

SCRRM

(SUBCOMMITTEE ON CREDIT, RESERVES, & RISK MANAGEMENT)

You may never have heard of SCRRM, the Subcommittee on Credit, Reserves, and Risk Management. But this group played an important role on September 11, 2001, and for some weeks thereafter.

SCRRM assists Reserve Bank presidents in developing and implementing policies for managing discount window credit, reserve accounts, and payment system risk. SCRRM also coordinates these functions across Reserve Banks to ensure consistent application of policies across the Federal Reserve System.

Here's an account of the subcommittee's activities on September 11 and afterward from SCRRM Chairman Steve Meyer, vice president and senior economic policy advisor at the Philadelphia Fed.

"On September 11, SCRRM and its task forces happened to be meeting at the New York Fed – three blocks from the World Trade Center. The disruptions to the financial system caused by the terrorist attacks made it necessary for the Fed to provide liquidity through the discount window. They also increased risk in the payment system. SCRRM's role included both supplying liquidity and controlling risk.

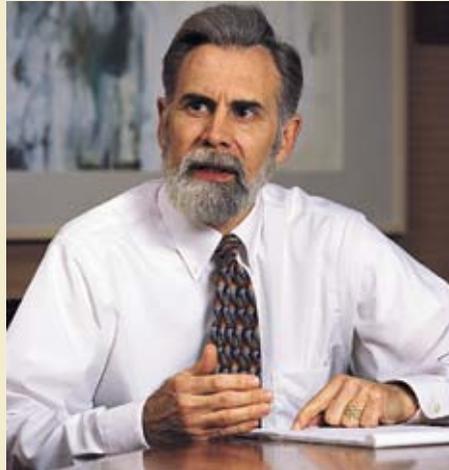
"Shortly after the second tower collapsed, SCRRM commandeered a conference phone and got to work. Despite problems with phone lines, we were able to reach the conference bridge at the Minneapolis Fed. Minneapolis staff,

in turn, connected us with discount window and risk management staff at all Reserve Banks, as well as the Board of Governors in Washington, D.C. SCRRM then began collecting information about developments in the financial system, particularly in the interbank markets.

"It soon became apparent that there were major disruptions to the financial system and that some financial institutions had large overdrafts in their reserve accounts as a result. SCRRM instructed staff in each Reserve Bank to contact all large financial institutions in their District to collect information."

FOCUSING ON LIQUIDITY

"Around noon, we contacted Philadelphia Fed President Santomero by phone and summarized what SCRRM had learned. He informed us that Reserve Bank presidents and Federal Reserve Board Vice Chairman Ferguson had been discussing the situation. He confirmed that the Federal



SCRRM PROVIDES A FORUM FOR DISCUSSING AND INFLUENCING POLICY, ASSESSING RISK, AND COORDINATING PROCEDURES TO ACHIEVE AN APPROPRIATE DEGREE OF CONSISTENCY ACROSS THE SYSTEM.

STEPHEN A. MEYER

SCRRM CHAIRMAN,
VICE PRESIDENT AND
SENIOR ECONOMIC POLICY ADVISOR

Reserve had made a commitment to provide necessary liquidity to the banking system.

“In response, SCRRM instructed staff in each Reserve Bank’s discount window function to ask financial institutions to continue providing liquidity to their customers. The Fed, in turn, prepared to give those institutions access to Federal Reserve credit, where necessary, to ensure they had sufficient liquidity to meet their customers’ needs. SCRRM also began planning measures to control risks associated with large overdrafts and other extensions of credit.

“At 4:30 pm Federal Reserve Vice Chairman Ferguson joined SCRRM’s System-wide conference call. During that call, Vice Chairman Ferguson endorsed SCRRM’s approach to controlling the risks associated with large overdrafts. SCRRM continued to monitor developments until 6 pm.”

MEETING THE NEXT DAY

“At 10 am on September 12, many SCRRM members assembled in my midtown Manhattan hotel room for another nationwide conference call. We collected final details on discount window loans and overnight overdrafts from September 11, along with information about market disruptions on September 12. We also began planning how to deal with continuing disruptions.

“Returning to Philadelphia that afternoon allowed us to participate in a 5:30 pm conference call with Federal Reserve officials from all parts of the country and all of the Fed’s functions. During that call, we learned the effects of the terrorist attacks were even more widespread than had been apparent from New York.”

FOLLOWING UP

“For the next week and a half, SCRRM members, other staff in all Reserve Banks’ credit and risk management functions, and staff at the Board of Governors shared critical information via late-afternoon conference calls. We held those daily calls until market conditions returned to more-or-less normal.

“More recently, SCRRM has been reviewing contingency plans and contributing to a variety of projects to ensure that the Fed will be able to function in any future emergency. We hope those plans will never be used.”

IT SOON BECAME APPARENT THAT THERE WERE MAJOR DISRUPTIONS TO THE FINANCIAL SYSTEM.



The staff of SCRRM’s administrative office holds a meeting at its Philadelphia headquarters.