

# Term Deposit Facility (TDF)

*Follow this Step-by-Step Guide to learn more about the  
Early Withdrawal feature in TDF Operations.*

*September 2014*

# Early Withdrawal Timeline

## Early Withdrawal Request

Prior to the cut-off time specified on the operation Announcement, an authorized requestor of the TDF Participant calls the local Federal Reserve Bank to request an early withdrawal. An authorized requestor is an individual either listed on the TDF participant's Official Authorization List (OAL) or credentialed as a TDF Subscriber.

## Due Diligence Review

Following the early withdrawal request, the Reserves staff at the local Federal Reserve Bank performs the necessary due diligence.

## TDF Collateral Verification

Federal Reserve Credit Risk Management staff verifies that the term deposit is not securing an outstanding discount window loan or is necessary to satisfy a collateral requirement established by the Reserve Bank.

## Early Withdrawal Processing

Given successful completion of due diligence and collateral verification, the designated settlement account of the TDF Participant will be credited for an early withdrawal of a term deposit after the close of the Fedwire<sup>®</sup>.

## Penalty Processing

A penalty will be charged to the DP's account based on the terms specified on the operation Announcement. The designated settlement account of the TDF Participant will be debited for the penalty amount after the close of the Fedwire<sup>®</sup>.

# Early Withdrawal Request

- A TDF Participant should go to the Board of Governors' [website](#) to view the Announcement for the operation date of the term deposit it wishes to withdraw. The Announcement indicates whether the term deposits offered through that operation include an early withdrawal feature and, if so, the associated early withdrawal penalty.
- The Federal Reserve currently anticipates that the early withdrawal penalty will include the forfeiture of all interest on the term deposit plus an additional fee applied to the principal over the entire term of the deposit.

Board of Governors of the Federal Reserve System

Home > Monetary Policy

## Term Deposit Facility

Term deposits will facilitate the implementation of monetary policy by providing a new tool by which the Federal Reserve can manage the aggregate quantity of reserve balances held by depository institutions. Funds placed in term deposits are removed from the accounts of participating institutions for the life of the term deposit and thereby drain reserve balances from the banking system. Reserve Banks will offer term deposits through the Term Deposit Facility (TDF), and all institutions that are eligible to receive earnings on their balances at Reserve Banks may participate in the term deposit program.

Current Operations			
January	13	<a href="#">Announcement</a>	<a href="#">Results</a>
March	3	<a href="#">Announcement</a>	<a href="#">Results</a>
March	10	<a href="#">Announcement</a>	<a href="#">Results</a>

# Early Withdrawal Request

- To initiate the Early Withdrawal request, a credentialed TDF Subscriber or an individual from the Official Authorization List (OAL) for Reserves places a call to their local TDF District Contact listed on either of the two websites below:
  - ❖ TDF District Contacts ([http://www.frb services.org/contactus/term\\_deposit\\_facility.html](http://www.frb services.org/contactus/term_deposit_facility.html))
  - ❖ Central Bank Services >> Reporting and Reserves >> Local District >> Reserves (<http://www.frb services.org/contacts/index.jsp>)
    - The request needs to be received by a TDF District Contact prior to the cut-off time specified on the operation Announcement.
    - The TDF District Contact will verify the caller's authority to request an early withdrawal and collect necessary information.
    - Partial withdrawals of term deposits are not allowed.\*

\* Withdrawal amount equals the amount outstanding as specified in the TDF application as "Deposit Amount", which is expressed in thousands of dollars.

- The information obtained from the requestor is verified. Requestor needs to be available, in case additional phone communication is necessary.

**Note:** If the early withdrawal request does not satisfy the verification requirements, the TDF District Contact will notify the requestor that the early withdrawal cannot be processed.

- Federal Reserve Credit Risk Management staff verifies that the term deposit is not securing an outstanding discount window loan or is necessary to satisfy a collateral requirement established by the Reserve Bank.

**Note:** If the term deposit is encumbered, the TDF District Contact will notify the requestor that the early withdrawal request cannot be processed.

# Early Withdrawal Processing

- Given successful completion of due diligence and collateral verification, the designated settlement account of the TDF Participant will be credited for an early withdrawal of a term deposit after the close of the Fedwire®.
  - Term deposit will be moved from the Current tab to the Matured tab.
  - Early Withdrawal Date will appear for the term deposit withdrawn in the Remarks column.
  - The TDF Participant forfeits all interest for the term deposit.
  - The TDF Participant is assessed a penalty fee.

Note: If the TDF Participant settles term deposits through a correspondent, it should inform the correspondent of the early withdrawal of its term deposit and the associated penalty fee.

Reserves Central > Term Deposit Facility

ABA: 999999999 - BANK A

Open Offerings: There are no open Term Deposit Facilities at this time.

Current Matured

Date Type:  Offering Date  Settlement Date  Maturity Date From: [ ] 14 To: [ ] 14

View

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Offering ID	Offering Date	Settlement Date	Maturity Date	Submitted Amount (000s)	Deposit Amount (000s)	Interest Rate	Interest Paid To Date	Submission Number	Remarks
F2982	08/15/2014	08/15/2014	08/20/2014	10,000,000	10,000,000	5.50000%		6719	Early Withdrawal Date: 08/18/2014

The TDF Participant forfeits all interest for the term deposit.

This example is for illustrative purposes only.

# Penalty Processing

- For a term deposit, the penalty fee for early withdrawal at any point in the life of the term deposit would be calculated using the following formula:

$$\text{Penalty fee} = \text{amount of term deposit} * [(\text{penalty rate}/100) * (\text{term}/360)]$$

For example, the penalty fee for a \$10 billion seven-day term deposit where the penalty rate<sup>†</sup> is 5.00% would be calculated as follows:

$$\text{Penalty fee} = \$10 \text{ billion} * [(5.00/100) * (7/360)] \approx \$9.7 \text{ million}$$

<sup>†</sup> On each operation Announcement, the Federal Reserve specifies the penalty rate for early withdrawal, if applicable. A TDF Participant should go to the Board of Governors' [website](#) to view the Announcement for the operation date of the term deposit withdrawn.

- Frequently Asked Questions on Early Withdrawals can be found in the [FAQs](#) on the TDF Resource Center.
- Additional information can be found in the [Term Deposit Facility Overview](#).
- See also the September 4, 2014, press release on the Board of Governors' [website](#).