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Federal Reserve Bank Email from Mark VanDerWeide to Lucinda Brickler Re triparty repo thoughts for this weekend

Mark Van Der Weide

Lucinda Brickler

Patrick M. Parkinson

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Recommended Citation

Der Weide, Mark Van; Brickler, Lucinda; and Parkinson, Patrick M., "Federal Reserve Bank Email from Mark VanDerWeide to Lucinda Brickler Re triparty repo thoughts for this weekend" (2008). *YPFS Documents*. 5544.

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From: Mark.VanDerWeide@frb.gov
To: Lucinda.Brickler@ny.frb.org
Cc: [Chris.McCurdy](mailto:Chris.McCurdy@ny.frb.org); Patrick.M.Parkinson@frb.gov
Subject: Re: triparty repo thoughts for this weekend
Date: 09/13/2008 10:53 AM

A few comments/questions. Since your paper last night was probably 1-2 steps behind TFG, my comments this morning are probably 3-4 steps behind.

Option 1: need to discuss whether this fits within existing PDCF authorization or would need to be new 13(3)/10B loan (like the Bear March 14 loan).

Option 2: need to understand factually how the JPMC/FRBNY sharing would work and how the "shell" works. Some concern about the nature of the legal entity to which the FRBNY would have credit exposure.

Option 4: need to better understand how this credit facility would work.

Mark (202-452-2263)

Lucinda.Brickler@
ny.frb.org
To
09/12/2008 11:04
PM

Patrick.M.Parkinson@frb.gov

cc

"Donald Kohn"
<Donald.L.Kohn@frb.gov>, "Kevin
Warsh" <Kevin.Warsh@frb.gov>, "Mark
VanDerWeide"
<Mark.VanDerWeide@frb.gov>, "Chris
McCurdy" <Chris.McCurdy@ny.frb.org>
Subject
Re: triparty repo thoughts for this
weekend

Pat

Thanks. I think there has been much concern raised about maintaining the rate and perhaps also with retaining capacity to expand the existing programs if needed. There has also not been much appetite over the past few days for ideas that involve extending public support beyond the existing programs. These issues and speculation about how bankruptcy would likely unfold are the drivers of this thinking.

The situation is fluid, however. The notes I have been sending are intended to test ideas and generate dialog. They seem consistently one or more steps behind TFG. So let's see how the situation evolves over the weekend and raise the appropriate concerns and recommendations. It's good that you'll be here. Safe travels.
Lucinda

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Patrick M Parkinson

Sent: 09/12/2008 08:49 PM EDT

To: Lucinda Brickler

Cc: Chris McCurdy; Mark VanDerWeide; Donald Kohn; Kevin Warsh

Subject: Re: triparty repo thoughts for this weekend

Lucinda,

I have attached some comments, but I am not sure they will be helpful. I'm forced to guess why plans have changed. I assume the fundamental problem is that even after the parent files for bankruptcy, the SEC wants the b/d to live on and does not want us grabbing tri-party collateral and paying off investors? And/or that we don't want to take OMO collateral because we can't rehypothecate and funds rate would go to zero?

In any event, this now looks to me like a godawful mess.

Pat

[attachment "triparty Cheat Sheet 9 12-15 parkinson comments.doc" deleted by Lucinda M Brickler/NY/FRS]

Lucinda M
Brickler/NY/FRS@FRS
RS
Sandy.Krieger@ny.frb.org,
09/12/2008 06:45
PM

To
Chris.McCurdy@ny.frb.org, Patrick M
Parkinson/BOARD/FRS@BOARD, Mark
VanDerWeide/BOARD/FRS@BOARD, Joseph
Sommer/NY/FRS@FRS, HaeRan
Kim/NY/FRS@FRS, Chris
Burke/NY/FRS@FRS, Susan
McLaughlin/NY/FRS@FRS, William
Dudley/NY/FRS@FRS, Meg
McConnell/NY/FRS@FRS

cc

Subject
triparty repo thoughts for this
weekend

Hi

Attached are some thoughts on triparty repo for the weekend. I've attempted to capture everyone's positions and concerns, so we're all on the same page as we think about options. I've also attempted to briefly describe a few things we may need to consider in the event that JPMC refuses to unwind Lehman's positions on Monday--assuming they're still in business, but haven't been rescued--and the policy makers believe an intervention is necessary to protect the market from the fallout of a sudden default. As always, your thoughts, questions, etc., are welcome. We obviously have some work to do if we think we want to consider options that go beyond the existing facilities.

ttys

Lucinda
[attachment "triparty Cheat Sheet 9 12-15.doc" deleted by Patrick M
Parkinson/BOARD/FRS]
Lucinda Brickler
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Federal Reserve Bank of New York
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