

# FEDERAL RESERVE RESPONSE TO SEPTEMBER 11

**T**hese statistics illustrate the Fed's quick and effective response to the September 11 crisis. But beyond the numbers, the clear message is that Fed business continued as usual. We remained open and operating in the aftermath of the attacks to ensure the continuation of vital payment services including electronic transfers, check processing, and currency distribution.

- On September 5, System discount window borrowing totaled \$195 million. On September 12, the day after the attack, it peaked at a record \$45.6 billion.

- Also on September 12, the Open Market Desk at the Federal Reserve Bank of New York injected \$38 billion in liquidity into the financial system.
- To facilitate the functioning of financial markets and provide liquidity in dollars, the Federal Reserve established or expanded swap lines totaling \$90 billion with the European Central Bank, Bank of Canada, and Bank of England.
- The Open Market Desk facilitated the clearing process in the government securities markets by



The Philadelphia Fed (shown above), along with the entire Federal Reserve System, helped to maintain stability during the crisis.

liberalizing its rules for securities lending. In the strained, post-crisis marketplace, the Open Market Desk's lending expanded from a pre-September daily average of approximately \$1.5 billion to over \$8 billion a day in the week following the attacks.

- To further help the U.S. economy, following the attacks the Fed eased monetary policy four times during the remainder of 2001 for a total of 175 basis points – bringing the federal funds rate to a 40-year low of 1.75 percent.