings is used for purposes of this table. Rows and columns may not sum to totals because of rounding.

1. Does not include Maiden Lane LLC's swaps and other derivative contracts and commercial and residential mortgage loans.
2. Includes all asset sectors that, individually, represent less than 5 percent of the aggregate fair value of securities in the portfolio.

Figure 2. Maiden Lane LLC Securities Distribution as of September 30, 2010



Lane LLC are presented in table 4 of the H.4.1 statistical release. Details of the terms of the loan, as well as information on the holdings of the Maiden Lane LLC, including the CUSIP number, descriptor, and the current principal balance or notional amount outstanding for nearly all of the holdings of Maiden Lane LLC with the exception of residential whole loans, is published on the FRBNY website at www.newyorkfed.org/markets/maidenlane.html.

Information about the assets and liabilities of Maiden Lane LLC is presented as of September 30, 2010, in tables 14 through 16 and figure 2. This information is updated on a quarterly basis.

American International Group, Inc. (AIG)

Recent Developments

- On November 30, 2010, AIG issued $2 billion in new 3-year and 10-year AIG notes, which were priced to yield 3.65 percent and 6.43 percent, respectively. Also on November 30, 2010, AIG announced that Fortress Investment Group LLC had acquired 80 percent of American General Finance Inc. (AGF), an AIG subsidiary, for $118.8 million in cash.
- On December 8, 2010, AIG announced that it entered into a definitive agreement with ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York (FRBNY), the U.S. Department of the Treasury, and the AIG Credit Facility Trust (the "Trust") regarding a series of integrated transactions, previously announced on September 30, 2010, to recapitalize AIG (the "Recapitalization"), including the repayment of all amounts outstanding under the revolving credit facility with the FRBNY. The definitive agreement supersedes the agreement in principle, dated as of September 30, 2010, and includes forms of several other agreements governing the Recapitalization.
- As of November 24, 2010, the maximum principal amount of credit available under the AIG revolving credit facility decreased to $28.9 billion.
- The balance on the AIG revolving credit facility increased by $0.7 billion between October 27 and November 24, 2010, as presented in table 17A. The rise was primarily attributable to principal drawdowns that outpaced principal repayments and reductions on the facility.

Background

On September 16, 2008, the Federal Reserve, with the full support of the U.S. Department of the Treasury, announced that it would lend to AIG to prevent a disorderly failure of this systemically important firm, protect the financial system and the broader economy, and provide the company time to restructure its operations in an orderly manner. Initially, the FRBNY extended an $85 billion line of credit to the company. The terms of the credit facility are disclosed on the Federal Reserve's website at www.federalreserve.gov/monetarypolicy/bst_supportspecific.htm. Loans outstanding under this facility are presented weekly in table 1 of the H.4.1 statistical release and included in "Other loans" in tables 10 and 11 of the H.4.1 statistical release.

On November 10, 2008, the Federal Reserve and the Treasury announced a restructuring of the government's financial support to AIG. As part of this restructuring, two new limited liability companies (LLCs), Maiden Lane II LLC and Maiden Lane III LLC, were created, and the line of credit extended to AIG was reduced from $85 billion to $60 billion. (On October 8, 2008, the FRBNY was authorized to extend credit under a special securities borrowing facility to certain AIG subsidiaries. This arrangement was discontinued after the establishment of the Maiden Lane II facility.) More detail on these LLCs is reported in the remainder of this section. Additional information is included in tables 5 and 6 of the H.4.1 statistical release.

On March 2, 2009, the Federal Reserve and the Treasury announced further restructuring of the government's assistance to AIG, designed to enhance the company's capital and liquidity in order to facilitate the orderly completion of the company's global divestiture program. Additional information on the restructuring is available at www.federalreserve.gov/newsevents/press/other/20090302a.htm.

On April 17, 2009, the FRBNY implemented the March 2, 2009, loan restructuring adjustment. The interest rate on the loan to AIG, the three-month Libor plus 300 basis points, was modified by removing the existing interest rate floor of 3.5 percent on the Libor component. Consistent with generally accepted accounting principles (GAAP), as of July 29, 2009, the reported value of the AIG revolving credit extension was reduced by a $1.3 billion adjustment to reflect the loan restructuring. This restructuring adjustment is intended to recognize the economic effect of the reduced interest rate and will be recovered as the adjustment is amortized over the remaining term of the credit extension. The Federal Reserve expects that the credit extension, including interest and commitment fees under the modified terms, will be fully repaid.

Table 17A. AIG Revolving Credit Facility

Millions of dollars

	Value
Balance on October 27, 2010	19,220
Principal drawdowns	900
Principal repayments and reductions	(571)
Recapitalized interest and fees	12
Restructuring allowance, net	355
Balance on November 24, 2010	19,916

Note: Unaudited. Components may not sum to total because of rounding. Does not include Maiden Lane II LLC and Maiden Lane III LLC. Does not include preferred interests in AIA Aurora LLC and ALICO Holdings LLC.

Table 17B. Preferred Interests in AIA Aurora LLC and ALICO Holdings LLC

Millions of dollars

Balance on November 24, 2010	Value
Preferred Interests in AIA Aurora LLC and ALICO Holdings LLC[1]	26,057
Accrued dividends on preferred interests in AIA Aurora LLC and ALICO Holdings LLC	200

Note: Unaudited.

1. Book value.

The lending under this facility is secured by a pledge of assets of AIG and its primary nonregulated subsidiaries, including all or a substantial portion of AIG's ownership interest in its regulated U.S. and foreign subsidiaries. Furthermore, AIG's obligations to the FRBNY are guaranteed by certain domestic, nonregulated subsidiaries of AIG with more than $50 million in assets.

On June 25, 2009, the FRBNY entered into agreements with AIG to carry out two transactions previously approved and announced on March 2, 2009, as part of the restructuring of the U.S. government's assistance to AIG. These transactions were completed on December 1, 2009. Under these agreements, the FRBNY received preferred interests in two special purpose vehicles (SPVs), AIA Aurora LLC and ALICO Holdings LLC, formed to hold the outstanding common stock of AIG's largest foreign insurance subsidiaries, American International Assurance Company Ltd. (AIA) and American Life Insurance Company (ALICO). In exchange, upon the closing of each transaction and the resulting issuance of preferred interests, the outstanding balance of, and amount available excluding capitalized interest and fees to AIG under, the revolving credit facility was reduced by $25 billion. Specifically, the maximum principal amount available was reduced from $60 billion to $35 billion. By establishing the AIA and ALICO SPVs as separate legal entities, these transactions positioned AIA and ALICO for future initial public offerings (IPOs) or sale. On the H.4.1 statistical release, accrued but

unpaid dividends on the preferred interests in the two SPVs are included in "Other Federal Reserve assets" in table 1, and in "Other assets" in tables 10 and 11.

On March 1, 2010, AIG announced the signing of a definitive agreement for the sale of AIA to Prudential plc (Prudential) for approximately $35.5 billion, including approximately $25 billion in cash, $8.5 billion in face value of equity and equity-linked securities, and $2.0 billion in face value of preferred stock of Prudential, subject to closing adjustments. AIG stated that the cash portion of the proceeds from the sale would be used to fully redeem the approximately $16 billion of preferred interests held by the FRBNY in the SPV that holds AIA, and to repay approximately $9 billion of its borrowing under the revolving credit facility with the FRBNY. The transaction was approved by the boards of directors of both AIG and Prudential, and was expected to close by the end of 2010, subject to approval by Prudential shareholders, regulatory approvals, and customary closing conditions.

In early June 2010, in response to efforts by Prudential to negotiate for a lower purchase price of $30.4 billion, AIG announced that it would not consider modification to the agreed-upon terms (described above) of the transaction. Subsequently, Prudential announced its intention to not proceed with the transaction. On June 3, 2010, Prudential and AIG confirmed that the parties had agreed to terminate the definitive agreement for the sale of AIA, as provided for in the sale agreement.

In July 2010, AIG announced plans to conduct an IPO of AIA by seeking a listing of AIA on the Hong Kong Stock Exchange. On October 29, 2010, AIG completed the IPO of AIA, raising total gross proceeds of $20.5 billion. Proceeds from a secondary offering of the remaining common equity in AIA held by AIG would be available to repay the government.

On March 8, 2010, AIG announced the signing of a definitive agreement for the sale of ALICO to MetLife, Inc. (MetLife) for approximately $15.5 billion, including $6.8 billion in cash and the remainder in equity securities of MetLife, subject to closing adjustments. In connection with this agreement, AIG stated that the cash portion of the proceeds from this sale would be used to redeem an equivalent amount of the approximately $9 billion of preferred interests held by the FRBNY in ALICO. The transaction was approved by the boards of directors of both AIG and MetLife, and was expected to close by the end of 2010, subject to the approvals of certain domestic and international regulatory bodies and to customary closing conditions. AIG has stated that it intended to monetize the securities received in the ALICO transaction over time, subject to market conditions, following the lapse of certain minimum holding periods set forth in the definitive agreement entered into with MetLife on March 8, 2010.

AIG completed the sale of ALICO to MetLife for approximately $16.2 billion, including gross cash proceeds of $7.2 billion and the remainder in securities of MetLife, on November 1, 2010. AIG stated that it intends to monetize the MetLife securities received in the transaction over time, subject to market conditions and following the lapse of certain lock-up provisions specified in the definitive agreement entered into with MetLife, to provide additional funds to repay the government.

On September 30, 2010, AIG announced an agreement with the Treasury, the FRBNY, and the trustees of the AIG Credit Facility Trust (the "Trust") on a comprehensive recapitalization plan (the "Recapitalization") designed to repay all its obligations to American taxpayers.[3] The measures include:

— an accelerated repayment of the outstanding balance (including all accrued interest and fees) on the AIG revolving credit facility and termination of that facility,
— a draw by AIG of up to $22 billion of undrawn Series F funds available to the company under the Troubled Asset Relief Program (TARP) to purchase an equal amount of the FRBNY's preferred interests in the AIA and ALICO SPVs,
— the transfer by AIG of the preferred interests purchased from the FRBNY to the Treasury as consideration for the draw on the available Series F funds, and
— the conversion of the AIG preferred stock currently owned by the Treasury and the Trust into common equity of AIG.

Also on September 30, 2010, AIG announced a definitive agreement to sell its Japan-based life insurance subsidiaries, AIG Star Life Insurance Co., Ltd. and AIG Edison Life Insurance Company, to Prudential Financial, Inc. for a total purchase price of $4.8 billion, comprising $4.2 billion in cash and $0.6 billion in the assumption of third-party debt. The transaction is subject to receipt of regulatory approval and is expected to close in the first quarter of 2011.

3. The AIG Credit Facility Trust, which was established for the sole benefit of the U.S. Treasury, holds the U.S. government's equity interest in AIG that was received as a condition of the AIG revolving credit agreement. For more information about the AIG Credit Facility Trust, refer to www.newyorkfed.org/newsevents/news/markets/2009/an090116.html and www.newyorkfed.org/newsevents/news/markets/2010/Trust_FAQ_Final.pdf

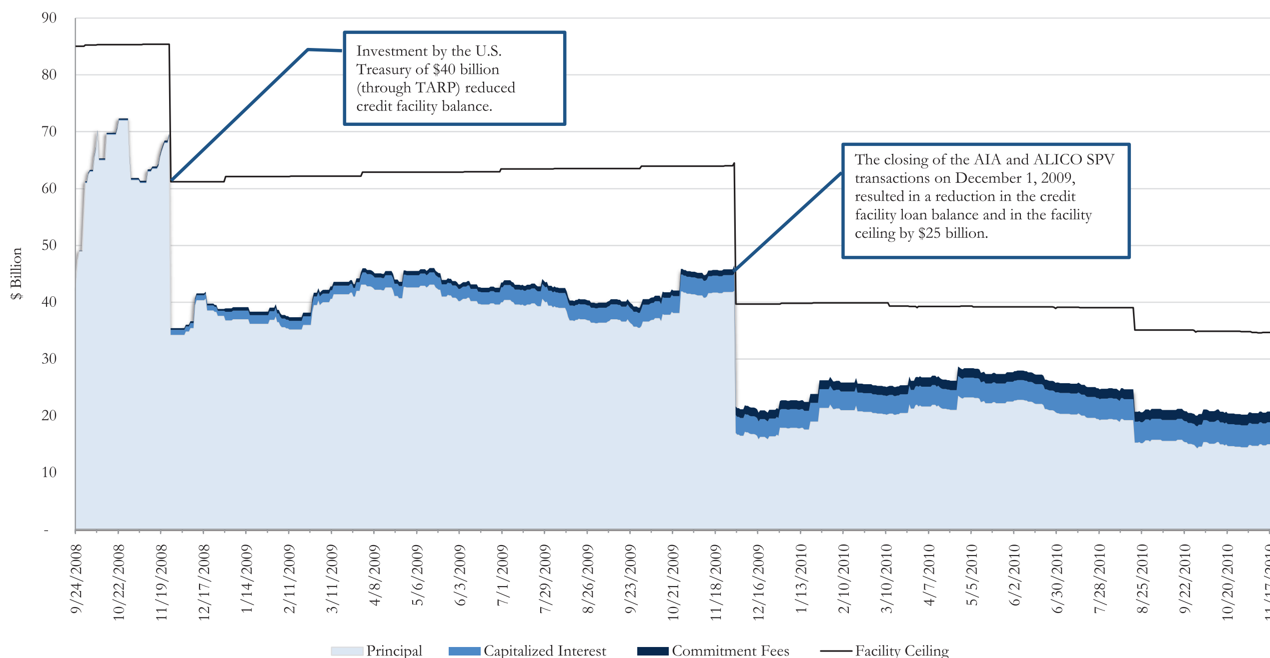
Under the Recapitalization, AIG company resources, as well as cash proceeds from asset dispositions, including the completed IPO of AIA, the sale of ALICO, and the announced sales of AIG Star Life Insurance Co., Ltd. and AIG Edison Life Insurance Company, will be used first to repay in full the credit extended to AIG by the FRBNY under the revolving credit facility and then to redeem the FRBNY's SPV preferred interests. AIG expects that it will have repaid the FRBNY in full for the revolving credit facility and preferred interests upon completion of these transactions.

Pending closing of the Recapitalization, the cash proceeds from certain AIG asset dispositions will be held by the FRBNY as agent. The FRBNY began to hold as agent net cash proceeds from the IPO of AIA on October 29, 2010, and the sale of ALICO on November 1, 2010. As of November 24, 2010, the funds held by the FRBNY as agent totaled $26.8 billion. The funds held by the FRBNY as agent from the disposition of AIG assets are included in table 1 of this report and in table 1 of the H.4.1 statistical release, as well as in "Other liabilities and accrued dividends" in tables 9 and 10 of the H.4.1 statistical release.

Under the AIG revolving credit facility, as a general matter, all net cash proceeds received from the sale by AIG of its subsidiaries or businesses (other than sales in the ordinary course of business) must be applied to pay down outstanding borrowings under the facility (and related accrued and unpaid interest) unless otherwise waived. Additionally, the maximum principal amount of available credit to AIG under the revolving credit facility is reduced by the amount of net cash proceeds applied to pay the principal amount of outstanding borrowings under the facility, unless such requirement is waived by the FRBNY. Between March and September 2010, the maximum principal amount available under the AIG revolving credit facility was reduced from $34.4 billion to approximately $29.3 billion in connection with AIG's sale of interests in several subsidiaries. The largest payment, of approximately $3.95 billion, was made on August 20, 2010. AIG funded this payment with proceeds from the issuance of senior secured notes by International Lease Finance Corporation, a wholly owned subsidiary.

Figure 3 presents the amount of credit extended to AIG over time through the credit facility, including the principal, interest, and commitment fees, along with the facility ceiling.

Figure 3. AIG Revolving Credit



Note: The above data illustrate selected components of the amount of credit extended to the American International Group, Inc., including loan principal, all capitalized interest and fees, and the amortized portion of the initial commitment fee. The data exclude commercial paper sold by AIG and its subsidiaries to the Commercial Paper Funding Facility as well as amounts borrowed prior to December 12, 2008, under a securities borrowing arrangement. The facility ceiling represents the limit on the credit agreement plus capitalized interest and fees. From November 7, 2008, until December 1, 2009, the ceiling was $60 billion (excluding capitalized interest and fees); on December 1, 2009, it was reduced to $35 billion. The ceiling continues to decrease as a result of asset sales.

Maiden Lane II LLC

Pursuant to authority granted by the Federal Reserve Board under Section 13(3) of the Federal Reserve Act, the FRBNY, on December 12, 2008, lent approximately $19.5 billion to a newly formed Delaware limited liability company, Maiden Lane II LLC, to partially fund the purchase of residential mortgage-backed securities (RMBS) from the securities lending portfolio of several regulated U.S. insurance subsidiaries of AIG. Maiden Lane II LLC acquired the RMBS, which had an aggregate par value of approximately $39.3 billion, at the then-current market value of approximately $20.8 billion, which was substantially below par value.[4] The full portfolio of RMBS held by Maiden Lane II LLC serves as collateral for the Federal Reserve's loan to Maiden Lane II LLC. AIG's insurance subsidiaries also have a $1 billion subordinated position in Maiden Lane II LLC that is available to absorb first any losses that may be realized.

The net portfolio holdings of Maiden Lane II LLC are presented in tables 1, 10, and 11 of the weekly H.4.1 statistical release. Additional detail on the accounts of Maiden Lane II LLC is presented in table 5 of the H.4.1 statistical release. Details on the terms of the loan, as well as information on the holdings of the Maiden Lane II LLC, including the CUSIP number, descriptor, and the current principal balance or notional amount outstanding for all the positions in the portfolio, is published on the FRBNY website at www.newyorkfed.org/markets/maidenlane2.html.

Information about the assets and liabilities of Maiden Lane II LLC is presented as of September 30, 2010, in tables 18 through 20 and figure 4. This information is updated on a quarterly basis.

4. The aggregate amount of interest and principal proceeds from RMBS received after the announcement date, but prior to the settlement date, net of financing costs, amounted to approximately $0.3 billion and therefore reduced the amount of funding required at settlement by $0.3 billion, from $20.8 billion to $20.5 billion.

Table 18. Maiden Lane II LLC Outstanding Principal Balance of Senior Loan and Fixed Deferred Purchase Price

Millions of dollars

	FRBNY senior loan	AIG fixed deferred purchase price
Principal balance at closing	19,494	1,000
Most Recent Quarterly Activity		
Principal balance on 6/30/2010 (including accrued and capitalized interest)	14,672	1,053
Accrued and capitalized interest from 6/30/2010 to 9/30/2010	47	9
Repayment during the period from 6/30/2010 to 9/30/2010	(655)	
Principal balance on 9/30/2010 (including accrued and capitalized interest)	14,064	1,062

Note: Unaudited. As part of the asset purchase agreement, AIG subsidiaries were entitled to receive from Maiden Lane II LLC a fixed deferred purchase price plus interest on the amount. This obligation is subordinated to the senior loan extended by the FRBNY, and it reduced the amount paid by Maiden Lane II LLC for the assets by a corresponding amount.

Table 19. Maiden Lane II LLC Summary of RMBS Portfolio Composition, Cash and Cash Equivalents, and Other Assets and Liabilities

Millions of dollars

	Fair value on 9/30/2010	Fair value on 6/30/2010
Alt-A ARM	5,001	4,957
Subprime	8,998	8,781
Option ARM	1,111	1,089
Other[1]	1,296	1,264
Cash and cash equivalents	211	230
Other assets[2]	2	4
Other liabilities[3]	(1)	(1)
Net assets	**16,618**	**16,323**

Note: Unaudited. Components may not sum to totals because of rounding.

1. Includes all asset sectors that, individually, represent less than 5 percent of aggregate outstanding fair value of securities in the portfolio.
2. Including interest and principal receivable and other receivables.
3. Including accrued expenses and other payables.

Table 20. Maiden Lane II LLC Securities Distribution by Sector and Rating

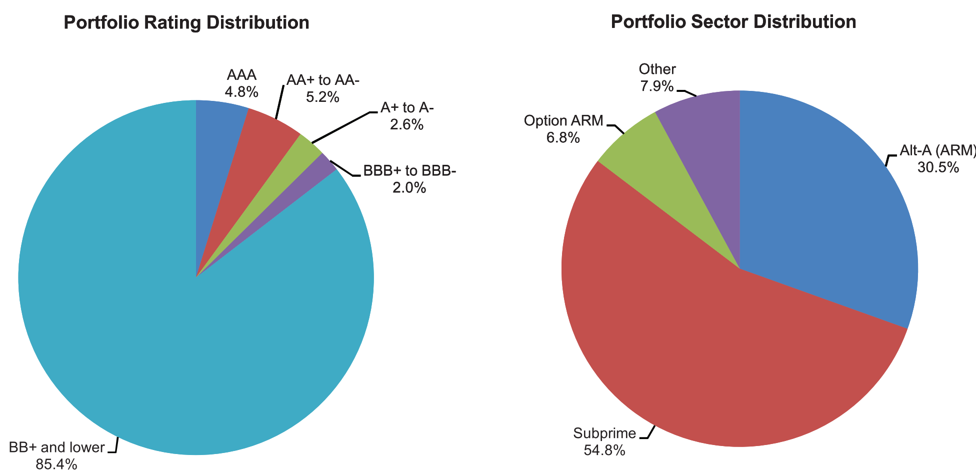
Percent, as of September 30, 2010

RMBS sector	Rating					
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Total
Alt-A ARM	0.3	2.3	1.2	1.0	25.7	30.5
Subprime	4.5	2.4	1.4	0.8	45.7	54.8
Option ARM	0.0	0.0	0.0	0.1	6.7	6.8
Other[1]	0.0	0.5	0.0	0.1	7.3	7.9
Total	**4.8**	**5.2**	**2.6**	**2.0**	**85.4**	**100.0**

Note: Unaudited. This table presents the sector and ratings composition of Maiden Lane II LLC's RMBS portfolio as a percentage of aggregate fair value of the securities in the portfolio. Lowest of all ratings is used for the purposes of this table. Rows and columns may not sum to totals because of rounding.

1. Includes all asset sectors that, individually, represent less than 5 percent of the aggregate fair value of securities in the portfolio.

Figure 4. Maiden Lane II LLC Securities Distribution as of September 30, 2010



Maiden Lane III LLC

Pursuant to authority granted by the Federal Reserve Board under Section 13(3) of the Federal Reserve Act, the FRBNY in November and December 2008, lent approximately $24.3 billion to a newly formed Delaware limited liability company, Maiden Lane III LLC, to fund the purchase of certain asset-backed collateralized debt obligations (ABS CDOs) from certain counterparties of AIG Financial Products Corp. (AIGFP) on which AIGFP had written credit default swaps and similar contracts. Maiden Lane III LLC acquired these CDOs, which had an aggregate par value of approximately $62.1 billion, at the then-current market value of approximately $29.6 billion, which was substantially below par value.[5] The full portfolio of CDOs held by Maiden Lane III LLC serves as collateral for the Federal Reserve's loan to Maiden Lane III LLC. An AIG subsidiary also has a $5 billion subordinated position in Maiden Lane III LLC that is available to absorb first any losses that may be realized. Assets of the portfolio of the LLC will be managed to maximize cash flows to ensure repayment of obligations of the LLC while minimizing disruptions to financial markets.

The net portfolio holdings of Maiden Lane III LLC are presented in tables 1, 10, and 11 of the weekly H.4.1 statistical release. Additional detail on the accounts of Maiden Lane III LLC is presented in table 6 of the H.4.1 statistical release. Information on the holdings of the Maiden Lane III LLC, including the CUSIP number, descriptor, and the current principal balance or notional amount outstanding for all the positions in the portfolio, is published on the FRBNY website at www.newyorkfed.org/markets/maidenlane3.html.

Information about the assets and liabilities of Maiden Lane III LLC is presented as of September 30, 2010, in tables 21 through 23 and figure 5. This information is updated on a quarterly basis.

5. The aggregate amount of interest and principal proceeds from CDOs received after the announcement date, but prior to the settlement dates, net of financing costs, amounted to approximately $0.3 billion and therefore reduced the amount of funding required at settlement by $0.3 billion, from $29.6 billion to $29.3 billion.

Table 21. Maiden Lane III LLC Outstanding Principal Balance of Senior Loan and Equity Contribution
Millions of dollars

	FRBNY senior loan	AIG equity contribution
Principal balance at closing	24,339	5,000
Most Recent Quarterly Activity		
Principal balance on 6/30/2010 (including accrued and capitalized interest)	16,294	5,278
Accrued and capitalized interest from 6/30/2010 to 9/30/2010	52	44
Repayment during the period from 6/30/2010 to 9/30/2010	(1,208)	–
Principal balance on 9/30/2010 (including accrued and capitalized interest)	15,138	5,322

Note: Unaudited. As part of the asset purchase agreement, AIG purchased a $5 billion equity contribution, which is subordinated to the senior loan extended by the FRBNY.

Table 22. Maiden Lane III LLC Summary of Portfolio Composition, Cash and Cash Equivalents, and Other Assets and Liabilities
Millions of dollars

	Fair value on 9/30/2010	Fair value on 6/30/2010
High-grade ABS CDO	15,382	15,500
Mezzanine ABS CDO	2,068	1,997
Commercial real estate CDO	5,589	5,564
RMBS, CMBS, and Other	288	266
Cash and cash equivalents	362	390
Other assets[1]	34	32
Other liabilities[2]	(3)	(3)
Net assets	**23,719**	**23,747**

Note: Unaudited. Components may not sum to totals because of rounding.

1. Including interest and principal receivable and other receivables.
2. Including accrued expenses.

Table 23. Maiden Lane III LLC Securities Distribution by Sector, Vintage, and Rating

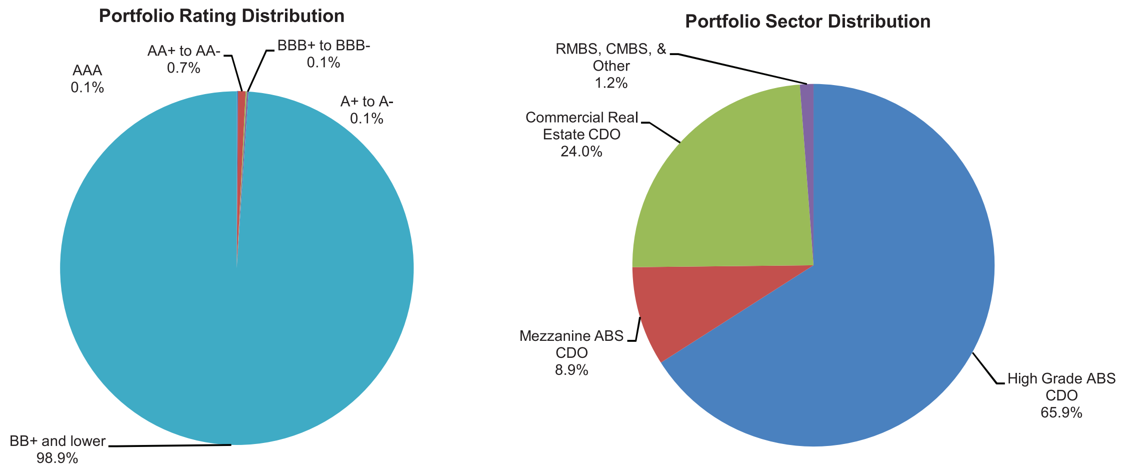
Percent, as of September 30, 2010

Sector and vintage[1]	Rating					
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Total
High-grade ABS CDO	0.0	0.0	0.0	0.0	65.9	65.9
Pre-2005	0.0	0.0	0.0	0.0	22.6	22.6
2005	0.0	0.0	0.0	0.0	30.4	30.4
2006	0.0	0.0	0.0	0.0	6.5	6.5
2007	0.0	0.0	0.0	0.0	6.5	6.5
Mezzanine ABS CDO	0.0	0.0	0.0	0.1	8.8	8.9
Pre-2005	0.0	0.0	0.0	0.1	5.2	5.3
2005	0.0	0.0	0.0	0.0	2.9	2.9
2006	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.6	0.6
Commercial real estate CDO	0.0	0.5	0.0	0.0	23.4	24.0
Pre-2005	0.0	0.5	0.0	0.0	3.0	3.6
2005	0.0	0.0	0.0	0.0	0.0	0.0
2006	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	20.4	20.4
RMBS, CMBS, and Other	0.1	0.2	0.1	0.0	0.8	1.2
Pre-2005	0.0	0.0	0.0	0.0	0.1	0.2
2005	0.1	0.1	0.1	0.0	0.6	0.9
2006	0.0	0.0	0.0	0.0	0.1	0.1
2007	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.1**	**0.7**	**0.1**	**0.1**	**98.9**	**100.0**

Note: Unaudited. This table presents the sector, vintage, and rating composition of the securities in the Maiden Lane III LLC portfolio as a percentage of all securities in the portfolio. It is based on the fair value of the securities. Lowest of all ratings is used for purposes of this table. Rows and columns may not sum to totals because of rounding.

1. The year of issuance with the highest concentration of underlying assets as measured by outstanding principal balance determines the vintage of the CDO.

Figure 5. Maiden Lane III LLC Securities Distribution as of September 30, 2010



Federal Reserve Banks' Financial Tables

Quarterly Developments

- The average daily balance of the Federal Reserve System Open Market Account (SOMA) holdings was approximately $2.1 trillion during the first three quarters of 2010, as presented in table 25. Net earnings from the portfolio were approximately $57.9 billion; most of the earnings were attributable to interest income on Treasury securities and federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS).
- Interest earned from Federal Reserve lending programs was approximately $2.3 billion during the first three quarters of 2010, as presented in table 26; interest earned on credit extended to American International Group, Inc. (AIG) and loans made by the Term Asset-Backed Securities Loan Facility (TALF) accounted for most of the total.
- Net income reported on the consolidated financial statements of the Federal Reserve Bank of New York (FRBNY), including changes in valuation, for the Maiden Lane, Maiden Lane II, and Maiden Lane III LLCs, was approximately $2.4 billion, $1.5 billion, and $2.3 billion, respectively, during the first three quarters of 2010. Net income for the Commercial Paper Funding Facility (CPFF) LLC was approximately $0.2 billion during the first three quarters of 2010, as presented in table 27.
- After providing for the payment of dividends and reserving an amount necessary to equate surplus with capital paid in, distributions to the U.S. Department of the Treasury as interest on Federal Reserve notes totaled $56.5 billion during the first three quarters 2010, as presented in table 24.

Background

The Federal Reserve Banks prepare annual financial statements reflecting balances as of December 31, and income and expenses for the year then ended. The Federal Reserve Bank financial statements also include the accounts and results of operations of several limited liability companies (LLCs) that have been consolidated with the FRBNY (the "consolidated LLCs").

The Board of Governors, the Federal Reserve Banks, and the consolidated LLCs are all subject to several levels of audit and review. The Reserve Banks' financial statements and those of the consolidated LLC entities are audited annually by an independent auditing firm retained by the Board of Governors. To ensure auditor independence, the Board requires that the external auditor be independent in all matters relating to the audit. Specifically, the external auditor may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In addition, the Reserve Banks, including the consolidated LLCs, are subject to oversight by the Board.

The Board of Governors' financial statements are audited annually by an independent auditing firm retained by the Board's Office of Inspector General (OIG). The audit firm also provides a report on compliance and on internal control over financial reporting in accordance with government auditing standards. The OIG also conducts audits, reviews, and investigations relating to the Board's programs and operations as well as of Board functions delegated to the Reserve Banks.

Audited annual financial statements for the Reserve Banks and Board of Governors are available at www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm. In this report, the Federal Reserve prepares unaudited quarterly updates to tables included in the Federal Reserve Board's Annual Report (available at www.federalreserve.gov/boarddocs/rptcongress/default.htm). As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Federal Reserve posted an audit webpage on December 3, 2010. This page will be updated as reports and other information become available. More information can be found at www.federalreserve.gov/newsevents/reform_audit.htm.

Combined Statement of Income and Comprehensive Income

Table 24 presents unaudited combined Reserve Bank income and expense information for the first three quarters of 2010. Tables 25 through 27 present information for the SOMA portfolio, the Federal Reserve loan programs, and the variable interest entities (VIEs)—the CPFF LLC; Maiden Lane, Maiden Lane II, and Maiden Lane III LLCs; and TALF LLC—for the period from January 1, 2010, to September 30, 2010. These tables are updated quarterly.

Table 24. Federal Reserve Banks' Combined Statement of Income and Comprehensive Income
Millions of dollars

	January 1, 2010 – September 30, 2010
Interest income:	
Loans to depository institutions (refer to table 26)	50
Other loans (refer to table 26)	2,286
System Open Market Account (refer to table 25)	56,743
Consolidated variable interest entities (refer to table 27):	
Investments held by consolidated variable interest entities:	
Maiden Lane, Maiden Lane II, and Maiden Lane III LLCs	3,218
Commercial Paper Funding Facility LLC	213
Total interest income	62,510
Interest expense:	
System Open Market Account (refer to table 25)	68
Depository institution deposits	2,036
Term deposit facility	2
Beneficial interest in consolidated variable interest entities (refer to table 27)	206
Total interest expense	2,312
Provision for loan restructuring (refer to table 26)	—
Net interest income, after provision for loan restructuring	60,198
Non-interest income (loss):	
Other loans unrealized gains (losses)[1]	(412)
System Open Market Account—realized and unrealized losses, net (refer to table 25)	1,211
Investments held by consolidated variable interest entities gains (losses), net (refer to table 27):	
Maiden Lane, Maiden Lane II, and Maiden Lane III LLCs	7,298
Commercial Paper Funding Facility LLC	1
TALF LLC[1]	—
Beneficial interest in consolidated variable interest entities gains (losses), net	(3,920)
Dividends on preferred securities	951
Income from services	433
Reimbursable services to government agencies	308
Other income	65
Total non-interest income (loss)	5,935
Operating expenses:	
Salaries and other benefits	2,002
Occupancy expense	218
Equipment expense	129
Assessments by the Board of Governors	844
Professional fees related to consolidated variable interest entities (refer to table 27)	82
Other expenses	383
Total operating expenses	3,658
Net income prior to distribution	62,476
Change in funded status of benefit plans[2]	235
Comprehensive income prior to distribution	62,711
Distribution of comprehensive income:	
Dividends paid to member banks	1,182
Transferred to surplus, distributions to U.S. Treasury, and change in accumulated other comprehensive income (loss)	61,529
Memo: Distributions to U.S. Treasury (interest on Federal Reserve notes)[3]	55,391

Note: Unaudited.

1. The fair value option was elected for all TALF loans. Recording all TALF loans at fair value, rather than at the remaining principal amount outstanding, results in consistent accounting treatment among all TALF-related transactions and provides the most appropriate presentation of the TALF program in the financial statements by matching the change in fair value of TALF loans, the related put agreement with the consolidated TALF LLC, and the valuation of the other beneficial interests in TALF LLC.

2. Represents the recognition of benefit plan deferred actuarial gains and losses and prior service costs.

3. The Board of Governors requires each Reserve Bank to distribute any remaining net earnings to the U.S. Treasury as interest on Federal Reserve notes, after providing for the payment of dividends and reservation of an amount necessary to equate surplus with capital paid-in. These distributions are made weekly based on estimated net earnings for the preceding week. The amount of each Bank's weekly distribution to the U.S. Treasury is affected by significant losses and increases in capital paid-in at a Reserve Bank, and requires that the Reserve Bank retain net earnings until the surplus is equal to the capital paid-in. The distributions to the U.S. Treasury are reported on an accrual basis; actual payments to the U.S. Treasury during the period from January 1, 2010, through September 30, 2010, were $56.5 billion.

SOMA Financial Summary

Table 25 shows the Federal Reserve's average daily balance of assets and liabilities in the SOMA portfolio for the period from January 1, 2010, though September 30, 2010, the related interest income and expense, and the realized and unrealized gains and losses for the year to date. Treasury securities, government-sponsored enterprise (GSE) debt securities, as well as federal agency and GSE mortgage-backed securities (MBS)

Table 25. SOMA Financial Summary
Millions of dollars

	January 1, 2010 – September 30, 2010				
	Average daily balance	Interest income (expense)	Realized gains (losses)	Unrealized gains (losses)	Net earnings
SOMA assets					
U.S. Treasury securities[1]	807,320	19,442	–	–	19,442
Government-sponsored enterprise debt securities[1]	170,627	2,670	–	–	2,670
Federal agency and government-sponsored enterprise mortgage-backed securities[2]	1,087,687	34,455	782	–	35,237
Investments denominated in foreign currencies[3]	24,567	165	–	429	594
Central bank liquidity swaps[4]	1,289	11	–	–	11
Securities purchased under agreements to resell	–	–	–	–	–
Other assets[5]	385	–	–	–	–
Total assets	**2,091,875**	**56,743**	**782**	**429**	**57,954**
SOMA liabilities					
Securities sold under agreements to repurchase	59,121	(68)	–	–	(68)
Other liabilities[6]	1,068	–	–	–	–
Total liabilities	**60,189**	**(68)**	**–**	**–**	**(68)**
SOMA assets and liabilities	**2,031,686**	**56,675**	**782**	**429**	**57,886**

Note: Unaudited. Components may not sum to totals because of rounding.
1. Face value, net of unamortized premiums and discounts.
2. Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages, net of premiums and discounts. Does not include unsettled transactions.
3. Includes accrued interest. Investments denominated in foreign currencies are revalued daily at market exchange rates.
4. Dollar value of foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank. This exchange rate equals the market exchange rate used when the foreign currency was acquired from the foreign central bank.
5. Cash and short-term investments related to the federal agency and government-sponsored enterprise mortgage-backed securities portfolio.
6. Related to the purchases of federal agency and government-sponsored enterprise mortgage-backed securities that the seller fails to deliver the securities on the settlement date.

making up the SOMA portfolio, are recorded at amortized cost on a settlement-date basis, rather than using a fair value presentation. The amortized cost presentation more appropriately reflects the Reserve Banks' purpose for holding these securities given the Federal Reserve's unique responsibility to conduct monetary policy.

Although the fair value of security holdings can be substantially greater than or less than the recorded value at any point in time, these unrealized gains or losses have no effect on the ability of the Reserve Banks to meet their financial obligations and responsibilities. As of September 30, 2010, the fair value of the Treasury securities held in the SOMA, excluding accrued interest, was $920.3 billion (amortized cost was $840.6 billion); the fair value of the GSE debt, excluding accrued interest, was $166.3 billion (amortized cost was $160.2 billion); the fair value of the federal agency and GSE MBS, excluding accrued interest, was $1,128.8 billion (amortized cost was $1,092.6 billion); and the fair value of investments denominated in foreign currencies was $26.1 billion (amortized cost was $25.9 billion). Fair value was determined by reference to quoted prices for identical securities, except for MBS, for which market values are determined using a model-based approach based on observable inputs for similar securities.

The FRBNY conducts purchases and sales of U.S. government securities under authorization and direction from the Federal Open Market Committee (FOMC). The FRBNY buys and sells securities at market prices from securities dealers and foreign and international account holders. The FOMC has also authorized the FRBNY to purchase and sell U.S. government securities under agreements to resell or repurchase such securities (commonly referred to as repurchase and reverse repurchase transactions).

The SOMA holds foreign currency deposits and foreign government debt instruments denominated in foreign currencies with foreign central banks and the Bank for International Settlements. Central bank liquidity swaps are the foreign currencies that the Federal Reserve acquires and records as an asset (excluding accrued interest) on the Federal Reserve's balance sheet. On January 5, 2009, the Federal Reserve began purchasing MBS guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Transactions in MBS are recorded on settlement dates, which can extend several months into the future. MBS dollar roll transactions, which consist of a purchase or sale of "to be announced" (TBA) MBS combined with an agreement to sell or purchase TBA MBS on a specified future date, may generate realized gains and losses. On June 28, 2010, the Federal Reserve began entering into coupon swaps, which are trades with a single counterparty in which the Federal Reserve agrees to simultaneously sell TBA MBS in one coupon and to buy an equal face value of TBA MBS in a different coupon. MBS dollar

Table 26. Loan Programs Financial Summary

Millions of dollars

Loan programs[1]	January 1, 2010 – September 30, 2010			
	Average daily balance[2]	Interest income[3]	Provision for loan restructuring	Total
Primary, secondary, and seasonal credit	6,266	32	—	32
Term Auction Facility (TAF)	9,499	18	—	18
Total loans to depository institutions	15,765	50	—	50
Credit extended to American International Group, Inc. (AIG), net	23,862	1,658	—	1,658
Term Asset-Backed Securities Loan Facility (TALF)[4]	43,135	628	—	628
Total loans to others	66,997	2,286	—	2,286
Total loan programs	**82,762**	**2,336**	**—**	**2,336**
Allowance for loan losses	—	—	—	—
Total loan programs, net	**82,762**	**2,336**	**—**	**2,336**

Note: Unaudited. Components may not sum to totals because of rounding.

1. Does not include loans to consolidated VIEs. Does not include preferred interests in AIA Aurora LLC and ALICO Holdings LLC.
2. Average daily balance includes outstanding principal and capitalized interest net of unamortized deferred commitment fees and allowance for loan restructuring, and excludes undrawn amounts.
3. Interest income includes the amortization of the deferred commitment and administrative fees.
4. Book value.

Table 27. Consolidated Variable Interest Entities Financial Summary

Millions of dollars

Item	CPFF LLC	TALF LLC	ML LLC	ML II LLC	ML III LLC	Total Maiden Lane LLCs
Net portfolio assets of the consolidated LLCs and the net position of FRBNY and subordinated interest holders as of September 30, 2010						
Net portfolio assets[1]	0	601	30,052	16,619	23,722	70,393
Liabilities of consolidated LLCs	0	0	(1,031)	(1)	(3)	(1,035)
Net portfolio assets available	0	601	29,021	16,618	23,719	69,358
Loans extended to the consolidated LLCs by FRBNY[2]	0	0	28,206	14,064	15,138	57,408
Other beneficial interests[2,3]	. . .	105	1,297	1,062	5,322	7,681
Total loans and other beneficial interests	0	105	29,503	15,126	20,460	65,089
Cumulative change in net assets since the inception of the programs						
Allocated to FRBNY	0	(96)	0	1,243	2,184	3,427
Allocated to other beneficial interests	. . .	592	(482)	249	1,075	842
Cumulative change in net assets	0	496	(482)	1,492	3,259	4,269
Summary of consolidated VIE net income for the current year through September 30, 2010, including a reconciliation of total consolidated VIE net income to the consolidated VIE net income recorded by FRBNY						
Portfolio interest income[4]	213	0	889	609	1,720	3,218
Interest expense on loans extended by FRBNY[5]	(4)	0	(154)	(142)	(158)	(454)
Interest expense—other	0	(3)	(49)	(26)	(129)	(204)
Portfolio holdings gains (losses)	1	0	2,364	2,190	2,744	7,298
Professional fees	(2)	0	(54)	(8)	(18)	(80)
Net income (loss) of consolidated LLCs	208	(3)	2,996	2,623	4,159	9,778
Less: Net income (loss) allocated to other beneficial interests	. . .	(107)*	766	1,285	1,975	4,026
Net income (loss) allocated to FRBNY	208	104	2,230	1,338	2,184	5,752
Add: Interest expense on loans extended by FRBNY, eliminated in consolidation[5]	(4)	0	154	142	158	454
Net income (loss) recorded by FRBNY	212	104**	2,384	1,480	2,342	6,206

Note: Unaudited.

* Represents the amount of TALF LLC's income allocated to the U.S. Treasury.

** In addition to the TALF LLC net income of $104 million, the FRBNY reported $216 million of income on TALF loans during the first three quarters of 2010. Earnings on TALF loans include interest income and fees of $628 million and unrealized losses of $412 million.

. . . Not applicable.

1. CPFF LLC commercial paper holdings are recorded at book value; other holdings are recorded at fair value. TALF LLC, Maiden Lane, Maiden Lane II, and Maiden Lane III holdings are recorded at fair value.
2. Includes accrued interest.
3. The other beneficial interest holder related to TALF LLC is the U.S. Treasury. JPMC is the beneficial interest holder for Maiden Lane LLC. AIG is the beneficial interest holder for Maiden Lane II and Maiden Lane III LLCs.
4. Interest income is recorded when earned, and it includes amortization of premiums, accretion of discounts, and paydown gains and losses.
5. Interest expense recorded by each VIE on the loans extended by the FRBNY is eliminated when the VIEs are consolidated in the FRBNY's financial statements and, as a result, the consolidated VIEs' net income (loss) recorded by the FRBNY is increased by this amount.

roll transactions, and coupon swaps are recorded on settlement date and may generate realized gains and losses.

Loan Programs Financial Summary

Table 26 summarizes the average daily loan balances and interest income of the Federal Reserve during the first three quarters of 2010. The most significant loan balance is the Term Asset-Backed Securities Loan Facility (TALF), which was established in 2009. As noted earlier in this report, during 2008 the Federal Reserve established several lending facilities under authority of Section 13(3) of the Federal Reserve Act. Many of these lending facilities have since been closed. Credit remains outstanding to American International Group, Inc. (AIG) and under the TALF; the Reserve Banks record amounts funded under these programs as loans. Interest income from these loan programs was about $2.3 billion during the first three quarters of 2010. All loans must be fully collateralized to the satisfaction of the lending Reserve Bank, with an appropriate haircut applied to the collateral. At September 30, 2010, no loans were impaired, and an allowance for loan losses was not required.

Consolidated Variable Interest Entities (VIEs) Financial Summary

Table 27 summarizes the assets and liabilities of various consolidated VIEs previously discussed in this report. It also summarizes the net position of senior and subordinated interest holders and the allocation of the change in net assets to interest holders. The FRBNY is the sole and managing member of TALF LLC and the primary beneficiary of the Maiden Lane LLCs. The FRBNY was the sole beneficiary of CPFF LLC, which was dissolved on August 30, 2010.

Maiden Lane LLC, Maiden Lane II LLC, Maiden Lane III LLC, and TALF LLC holdings are recorded at fair value, which reflects an estimate of the price that would be received upon selling an asset if the transaction were to be conducted in an orderly market on the measurement date. Consistent with generally accepted accounting principles (GAAP), the assets and liabilities of these LLCs have been consolidated with the assets and liabilities of the FRBNY. As a consequence of the consolidation, the extensions of credit from the FRBNY to the LLCs are eliminated.

"Net portfolio assets available" represents the net assets available to beneficiaries of the consolidated VIEs and for repayment of loans extended by the FRBNY. "Net income (loss) allocated to FRBNY" represents the allocation of the change in net assets and liabilities of the consolidated VIEs available for repayment of the loans extended by the FRBNY and other beneficiaries of the consolidated VIEs. The differences between the fair value of the net assets available and the face value of the loans (including accrued interest) are indicative of gains or losses that would have been incurred by the beneficiaries if the assets had been fully liquidated at prices equal to the fair value as of September 30, 2010.

Appendix A

Additional Information Provided Pursuant to Section 129 of the Emergency Economic Stabilization Act of 2008

In light of improved functioning of financial markets, on February 1, 2010, the Federal Reserve closed the Term Securities Lending Facility (TSLF), Primary Dealer Credit Facility (PDCF), Commercial Paper Funding Facility (CPFF), and the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF). As of that date, all loans under the TSLF, PDCF, and AMLF had been repaid in full, with interest, in accordance with the terms of each facility, and each of the facilities resulted in no loss to the Federal Reserve or taxpayers. All remaining commercial paper holdings of the CPFF matured on April 26, 2010, and the CPFF LLC was dissolved on August 30, 2010, following the payment of expenses and the termination or expiration of existing contractual agreements. The CPFF did not result in any loss to the Federal Reserve or taxpayers.

For the reasons discussed below, the Board does not anticipate that the Federal Reserve or taxpayers will incur any net loss on the loans provided by the Federal Reserve Bank of New York (FRBNY) under the Term Asset-Backed Securities Loan Facility (TALF), to American International Group, Inc. (AIG), or to Maiden Lane LLC, Maiden Lane II LLC, or Maiden Lane III LLC (collectively, the "Maiden Lane facilities"). In making these assessments, the Board has considered, among other things, the terms and conditions governing the relevant facility and the type, nature, and value of the current collateral or other security arrangements associated with the facility. As discussed earlier in this report, the Federal Reserve has established various terms and conditions governing the types of collateral that may be pledged in support of a loan under a facility in order to mitigate the risk of loss. In the case of the Maiden Lane facilities, the Board also has considered analyses of the projected returns on the portfolio holdings of the respective special purpose vehicle (SPV) (the assets of which serve as collateral for the loan(s) extended to the SPV) conducted by the FRBNY or its advisors in connection with the most recent quarterly revaluation of the assets of each SPV.

Term Asset-Backed Securities Loan Facility

Under the TALF, the FRBNY made loans on a collateralized basis to holders of eligible asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS). The potential for the Federal Reserve or taxpayers to incur any net loss on the TALF loans extended by the FRBNY to the holders of ABS and CMBS is mitigated by the quality of the collateral, the risk assessment performed by the FRBNY on all pledged collateral, and the margin by which the value of the collateral exceeds the amount of the loan (the haircut). Potential losses to the Federal Reserve also are mitigated by the portion of interest on the TALF loans to borrowers transferred to TALF LLC and by the credit protection provided by the Treasury under the Troubled Asset Relief Program (TARP) (initially $20 billion and subsequently reduced to $4.3 billion in light of the $43 billion in TALF loans outstanding when the TALF closed to new lending on June 30, 2010), both of which are available to TALF LLC to purchase any collateral received by the FRBNY from a borrower in lieu of repaying a TALF loan or foreclosed upon due to a default by the borrower. TALF loans extended by the FRBNY during the program will mature over the next several years, with all loans maturing no later than March 30, 2015.

Loans to Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC

The portfolio holdings of each of Maiden Lane LLC (Maiden Lane), Maiden Lane II LLC (ML-II), and Maiden Lane III LLC (ML-III) are revalued in accordance with generally accepted accounting principles (GAAP) as of the end of each quarter to reflect an estimate of the fair value of the assets on the measurement date. The fair value determined through these revaluations may fluctuate over time. In addition, the fair value of the portfolio holdings that is reported on the weekly H.4.1 statistical release reflects any accrued interest earnings, principal repayments, expense payments and, to the extent any may have occurred since the most recent measurement date, realized gains or losses. The fair values as of November 24, 2010—as shown in table 1 of this report and reported in the H.4.1 release for that date—are based on quarterly revaluations as of September 30, 2010.

Because the collateral assets for the loans to Maiden Lane, ML-II, and ML-III are expected to generate cash proceeds and may be sold over time or held to maturity, the current reported fair values of the net portfolio holdings of Maiden Lane, ML-II, and ML-III do not reflect the amount of aggregate proceeds that the Federal Reserve could receive from the assets of the respective entity over the extended term of the loan to the entity. The extended terms of the loans provide an opportunity to dispose of the assets of each entity in an orderly manner over time and to collect interest on the assets held by the entity prior to their sale, other disposition, or maturity. Each of the loans extended to Maiden Lane, ML-II, and ML-III is current under the terms of the relevant loan agreement.

In addition, JPMorgan Chase will absorb the first $1.15 billion of realized losses on the assets of Maiden Lane, should any occur. Similarly, certain U.S. insurance subsidiaries of AIG have a $1 billion subordinated position in ML-II and an AIG affiliate has a $5 billion subordinated position in ML-III, which are available to absorb first any loss that ultimately may be incurred by ML-II or ML-III, respectively. Moreover, under the terms of the agreements, the FRBNY is entitled to any residual cash flow generated by the collateral assets held by Maiden Lane after the loans made by the FRBNY and JPMorgan Chase are repaid, and five-sixths and two-thirds of any residual cash flow generated by the assets held by ML-II and ML-III, respectively, after the senior note of the FRBNY and the subordinate positions of AIG affiliates for these facilities are repaid.

Revolving Credit Facility and Preferred Interests Relating to American International Group, Inc.

In light of the extremely broad and diverse range of collateral (including AIG's ownership interest in numerous nonpublic companies) and guarantees securing advances under the Revolving Credit Facility and the term of the credit facility, it is difficult to estimate with precision the aggregate value that ultimately will or may be received in the future from the sale of collateral or the enforcement of guarantees supporting the Revolving Credit Facility or from the sale of assets of the two SPVs, AIA Aurora LLC and ALICO Holdings LLC (including any noncash consideration that may be received in connection with the sale of the assets of the AIA or ALICO SPVs), and disclosure of any such estimate could interfere with the goal of maximizing value through the company's global divestiture program and, consequently, diminish the proceeds available to repay the loan or redeem the preferred interests held by the FRBNY in the AIA and ALICO SPVs. However, based on the substantial assets and operations supporting repayment of the loan or redemption of the preferred interests, the proceeds received from the sale of American Life Insurance Company (ALICO) to MetLife, Inc. and from the initial public offering of American International Assurance Company, Ltd. (AIA), the capital and capital commitments provided to AIG under the TARP, the terms of the comprehensive recapitalization plan announced by AIG on September 30, 2010, and the most recently completed quarterly review of the security arrangements supporting the Revolving Credit Facility conducted as of September 30, 2010, by the FRBNY supported by analyses performed by its advisors, the Federal Reserve anticipates that the loans provided by the Federal Reserve under the Revolving Credit Facility, including interest and commitment fees under the modified terms of the facility, will be fully repaid and the face value of the preferred interests in the AIA and ALICO SPVs, plus accrued dividends, will be received. Accordingly, the Federal Reserve anticipates that the facility will not result in any net loss to the Federal Reserve or taxpayers.

Appendix B

Information about Closed and Expired Credit and Liquidity Facilities and Programs

During the financial crisis that emerged during the summer of 2007, the Federal Reserve took a number of important steps aimed at providing liquidity to important financial markets and institutions to support overall financial stability. Financial stability is a critical prerequisite for achieving sustainable economic growth, and all of the Federal Reserve's actions were directed toward achieving the Federal Reserve's statutory monetary policy objectives. Specifically, the Federal Reserve implemented a number of programs designed to support the liquidity of financial institutions and foster improved conditions in financial markets, and also extended credit to certain specific institutions and committed to extend credit to support systemically important financial firms.

As financial conditions have improved, the need for the broad-based facilities has dissipated, and most were closed earlier this year. Specifically, on February 1, 2010, the Federal Reserve closed the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the Primary Dealer Credit Facility (PDCF), and the Term Securities Lending Facility (TSLF). On April 26, 2010, all remaining commercial paper holdings of the CPFF matured, and the CPFF LLC was dissolved on August 30, 2010, following the payment of expenses and the termination or expiration of existing contractual agreements. Also in April 2010, the credit extended through the last Term Auction Facility (TAF) auction in March matured, marking the close of that facility.

The temporary liquidity swap arrangements between the Federal Reserve and other foreign central banks (FCBs) also expired on February 1, 2010. However, the Federal Reserve re-established temporary liquidity swap arrangements with a group of FCBs in May 2010, enabling them to offer U.S. dollar liquidity to financial institutions in their jurisdictions. Information related to these arrangements can be found in the body of this report.

The Federal Reserve followed sound risk-management practices in administering all of these programs, incurred no credit losses on programs that have been wound down, and expects to incur no credit losses on the few remaining programs. These facilities were open to participants that met clearly outlined eligibility criteria; participation in them reflected the severe market disruptions during the financial crisis and generally did not reflect participants' financial weakness.

The Federal Reserve is committed to transparency and has previously provided extensive aggregate information on its facilities in this and other weekly reports. Background information about the closed and expired facilities previously included in this appendix, as well as detailed information on individual loans under the Term Auction Facility (TAF) and PDCF, including the identities of borrowers and descriptions of pledged collateral; detailed information on the commercial paper purchased by the CPFF, including the identities of issuers and the issuers' parents/sponsors; detailed information on AMLF loans, including the identities of money market mutual funds (MMMFs) that sold asset-backed commercial paper (ABCP) that was used as AMLF collateral; and information about the support provided to Citigroup and Bank of America, is now available on the Federal Reserve's public website. This detailed data can be downloaded in multiple formats at www.federalreserve.gov/newsevents/reform_transaction.htm.

Historical data related to these facilities, previously reported on the H.4.1 statistical release, "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks," which includes the weekly publication of the Federal Reserve's balance sheet, is available through the Data Download Program, available at www.federalreserve.gov/datadownload. The Data Download Program provides interactive access to Federal Reserve statistical data in a variety of formats. For prior editions of this report and other resources, please visit the Board's public website at www.federalreserve.gov/monetarypolicy/clbsreports.htm.

Appendix C

Federal Reserve Disclosure Requirements and Other Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") was signed into law.[6] The Dodd-Frank Act included changes designed to promote transparency while protecting monetary policy independence and the efficacy of the Federal Reserve's liquidity programs and open market operations (OMOs). In addition, the Dodd-Frank Act modified the Federal Reserve's authority to provide emergency liquidity to nondepository institutions under Section 13(3) of the Federal Reserve Act in light of other amendments that provide the U.S. government with new authority to resolve failing, systemically important nonbank financial institutions in an orderly manner.

As provided by the Dodd-Frank Act, on December 1, 2010, the Federal Reserve posted to its public website detailed information about entities that received loans or other financial assistance under a Section 13(3) credit facility between December 1, 2007, and July 21, 2010, and about persons or entities that participated in the agency mortgage-backed securities (MBS) purchase program, used foreign currency liquidity swap lines, or borrowed through the Term Auction Facility (TAF) during that time frame. This disclosure includes more than 21,000 individual credit and other transactions conducted to stabilize markets during the financial crisis, restore the flow of credit to American families and businesses, and support economic recovery and job creation in the aftermath of the crisis. The Federal Reserve's disclosure about these transactions is available at www.federalreserve.gov/newsevents/reform_transaction.htm.

As required by the Dodd-Frank Act, the Federal Reserve also posted an audit webpage, available at www.federalreserve.gov/newsevents/reform_audit.htm. This page will be updated as reports and other information become available.

The Dodd-Frank Act also established a framework for the delayed disclosure of information on entities that, after July 21, 2010, received a loan from the discount window under Section 10B of the Federal Reserve Act or from a Section 13(3) facility, or participated in OMO transactions. Generally, this framework requires the Federal Reserve to publicly disclose certain information about these discount window borrowers and OMO counterparties approximately two years after the relevant loan or transaction; information about borrowers under future Section 13(3) facilities will be disclosed one year after the authorization for the facility is terminated. Information to be disclosed will include the names and identifying details of each borrower or counterparty, the amount borrowed, the interest rate paid, and information identifying the types and amounts of collateral pledged or assets transferred in connection with the borrowing or transaction.

Going forward, any emergency lending programs and facilities authorized by the Federal Reserve under Section 13(3) of the Federal Reserve Act must have broad-based eligibility, and must be approved by the Secretary of the Treasury.

6. The full text of the Dodd-Frank Act is available at www.gpo.gov/fdsys/pkg/BILLS-111hr4173ENR/pdf/BILLS-111hr4173ENR.pdf.