

Term Deposit Facility Overview

Announcement

The Federal Reserve will announce offerings of term deposits in advance of the offering date. The announcement will specify the details of the offering and is available in the [Term Deposit Facility Resource Center](#). The offerings will generally include both a competitive auction and a noncompetitive tender option. The offering announcement will contain information about the amount of term deposits being offered in the competitive portion of the offering, the term of the term deposits being offered, the maximum allowable interest rate to be paid and other details about the offering.

Submit Tender

At a specified time on the offering date, a Term Deposit Facility participant interested in investing in term deposits can submit a tender for term deposits using the Term Deposit Facility application. A Term Deposit Facility participant is an institution eligible to receive interest on balances held at a Federal Reserve Bank that has executed the Term Deposit Agreement, completed the necessary setup steps and obtained a credential from the Federal Reserve. A Term Deposit Facility participant can submit a tender under either the competitive auction or the noncompetitive tender, but not under both. It must submit its tender after the stated open time and before the stated close time for submitting tenders. These times may differ for the competitive auction and the noncompetitive tender. A Term Deposit Facility participant may choose to have an agent, such as its correspondent bank, submit a tender on its behalf. Tenders may not be modified after the stated close time for tender submission.

Competitive Tenders: A Term Deposit Facility participant can submit only one tender for the competitive auction of an offering. A tender consists of one or more bids. The maximum number of bids that can be submitted on the tender will be defined in the offering announcement. The aggregate amount of the bids on the tender may not exceed the maximum award amount, if any, specified in the offering announcement. The dollar amount of each bid on the tender cannot be less than the announced minimum bid

amount. The interest rate submitted for each bid on the tender cannot exceed the announced maximum bid interest rate. Each bid on the tender must be at a different interest rate.

Noncompetitive Tenders: A Term Deposit Facility participant can submit only one tender for the noncompetitive tender portion of an offering. That tender may contain only one bid. The amount of the bid cannot exceed the maximum noncompetitive bid amount and cannot be less than the minimum noncompetitive bid amount. The maximum noncompetitive bid amount will be a very small fraction of the amount offered in the competitive portion of the offering. No interest rate is specified on a noncompetitive tender. All noncompetitive tenders will be accepted in full at the highest accepted interest rate determined in the competitive auction.

Determining Awards

After the tender submission close time, the Federal Reserve will review all submitted bids for completeness and compliance with the auction parameters. All bids that are complete and compliant are used in determining term deposit awards.

Competitive awards: The competitive auction uses a single-price auction mechanism for determining awards. All bids received for the competitive auction will be ordered from the lowest bid interest rate to the highest bid interest rate. Starting at the lowest interest rate bid, the Federal Reserve will accept the total dollar amount bid at that interest rate and at each successively higher interest rate until (1) the aggregate amount of bids accepted equals the competitive offering amount, or (2) all bids received at interest rates that are at or below the maximum bid interest rate have been accepted. When necessary, bids at the highest accepted interest rate will be prorated. Auction awards will be rounded according to the rounding convention specified in the announcement, which may cause the total amount awarded in the competitive portion of the offering to be slightly greater than the announced competitive offering amount. All Term Deposit Facility participants that have a bid accepted, either in whole or in part, will be awarded term deposits at the same interest rate, which shall be the highest accepted interest rate in the competitive auction, regardless of the interest rate(s) bid by the Term Deposit Facility participant.

Noncompetitive awards: All bids for term deposits received in the noncompetitive portion of the offering will be accepted in full, and the interest rate paid will be the highest accepted interest rate in the competitive auction portion of the offering.

Total awards: The total amount of awards in the offering will be the sum of the awards in the noncompetitive portion and the awards in the competitive portion of the offering. Total awards in the offering will exceed the announced amount of the competitive portion, because of noncompetitive tenders and rounding of competitive awards.

View Results

The offering announcement will include the notification date and time for the offering. After the notification time has passed, a Term Deposit Facility participant will be able to determine the amount of term deposits that it was awarded, if any, and the interest rate by viewing this information in the Term Deposit Facility application. The Term Deposit Facility participant should notify its Reserve Bank of any errors immediately. Also on the notification date, aggregate results of the offering will be announced in the [Term Deposit Facility Resource Center](#).

Settlement

On the announced settlement date, the settlement account designated by the Term Deposit Facility participant will be debited for the amount of term deposits awarded. The Term Deposit Facility participant should ensure that it has placed sufficient funds in its settlement account to cover the debit. This debit will be posted after the close of the Fedwire® Funds Service in accordance with the posting rules under the Federal Reserve's Payment System Risk Policy. Also at that time, the term deposit becomes eligible to serve as collateral for discount window loans or for Payment System Risk purposes.

Maturity

On the announced maturity date, the settlement account of the Term Deposit Facility participant is credited with the proceeds of the maturing term deposit and the interest payment on that deposit. The credit is posted at 8:30 a.m. ET. The term deposit ceases to be eligible as collateral for discount window loans or for Payment System Risk purposes at that time.

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