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The Term Securities Lending Facility: Origin, Design, and Effects

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Abstract


The Federal Reserve launched the Term Securities Lending Facility (TSLF) in 2008 to promote liquidity in the funding markets and improve the operation of the broader financial markets. The facility increases the ability of dealers to obtain cash in the private market by enabling them to pledge securities temporarily as collateral for Treasuries, which are relatively easy to finance. The TSLF thus reduces the need for dealers to sell assets into illiquid markets as well as lessens the likelihood of a loss of confidence among lenders.

Keywords: federal reserve, liquidity facility, securities lending, financing market, repo market

JEL Classification: E52, E58, G14

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