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April 27: Operational Risk - US Treasury Requests Public Comment on Securities Lending Facility

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The U.S. Treasury Department released a request for public comment yesterday on the establishment of a securities lender of last resort (SLLR). The Department is considering if and how it should make the securities lending facility available.

An SLLR, or repo facility, is a mechanism for providing an additional, temporary supply of Treasury securities used on rare occasions when market shortages threaten to impair the Treasury and financial markets' functioning. Treasury has discussed the concept of an SLLR in its Quarterly Refunding announcements since August 2005.

The request for comment presents a model SLLR, with examples of terms, conditions and other operational details. The Department is offering the model only as a starting point to provoke substantive public comment.

Treasury has not taken a position regarding the establishment or the structure of an SLLR, and this paper should not be considered a change in the Department's opinion.

The paper and request for comment, submitted for publication in the Federal Register, can also be found on the Treasury website at <http://www.treas.gov/offices/domestic-finance/debt-management/>.

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