

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF MONETARY AFFAIRS

FOMC SECRETARIAT

Date: July 21, 2015

To: Federal Open Market Committee

From: Matthew M. Luecke

Subject: Reinvestments Considerations Memo and Discussion Questions

Attached as background for discussion at the upcoming FOMC meeting is a memo entitled, "Reinvestments Considerations." Please note, there will be a go-round on this topic at the upcoming meeting. It would be helpful if policymakers would address the following questions during the Committee's discussion of reinvestment policy:

SOMA Reinvestment Policy Discussion Questions

- (1) Would you prefer to communicate the Committee's approach to ending or beginning to phase out reinvestments by stating a calendar date, perhaps with economic conditionality, or by stating economic conditions that would make it appropriate to begin shrinking the balance sheet?
 - a. If the Committee were to adopt a calendar-based approach, would you want to include some economic conditionality? If so, in what form?
 - b. If the Committee were to adopt a state-dependent approach, would you prefer to link the initial change in reinvestments to a numeric value for a specific variable, or would you prefer a less specific approach?
- (2) Would you prefer to cease reinvestments all at once, or would you prefer to phase out reinvestments over time?
 - a. Would you prefer taking the same approach for Treasury securities and for MBS, or should they be handled differently?
 - b. If you prefer different treatment for Treasury securities and MBS, how should the approaches differ?