

The Federal Reserve Balance Sheet

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January 13, 2010

Disclaimer

The views in this presentation are those of the speaker and do not necessarily reflect the views of the Federal Reserve Bank of New York or the Federal Reserve System.

Monetary Projections Staff

- Primary function is to analyze and project the factors that supply or absorb bank reserves.
- The projections are used by the Open Market Trading Desk in planning and executing both temporary and permanent open market operations.
- The staff name derives from the time when the staff would forecast monetary aggregates and the monetary aggregates were the policy tool.

FEDERAL RESERVE statistical release



H.4.1

Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks

April 23, 2009

1. Factors Affecting Reserve Balances of Depository Institutions

Millions of dollars

Reserve Bank credit, related items, and reserve balances of depository institutions at Federal Reserve Banks	Averages of daily figures			Wednesday Apr 22, 2009
	Week ended Apr 22, 2009	Change from week ended		
		Apr 15, 2009	Apr 23, 2008	
Reserve Bank credit	2,169,120	+ 70,357	+1,301,135	2,179,358
Securities held outright	954,046	+ 94,506	+ 405,395	967,070
U.S. Treasury securities ¹	528,690	+ 14,125	- 19,961	534,969
Bills ²	18,423	0	- 51,894	18,423
Notes and bonds, nominal ²	465,032	+ 12,440	+ 29,981	471,032
Notes and bonds, inflation-indexed ²	40,761	+ 1,370	+ 2,324	40,976
Inflation compensation ³	4,474	+ 316	- 372	4,538
Federal agency debt securities ²	62,757	+ 4,997	+ 62,757	64,511
Mortgage-backed securities ⁴	362,599	+ 75,384	+ 362,599	367,590
Repurchase agreements ⁵	0	0	- 107,786	0
Term auction credit	455,799	- 1	+ 355,799	455,799
Other loans	104,701	- 9,718	+ 71,311	102,988
Primary credit	43,112	- 5,378	+ 32,381	43,756
Secondary credit	61	- 6	+ 61	62
Seasonal credit	1	- 1	- 25	1
Primary dealer and other broker-dealer credit ⁶	9,214	- 3,672	- 13,420	8,000
Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility	950	- 1,745	+ 950	804
Credit extended to American International Group, Inc. ⁷	44,983	- 123	+ 44,983	43,986
Term Asset-Backed Securities Loan Facility	6,379	+ 1,205	+ 6,379	6,379
Other credit extensions	0	0	0	0
Net portfolio holdings of Commercial Paper Funding Facility LLC ⁸	240,897	- 9,351	+ 240,897	242,431
Net portfolio holdings of LLCs funded through the Money Market Investor Funding Facility ⁹	0	0	0	0
Net portfolio holdings of Maiden Lane LLC ¹⁰	26,445	+ 41	+ 26,445	26,481
Net portfolio holdings of Maiden Lane II LLC ¹¹	18,237	+ 9	+ 18,237	18,253
Net portfolio holdings of Maiden Lane III LLC ¹²	27,414	+ 55	+ 27,414	27,429
Float	-2,352	- 213	- 489	-2,960
Central bank liquidity swaps ¹³	286,274	- 7,259	+ 250,274	282,863
Other Federal Reserve assets ¹⁴	57,658	+ 2,286	+ 13,637	59,005
Gold stock	11,041	0	0	11,041
Special drawing rights certificate account	2,200	0	0	2,200
Treasury currency outstanding ¹⁵	42,276	+ 14	+ 3,555	42,276
Total factors supplying reserve funds	2,224,637	+ 70,371	+1,304,690	2,234,875

Note: Components may not sum to totals because of rounding. Footnotes appear at the end of the table.

H.4.1

1. Factors Affecting Reserve Balances of Depository Institutions (continued)

Millions of dollars

Reserve Bank credit, related items, and reserve balances of depository institutions at Federal Reserve Banks	Averages of daily figures			Wednesday Apr 22, 2009
	Week ended Apr 22, 2009	Change from week ended		
		Apr 15, 2009	Apr 23, 2008	
Currency in circulation ¹⁵	903,255	- 1,519	+ 90,423	903,043
Reverse repurchase agreements ¹⁶	65,766	- 5,613	+ 25,720	64,681
Foreign official and international accounts	65,766	- 5,613	+ 25,720	64,681
Dealers	0	0	0	0
Treasury cash holdings	333	+ 10	- 18	327
Deposits with F.R. Banks, other than reserve balances	274,247	- 9,514	+ 261,247	299,767
U.S. Treasury, general account	65,720	+ 23,854	+ 60,283	93,533
U.S. Treasury, supplementary financing account	199,929	0	+ 199,929	199,929
Foreign official	2,299	- 175	+ 2,197	1,594
Service-related	4,368	- 37	- 2,782	4,368
Required clearing balances	4,368	0	- 2,782	4,368
Adjustments to compensate for float	0	- 37	0	0
Other	1,931	- 33,157	+ 1,621	343
Other liabilities and capital ¹⁷	56,108	- 1	+ 12,458	55,693
Total factors, other than reserve balances, absorbing reserve funds	1,299,709	- 16,637	+ 389,830	1,323,511
Reserve balances with Federal Reserve Banks	924,928	+ 87,007	+ 914,860	911,364

Note: Components may not sum to totals because of rounding.

- Includes securities lent to dealers under the overnight and term securities lending facilities; refer to table 1A.
- Face value of the securities.
- Compensation that adjusts for the effect of inflation on the original face value of inflation-indexed securities.
- Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages.
- Cash value of agreements.
- Includes credit extended through the Primary Dealer Credit Facility and credit extended to certain other broker-dealers.
- Excludes credit extended to consolidated LLCs.
- Refer to table 7 and the note on consolidation accompanying table 10.
- Refer to table 8 and the note on consolidation accompanying table 10.
- Refer to table 4 and the note on consolidation accompanying table 10.
- Refer to table 5 and the note on consolidation accompanying table 10.
- Refer to table 6 and the note on consolidation accompanying table 10.
- Dollar value of foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank. This exchange rate equals the market exchange rate used when the foreign currency was acquired from the foreign central bank.
- Includes other assets denominated in foreign currencies, which are revalued daily at market exchange rates.
- Estimated.
- Cash value of agreements, which are collateralized by U.S. Treasury securities.
- Includes the liabilities of Commercial Paper Funding Facility LLC, the LLCs funded through the Money Market Investor Funding Facility, Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC to entities other than the Federal Reserve Bank of New York, including liabilities that have recourse only to the portfolio holdings of these LLCs. Refer to table 4 through table 8 and the note on consolidation accompanying table 10.

Sources: Federal Reserve Banks and the U.S. Department of the Treasury.

4 pages then vs. 12 pages now

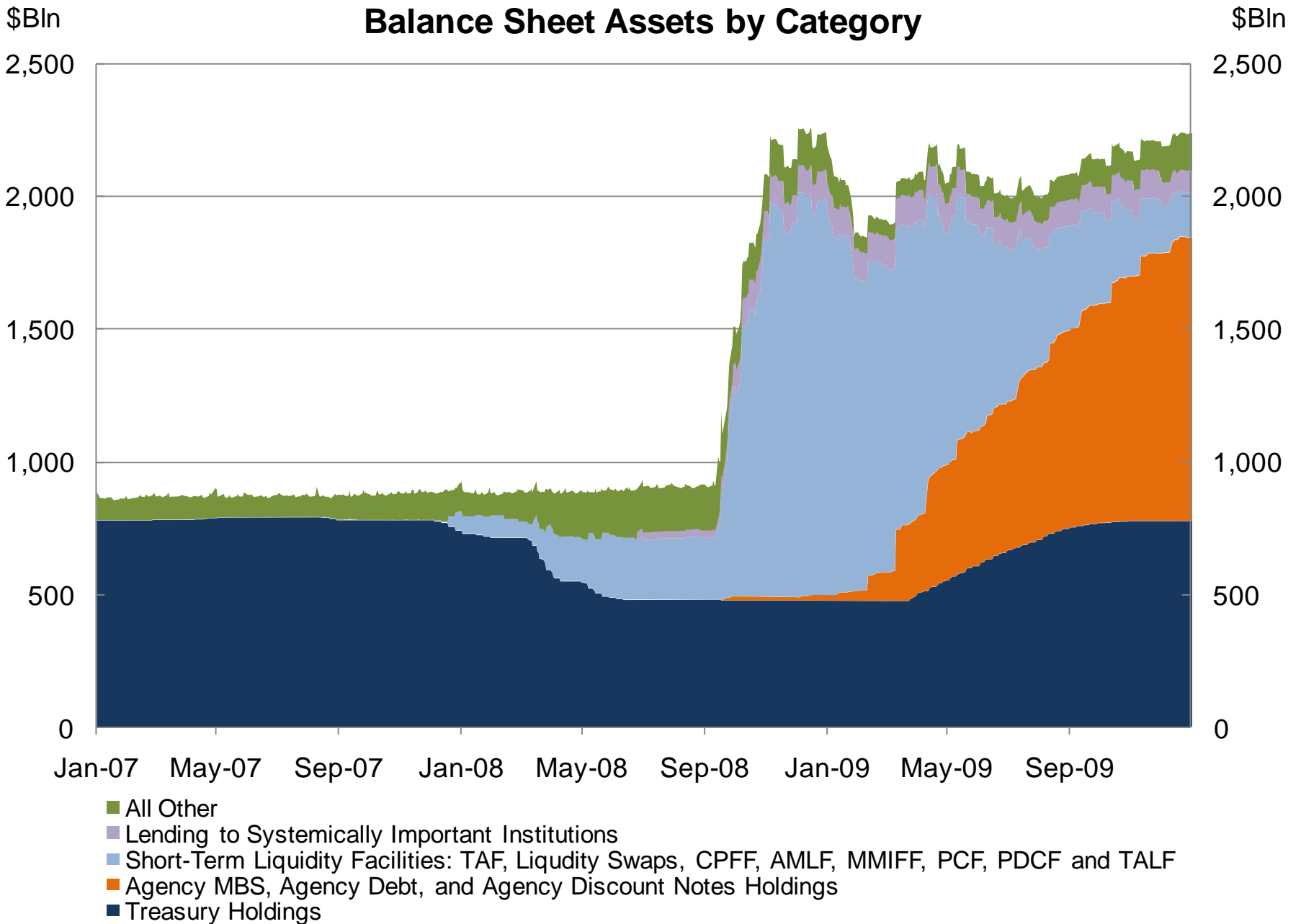
Consolidated Balance Sheet of the Federal Reserve

<i>Assets</i>	Aug 01, 2007	Dec 30, 2009	<i>Liabilities</i>	Aug 01, 2007	Dec 30, 2009
Securities	791	1845	Reserve Balances of Banks	17	1025
Treasuries	791	777			
Bills	277	18			
Notes and Bonds, Nominal	473	708			
Notes and Bonds, II	36	45	Federal Reserve Banknotes	777	890
Inflation Compensation	5	6			
Federal Agency	--	160	Treasury Balances at FRB	5	150
MBS	--	908	Treasury SFP	--	5
Repos	25	0	Foreign RP Pool	32	70
Short Term	25	0	Reverse RPs	0	0
Long Term	0	0			
Swap Agreements	--	10	Other Deposits	0	27
Loans	0	166	Foreign Deposits	0	2
TAF	--	76	Other Liabilities	10	16
Other Credit (AIG)	--	22	Capital	34	52
PDCF	--	0			
PCF/SCF	0	20			
AMLF (Boston/ABCP)	--	0			
TALF	--	48			
Maiden Lane LLC	--	27			
Maiden Lane LLC II	--	16			
Maiden Lane LLC III	--	23			
Preferred Interests in AIA and ALICO Holdings I	--	25			
TALF LLC	--	0			
CPFF	--	14			
MMIFF	--	0			
Other Assets	56	106			
Special Drawing Rights (SDR)	2	5			
Total Assets	874	2237	Total Liabilities and Capital	874	2237

Note: Components may not sum to totals because of rounding.

Balance Sheet Assets

- Liquidity Facilities
 - TAF, central bank liquidity swaps, CPFF, TALF
 - Programs that wind down as market conditions improve—
have fallen much faster than expected
 - Some expire on Feb. 1, but may remain on balance sheet
- Long-Term Assets/Large Scale Asset Purchases
 - Outright holdings of Treasuries, Agency debt, Agency MBS
 - Self-liquidating, but at a much slower pace
- Systemic Lending
 - Other Long-Term Commitments such as Maiden Lane arrangements



Consolidated Balance Sheet of the Federal Reserve

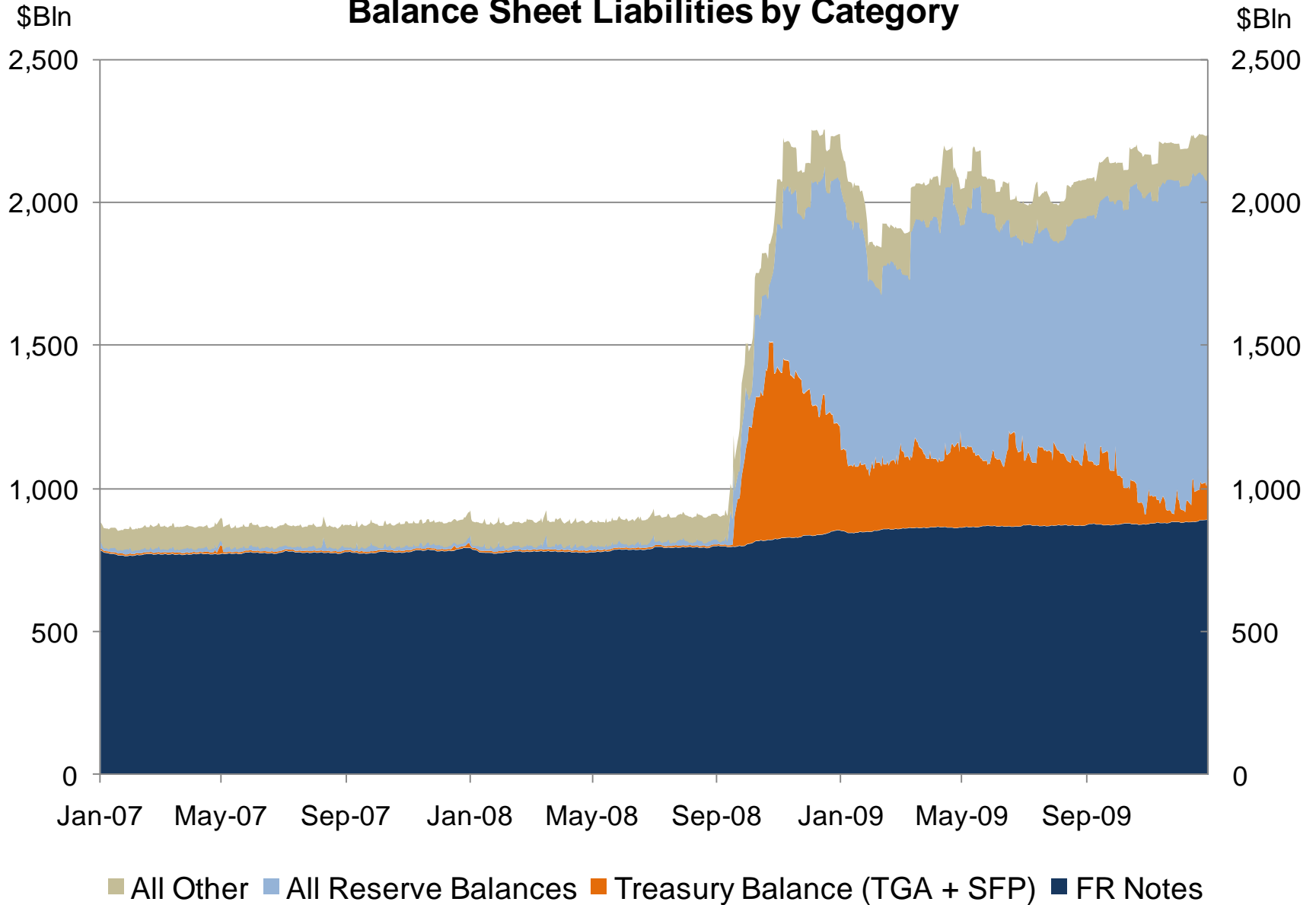
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Balance Sheet Liabilities

- Federal Reserve notes is traditional driver of balance sheet growth
- TGA/SFP
- Reserves

Balance Sheet Liabilities by Category



Options for Managing the Balance Sheet

- Decrease size of balance sheet
 - Asset sales
 - Composition of balance sheet
- Change composition of liabilities
 - Treasury's SFP
 - Reverse Repos
- Another liability item

Things to Keep in Mind

- Size of balance sheet/reserve balances depends on Fed actions
- Large levels of excess do not necessarily imply hoarding or lack of lending. Even if banks were lending, excess balances would still be high.
- Keister and McAndrews (2009)
 - Why are Banks Holding So Many Excess Reserves?
- Monetary Base \approx FR Notes + Total Reserves

References

<http://www.federalreserve.gov/monetarypolicy/bst.htm>

Credit and Liquidity Programs and the Balance Sheet



[Overview](#)

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Overview

This section of the Board of Governors' website is an additional step following several that the Federal Reserve has taken in recent years to enhance transparency of monetary policy. Other actions have included: the issuance by the Federal Open Market Committee (FOMC) of a statement announcing and explaining its monetary policy decision immediately after each of its meetings; the FOMC's release of detailed minutes of its meetings three weeks after each meeting; the FOMC's publication of quarterly summaries of policymakers' economic forecasts; and, pursuant to the Emergency Economic Stabilization Act passed in October 2008, the Federal Reserve's issuance of regular reports to the Congress on each of its lending programs that rely on its authorities under section 13(3) of the Federal Reserve Act.

Related

[Federal Reserve System Purposes and Functions](#)

[The Structure of the Federal Reserve System](#)

[Federal Reserve Act](#)

This section serves, in particular, as a resource for describing the new policy tools that the Federal Reserve has implemented to address the financial crisis that emerged during the summer of 2007. Greater public understanding of these tools and their use can increase understanding of the measures implemented by the Federal Reserve--and the rest of the federal government--to strengthen financial markets and institutions and encourage a resumption of economic growth.

The Federal Reserve considers transparency about the goals, conduct, and stance of monetary policy to be fundamental to the