

# The Microstructure of the Federal Funds Market

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## Abstract

Unique transaction-level data for nearly every federal funds transaction made during the first quarter of 1998 forms the foundation for this in-depth exploration of the federal funds market. Unlike previous studies that have relied on aggregate and typically infrequent measures of federal funds market participation, the transaction-level data exploited here allows a closer look at the microstructure of the market. The paper explores the relationship between bank size and participation in the funds market and discovers that even the largest banks are frequently net sellers of funds. A time-of-day pattern is uncovered, as is significant market concentration. Preliminary exploration into trading patterns, or networks, is conducted, and the existence of relationship lending in the interbank market is investigated.

### Citing Literature



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