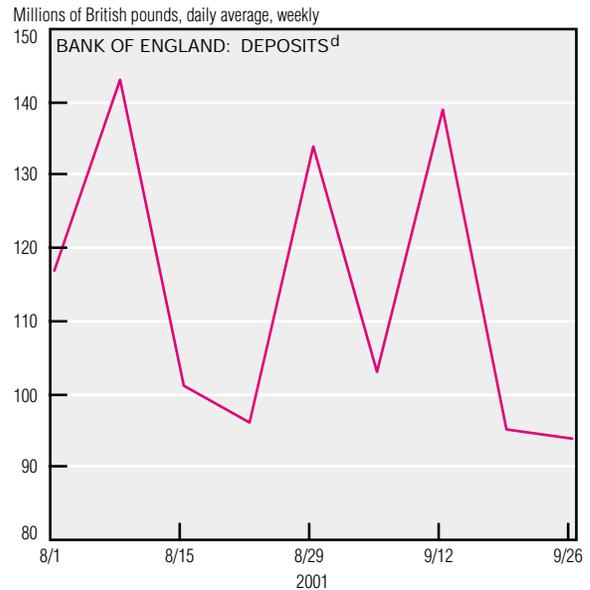
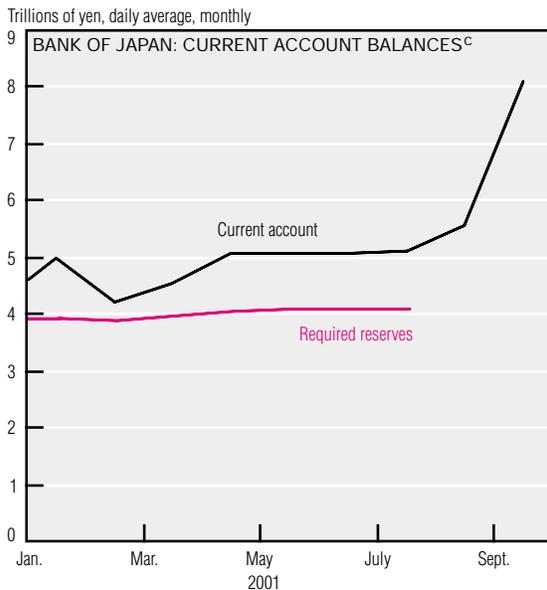
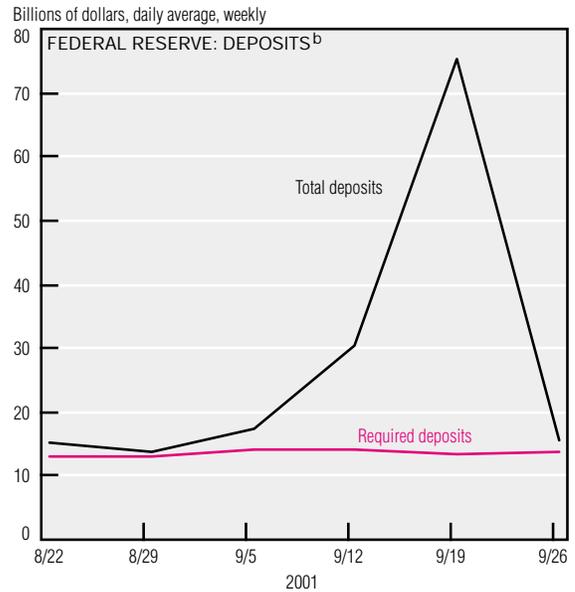
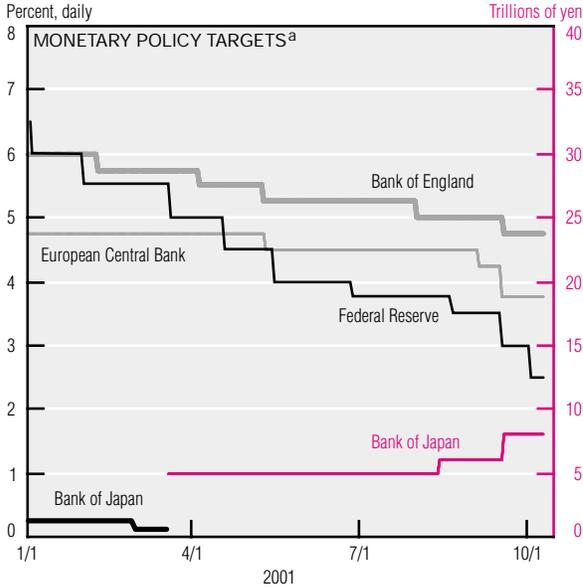


Foreign Central Banks



a. Federal Reserve and Bank of Japan: overnight interbank rates (since March 19, 2001, the Bank of Japan has targeted a quantity of current account balances). Bank of England and European Central Bank: two-week repo rate.
 b. Total deposits are the sum of reserve balances with the Federal Reserve Banks and required clearing balances. Required deposits consist of required clearing balances and required reserves less vault cash used to satisfy required reserves.
 c. Current account balances equal required reserves plus excess reserves plus deposits of financial institutions not subject to reserve requirements.
 d. Banks' operational deposits with the Bank of England, which has no reserve requirements.
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; and Bank of England.

Major central banks supplied the liquidity their banking systems needed to remain open and to make payments after the September 11 attack.

In the U.S., massive injections of base money began even before two 50-basis-point reductions in policy rates. While most Wall Street money center banks were able to transfer operations quickly to contingency sites, a few banks had difficulty making payments, causing their Reserve Bank deposits to grow rapidly. Meanwhile, other banks'

deposits were declining just as rapidly or their inflows were too uncertain for continued operation without additional funding. This might have been difficult to obtain in shaken markets, or its need apparent only after markets had closed for the day.

The Reserve Banks kept their interbank online payments system open almost around the clock to facilitate off-hours transactions. Still, more was needed. On September 12, for example, more than \$45 billion in Reserve Bank lending to banks, plus

slightly less in open market operations, and a build-up in check float allowed banks' Reserve Bank deposits to mushroom to \$95 billion from a typical \$15 billion. However, with the immediate crisis contained, banks' deposits were close to normal again by the end of September.

Data from the Bank of Japan suggest a similar story there, but no crisis is apparent from banks' working deposits at the Bank of England.