

Republic National Bank NY

CRP
12/19/99

TT&L
045

TTL Rate of Interest

This responds to your request for comments concerning the Federal Reserve Bank of New York's August 10, 1999 letter which communicated the U.S. Treasury's proposal to change the method used to calculate interest charged for the use of TTL funds. The proposal to switch from use of the Federal Funds Rate minus 25 basis points to a market rate based on a published overnight repurchase agreement rate will result in decreased use of this program.

Presently the Federal Funds and Repo markets have a number of advantages over the TT&L note program. Namely the Federal Funds and Repo markets are more flexible and allow us to participate when and wherever we choose. Whereas in the TT&L note program institutions must wait for the U.S. Treasury to determine availability. In addition, funds borrowed under the TT&L note program are callable at any point in time and the process to release collateral does not allow sufficient time for us to utilize the collateral for other purposes. We do not have these constraints in the Federal Funds and Repo markets but have been willing to live with the above given the present 25 basis point discount. The increased rate structure would raise costs to the bank to the point where we can obtain alternative funding elsewhere at lower rates of interest. As a result there would be no incentive for Republic to participate.

If you have any questions or would like to discuss the above please contact us at your convenience.

You may reach me at 212/525-6151

sincerely,
Albert Romano