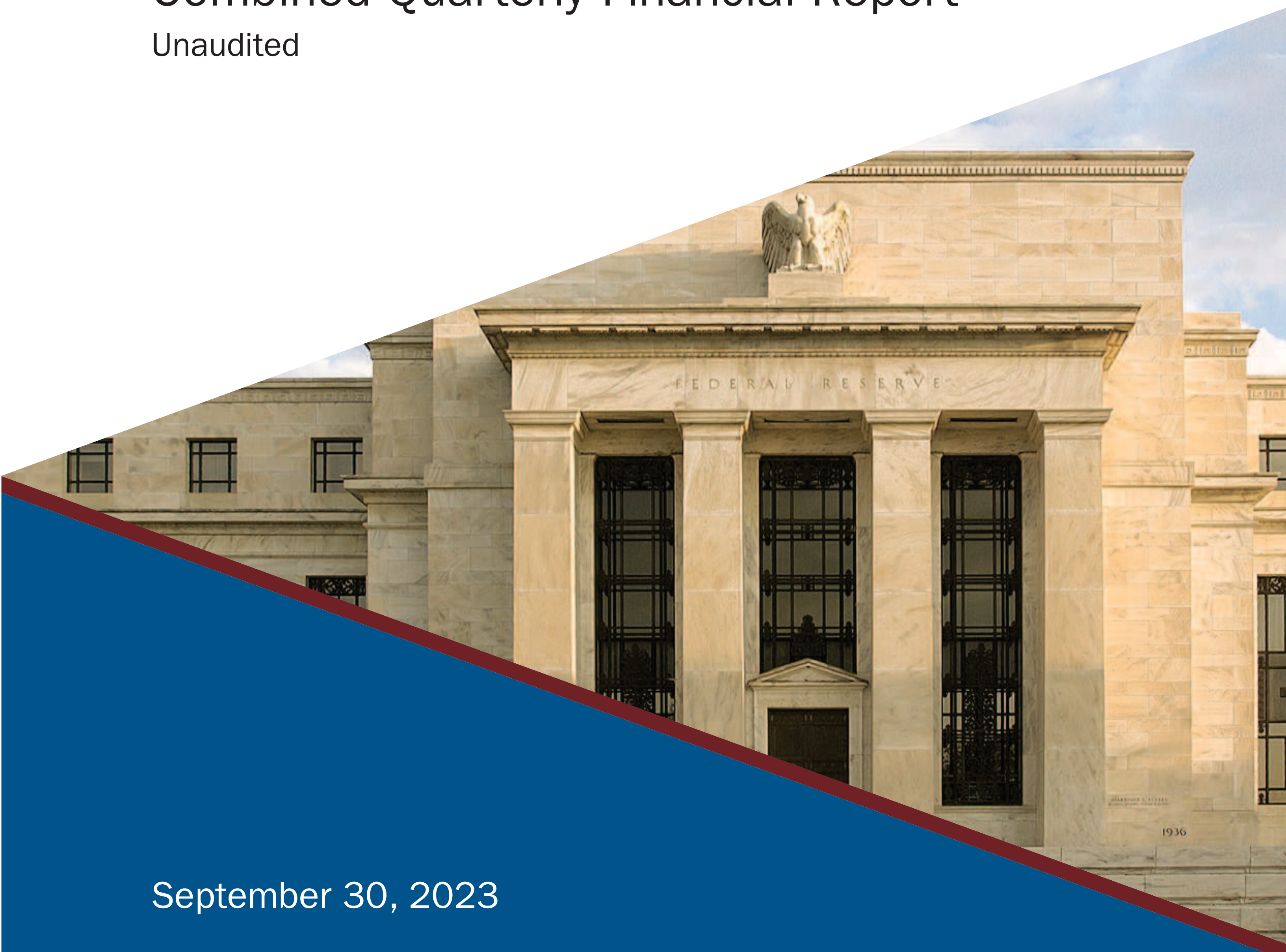
Federal Reserve Banks
Combined Quarterly Financial Report

Unaudited



September 30, 2023

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

The Federal Reserve System is the central bank of the United States. It performs five key functions to promote the effective operation of the U.S. economy and, more generally, the public interest.

The Federal Reserve

- **conducts the nation's monetary policy** to promote maximum employment and stable prices in the U.S. economy;
- **promotes the stability of the financial system** and seeks to minimize and contain systemic risks through active monitoring and engagement in the U.S. and abroad;
- **promotes the safety and soundness of individual financial institutions** and monitors their impact on the financial system as a whole;
- **fosters payment and settlement system safety and efficiency** through services to the banking industry and U.S. government that facilitate U.S.-dollar transactions and payments; and
- **promotes consumer protection and community development** through consumer-focused supervision and examination, research and analysis of emerging consumer issues and trends, community economic development activities, and administration of consumer laws and regulations.

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Contents

Overview

The Federal Reserve supplements the release of its annual financial statements with three quarterly financial reports to summarize the unaudited combined financial position and results of operations of the 12 Reserve Banks. The combined financial information reported includes the accounts and results of operations of each Reserve Bank and some consolidated variable interest entities.

The report contains

- the combined statements of condition, operations, and changes in capital; and
- eight explanatory notes that provide supplemental financial information for line items in the combined quarterly statements.

For more information about Federal Reserve Board financial statements and reporting, visit our website at https://www.federalreserve.gov/aboutthefed/fed-financial-statements.htm. For more information about how the Federal Reserve Board supervises Federal Reserve Bank operations, see the "Payment System and Reserve Bank Oversight" section of our latest Annual Report (https://www.federalreserve.gov/publications/annual-report.htm).

The following unaudited financial statements—for the quarter-ended September 30, 2023—summarize the combined financial position and results of operations of the 12 Federal Reserve Banks. The notes cited in the financial statements provide supplemental financial information for specific line items.

Combined statements of condition
(in millions)

		September 30, 2023	December 31, 2022
Assets			
Gold certificates		$ 11,037	$ 11,037
Special drawing rights certificates		5,200	5,200
Coin		1,477	1,209
Loans:	Note 1		
Loans to depository institutions		74,777	5,276
Other loans		124,098	11,450
System Open Market Account:	Note 2		
Treasury securities, net (of which $41,776 and $51,590 is lent as of September 30, 2023, and December 31, 2022, respectively)		5,162,137	5,729,247
Federal agency and government-sponsored enterprise mortgage-backed securities, net		2,530,761	2,697,583
Government-sponsored enterprise debt securities, net (of which $0 and $23 is lent as of September 30, 2023, and December 31, 2022)		2,564	2,584
Foreign currency denominated investments, net		17,782	18,565
Central bank liquidity swaps		229	412
Accrued interest receivable		32,536	34,277
Other assets		–	1
Consolidated variable interest entities: Investments, net (including $646 and $547 measured at fair value as of September 30, 2023, and December 31, 2022, respectively)	Note 3	26,306	30,436
Prepaid pension benefit costs		1,298	1,333
Other accrued interest receivable		4,817	68
Bank premises and equipment, net		2,852	2,700
Items in process of collection		59	72
Deferred asset–remittances to the Treasury		105,867	16,585
Other assets		1,215	1,319
Total assets		**$ 8,105,012**	**$ 8,569,354**
Liabilities and capital			
Federal Reserve notes outstanding, net	Note 4	$ 2,272,390	$ 2,258,961
System Open Market Account:			
Securities sold under agreements to repurchase	Note 2	1,863,428	2,889,555
Other liabilities		551	690
Deposits:			
Depository institutions	Note 5	3,066,647	2,684,814
Treasury, general account	Note 6	656,889	446,685
Other deposits		179,291	227,160
Interest payable to depository institutions and others		4,957	1,093
Consolidated variable interest entities: Other liabilities	Note 3	63	96
Accrued benefit costs		2,038	1,940
Deferred credit items		421	611
Other liabilities		963	359
Total liabilities		**$ 8,047,638**	**$ 8,511,964**
Reserve Bank capital	Note 7		
Capital paid-in		$ 35,945	$ 35,014
Surplus (including accumulated other comprehensive loss of $1,006 and $960 at September 30, 2023, and December 31, 2022, respectively)		6,785	6,785
Total Reserve Bank capital		42,730	41,799
Consolidated variable interest entities formed to administer credit and liquidity facilities: Non-controlling interest	Note 3	14,644	15,591
Total Reserve Bank capital and consolidated variable interest entities non-controlling interest		57,374	57,390
Total liabilities and capital		**$ 8,105,012**	**$ 8,569,354**

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Combined statements of operations

(in millions)

		Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Interest income					
Loans:	Note 8(A)				
Loans to depository institutions		$ 2,039	$ 24	$ 5,875	$ 29
Other loans		1,440	14	2,668	56
System Open Market Account:	Note 8(B)				
Securities purchased under agreements to resell		1	–	195	–
Treasury securities, net		26,809	32,862	80,579	91,347
Federal agency and government-sponsored enterprise mortgage-backed securities, net		13,944	14,312	43,129	39,151
Government-sponsored enterprise debt securities, net		33	33	99	100
Foreign currency denominated investments, net		66	(2)	165	(23)
Central bank liquidity swaps		3	1	13	2
Total interest income		$ 44,335	$ 47,244	$ 132,723	$ 130,662
Interest expense					
System Open Market Account:	Note 8(B)				
Securities sold under agreements to repurchase		$ 26,634	$ 13,744	$ 86,571	$ 18,478
Other		–	3	–	5
Deposits:					
Depository institutions and others	Note 8(D)	46,052	19,723	127,962	29,163
Total interest expense		72,686	33,470	214,533	47,646
Net interest (expense) income		(28,351)	13,774	(81,810)	83,016
Other items of income (loss)					
System Open Market Account:					
Treasury securities (losses), net		$ (21)	$ –	$ (30)	$ (5)
Federal agency and government-sponsored enterprise mortgage-backed securities (losses), net		(12)	(6)	(26)	(221)
Foreign currency translation (losses), net		(581)	(1,167)	(962)	(3,378)
Other		15	21	94	55
Income from services		126	117	378	351
Reimbursable services to government agencies		195	225	583	613
Other components of net benefit costs		35	67	161	305
Other		10	11	30	29
Total other items of (loss) income		(233)	(732)	228	(2,251)
Operating expenses	Note 8(E)				
Salaries and benefits		$ 966	$ 937	$ 2,908	$ 2,761
System pension service cost		146	241	411	710
Occupancy		80	80	235	231
Equipment		61	62	182	180
Other		304	297	904	811
Assessments:					
Board of Governors operating expenses and currency costs		567	518	1,524	1,478
Bureau of Consumer Financial Protection		60	64	406	407
Total operating expenses		2,184	2,199	6,570	6,578
Reserve Bank net (loss) income from operations		(30,768)	10,843	(88,152)	74,187
Consolidated variable interest entities: Income, net	Note 8(C)	426	632	1,134	1,135
Consolidated variable interest entities: Non-controlling (income), net	Note 8(C)	(385)	(621)	(1,041)	(1,109)
Reserve Bank and consolidated variable interest entities net (loss) income before providing remittances to the Treasury		(30,727)	10,854	(88,059)	74,213
Earnings remittances to the Treasury, net		(31,095)	10,589	(89,155)	73,398
Net income after providing for remittances to the Treasury		368	265	1,096	815
Change in prior service costs related to benefit plans		(6)	(7)	(17)	(22)
Change in actuarial (losses) gains related to benefit plans		(10)	23	(29)	37
Total other comprehensive (loss) income		(16)	16	(46)	15
Comprehensive income		**$ 352**	**$ 281**	**$ 1,050**	**$ 830**

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Combined statements of changes in capital
(in millions, except share data)

	Reserve Bank capital					Consolidated variable interest entities: Non-controlling interest	Total Reserve Bank capital and consolidated variable interest entities non-controlling interest
	Capital paid-in	Surplus			Total Reserve Bank capital		
		Net income retained	Accumulated other comprehensive income (loss)	Total surplus			
Balance at December 31, 2021 (677,534,103 shares of Reserve Bank capital stock)	$ 33,877	$ 9,564	$ (2,779)	$ 6,785	$ 40,662	$ 19,801	$ 60,463
Net change in capital stock issued (22,747,439 shares)	1,137	–	–	–	1,137	–	1,137
Comprehensive income:							
Reserve Bank net loss after providing for remittances to the Treasury	–	(651)	–	(651)	(651)	–	(651)
Consolidated variable interest entities: Income, net	–	41	–	41	41	1,701	1,742
Other comprehensive income	–	–	1,819	1,819	1,819	–	1,819
Dividends on capital stock	–	(1,209)	–	(1,209)	(1,209)	–	(1,209)
Consolidated variable interest entities: Non-controlling interest–capital contribution (distribution)	–	–	–	–	–	(5,911)	(5,911)
Net change in Reserve Bank capital and non-controlling interest	1,137	(1,819)	1,819	–	1,137	(4,210)	(3,073)
Balance at December 31, 2022 (700,281,542 shares of Reserve Bank capital stock)	$ 35,014	$ 7,745	$ (960)	$ 6,785	$ 41,799	$ 15,591	$ 57,390
Net change in capital stock issued (18,616,579 shares)	931	–	–	–	931	–	931
Comprehensive income:							
Reserve Bank net income after providing for remittances to the Treasury	–	1,003	–	1,003	1,003	–	1,003
Consolidated variable interest entities: Income, net	–	93	–	93	93	1,041	1,134
Other comprehensive loss	–	–	(46)	(46)	(46)	–	(46)
Dividends on capital stock	–	(1,050)	–	(1,050)	(1,050)	–	(1,050)
Consolidated variable interest entities: Non-controlling interest–capital contribution (distribution)	–	–	–	–	–	(1,988)	(1,988)
Net change in Reserve Bank capital and non-controlling interest	931	46	(46)	–	931	(947)	(16)
Balance at September 30, 2023 (718,898,121 shares of Reserve Bank capital stock)	**$ 35,945**	**$ 7,791**	**$ (1,006)**	**$ 6,785**	**$ 42,730**	**$ 14,644**	**$ 57,374**

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Supplemental Financial Information

(1) Loans

Loans to Depository Institutions

The Board of Governors authorized the Reserve Banks to offer primary, secondary, and seasonal credit extensions to eligible borrowers under section 10B of the Federal Reserve Act (FRA). Primary loans provide discount window credit for periods up to 90 days, secondary loans are extended on a short-term basis, typically overnight, and seasonal loans may be extended for a period of up to nine months. Other credit extensions include outstanding loans to depository institutions that were subsequently placed into Federal Deposit Insurance Corporation (FDIC) receivership, including depository institutions established by the FDIC. All loans must be secured to the satisfaction of the Reserve Bank.

Other Loans

On March 12, 2023, the Board of Governors authorized the Bank Term Funding Program (BTFP) under section 13(3) of the FRA to make additional funding available to eligible depository institutions by extending loans of up to one year to help assure banks have the ability to meet the needs of all their depositors. BTFP includes outstanding loans to a depository institution that was subsequently placed in FDIC receivership. Eligible collateral includes Treasury securities, federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS), GSE debt securities, and other qualifying assets and the collateral will be valued at par value. The Treasury, using the Exchange Stabilization Fund, made available $25 billion as credit protection to the BTFP. New credit extensions will be available until at least March 11, 2024.

The Board of Governors authorized the Paycheck Protection Program Liquidity Facility (PPPLF) under section 13(3) of the FRA to support the flow of credit to households and businesses. The PPPLF program extended credit to eligible financial institutions that participate in the Small Business Administration's (SBA) Paycheck Protection Program, taking the loans as collateral at face value. The PPPLF's authority to extend new loans ended July 30, 2021.

The amounts outstanding at September 30, 2023, and December 31, 2022, for loans to depository institutions and other loans were as follows (in millions):

Table 1. Loans to depository institutions and other loans
(in millions)

	September 30, 2023	December 31, 2022
Loans to depository institutions		
Primary, secondary, seasonal, and other credit[1]	$ 74,777	$ 5,276
Other loans		
BTFP	119,105	–
PPPLF	4,993	11,450
Total other loans	**124,098**	**11,450**
Total loans	**$ 198,875**	**$ 16,726**

[1] An other credit extension loan with a balance of $54 billion as of September 30, 2023 was fully repaid on October 10, 2023.

The remaining maturity distribution of loans to depository institutions and other loans outstanding as of September 30, 2023, and December 31, 2022, was as follows:

Table 2. Maturity distribution of loans to depository institutions and other loans
(in millions)

	Performing and past due	Remaining maturity				Total
		Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	
September 30, 2023						
Loans to depository institutions						
Primary, secondary, seasonal, and other credit[1]	$ 70,608	$ 2,641	$ 1,528	$ –	$ –	$ 74,777
Other loans						
BTFP[1]	11,276	71	2,960	104,793	5	119,105
PPPLF[2]	4	–	–	–	4,989	4,993
Total other loans	**11,280**	**71**	**2,960**	**104,793**	**4,994**	**124,098**
Total loans	**$ 81,888**	**$ 2,712**	**$ 4,488**	**$ 104,793**	**$ 4,994**	**$ 198,875**
December 31, 2022						
Loans to depository institutions						
Primary, secondary, and seasonal credit	$ –	$ 3,783	$ 1,493	$ –	$ –	$ 5,276
Other loans						
PPPLF[2]	7	–	–	–	11,443	11,450
Total loans	**$ 7**	**$ 3,783**	**$ 1,493**	**$ –**	**$ 11,443**	**$ 16,726**

[1] Balances presented in the performing and past due category include outstanding loans to depository institutions (including FDIC-established depository institutions) that were subsequently placed in receivership. These loans are recognized as performing based upon payment due from receiverships, collateral for the loans, and the FDIC repayment guarantees.

[2] Balances presented in the performing and past due category have reached maturity and are recognized as performing loans based upon the underlying guarantee of the collateral by the SBA. PPPLF balances have been reclassified from the within 15 days category to the performing and past due category as of December 31, 2022.

At September 30, 2023, and December 31, 2022, the Reserve Banks did not have any loans that were impaired, restructured, past due and determined to be non-performing, or on non-accrual status, and no allowance for loan losses was required.

(2) System Open Market Account (SOMA) Holdings

Treasury securities, federal agency and GSE MBS, and GSE debt securities are reported at amortized cost in the Combined statements of condition. SOMA portfolio holdings at September 30, 2023, and December 31, 2022, were as follows:

Table 3. Domestic SOMA portfolio holdings
(in millions)

	September 30, 2023			December 31, 2022		
	Amortized cost	Fair value	Cumulative unrealized gains (losses), net	Amortized cost	Fair value	Cumulative unrealized gains (losses), net
Treasury securities						
Bills	$ 236,062	$ 236,022	$ (40)	$ 286,585	$ 286,373	$ (212)
Notes	3,042,691	2,769,737	(272,954)	3,564,863	3,285,274	(279,589)
Bonds	1,883,384	1,361,651	(521,733)	1,877,799	1,484,758	(393,041)
Total Treasury securities	**$ 5,162,137**	**$ 4,367,410**	**$ (794,727)**	**$ 5,729,247**	**$ 5,056,405**	**$ (672,842)**
Federal agency and GSE MBS						
Residential	$ 2,521,720	$ 2,016,279	$ (505,441)	$ 2,688,280	$ 2,282,190	$ (406,090)
Commercial	9,041	7,263	(1,778)	9,303	7,729	(1,574)
Total federal agency and GSE MBS	**$ 2,530,761**	**$ 2,023,542**	**$ (507,219)**	**$ 2,697,583**	**$ 2,289,919**	**$ (407,664)**
GSE debt securities	2,564	2,605	41	2,584	2,736	152
Total domestic SOMA portfolio securities holdings	**$ 7,695,462**	**$ 6,393,557**	**$ (1,301,905)**	**$ 8,429,414**	**$ 7,349,060**	**$ (1,080,354)**
Memorandum—Commitments for purchases of:						
Treasury securities[1]	$ 1,811	$ 1,811	$ –	$ 2,560	$ 2,560	$ –
Federal agency and GSE MBS[1]	74	74	–	–	–	–
Memorandum—Commitments for sales of:						
Treasury securities[2]	$ –	$ –	$ –	$ –	$ –	$ –
Federal agency and GSE MBS[2]	–	–	–	–	–	–

[1] The amortized cost column presents unsettled purchase costs.

[2] The amortized cost column presents unsettled sales proceeds.

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at September 30, 2023, and December 31, 2022:

Table 4. Detail of federal agency and GSE MBS holdings: distribution of MBS holdings by coupon rate
(in millions)

	September 30, 2023		December 31, 2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Residential				
1.50%	$ 158,096	$ 124,264	$ 168,762	$ 139,602
2.00%	978,728	751,724	1,034,220	846,233
2.50%	703,584	553,182	750,796	628,922
3.00%	297,042	247,567	321,270	283,344
3.50%	194,813	168,475	210,290	191,813
4.00%	121,231	107,750	130,284	121,691
4.50%	50,739	46,725	54,176	52,350
5.00%	15,070	14,245	16,143	15,883
5.50%	2,012	1,949	2,007	2,020
6.00%	340	333	290	290
6.50%	65	65	42	42
Total	**$ 2,521,720**	**$ 2,016,279**	**$ 2,688,280**	**$ 2,282,190**
Commercial				
1.00%-1.50%	$ 91	$ 68	$ 91	$ 71
1.51%-2.00%	434	321	445	346
2.01%-2.50%	1,003	776	1,027	838
2.51%-3.00%	1,363	1,089	1,413	1,171
3.01%-3.50%	2,868	2,304	2,928	2,428
3.51%-4.00%	3,014	2,491	3,127	2,651
4.01%-4.50%	268	214	272	224
Total	**$ 9,041**	**$ 7,263**	**$ 9,303**	**$ 7,729**
Total MBS	**$ 2,530,761**	**$ 2,023,542**	**$ 2,697,583**	**$ 2,289,919**

The Federal Reserve Bank of New York (FRBNY) may engage in purchases of securities under agreements to resell (repurchase agreements) with primary dealers and eligible counterparties (repo operations) and foreign official account holders under the Foreign and International Monetary Authorities (FIMA) Repo Facility. The FRBNY may also engage in sales of securities under agreements to repurchase (reverse repurchase agreements) with primary dealers and with a set of expanded counterparties that includes banks, savings associations, GSEs, and domestic money market funds. Reverse repurchase agreements may also be executed with foreign official and international account holders as part of a service offering. Financial information related to repurchase agreements and reverse repurchase agreements at September 30, 2023, and December 31, 2022, was as follows:

Table 5. Repurchase agreements and reverse repurchase agreements
(in millions)

	September 30, 2023	December 31, 2022
Repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	$ –	$ –
FIMA Repo Facility:		
Contract amount outstanding, end of period	–	–
Total repurchase agreement contract amount outstanding, end of period	**$ –**	**$ –**
Reverse repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	$ 1,557,569	$ 2,553,716
Securities pledged (par value), end of period	1,783,902	2,749,747
Securities pledged (fair value), end of period	1,526,599	2,508,194
Foreign official and international accounts:		
Contract amount outstanding, end of period	305,859	335,839
Securities pledged (par value), end of period	370,992	390,529
Securities pledged (fair value), end of period	305,321	335,886
Total reverse repurchase agreement contract amount outstanding, end of period	**$ 1,863,428**	**$ 2,889,555**

The remaining maturity distribution of Treasury securities, federal agency and GSE MBS bought outright, GSE debt securities, repurchase agreements, and reverse repurchase agreements at September 30, 2023, and December 31, 2022, was as follows:

Table 6. Maturity distribution of SOMA domestic portfolio securities, securities purchased under agreements to resell, and securities sold under agreements to repurchase
(in millions)

	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
September 30, 2023:							
Treasury securities (par value)	$ 65,750	$ 243,886	$ 630,936	$ 1,690,555	$ 818,197	$ 1,503,590	$ 4,952,914
Federal agency and GSE residential MBS (par value)[1]	–	–	19	3,739	34,419	2,433,230	2,471,407
Federal agency and GSE commercial MBS (par value)[1]	–	–	–	1,712	3,686	2,922	8,320
GSE debt securities (par value)	–	–	–	–	2,347	–	2,347
Securities sold under agreements to repurchase (contract amount)	1,863,428	–	–	–	–	–	1,863,428
December 31, 2022:							
Treasury securities (par value)	$ 91,280	$ 369,443	$ 721,298	$ 1,915,468	$ 937,231	$ 1,464,634	$ 5,499,354
Federal agency and GSE residential MBS (par value)[1]	–	2	36	3,557	45,302	2,584,012	2,632,909
Federal agency and GSE commercial MBS (par value)[1]	–	–	–	463	4,677	3,354	8,494
GSE debt securities (par value)	–	–	–	–	2,347	–	2,347
Securities sold under agreements to repurchase (contract amount)	2,889,555	–	–	–	–	–	2,889,555

[1] The par amount shown for federal agency and GSE residential MBS and commercial MBS is the remaining principal balance of the securities.

Federal agency and GSE residential MBS (RMBS) and commercial MBS (CMBS) are reported at stated maturity in table 6. The estimated weighted-average lives of these securities differ from the stated maturity in table 6 primarily because these estimated weighted-average lives factor in scheduled payments and prepayment assumptions. The estimated weighted-average life of RMBS and CMBS as of September 30, 2023, and December 31, 2022, was as follows:

Table 6a. Estimated weighted average life of residential and commercial MBS
(in years)

	September 30, 2023	December 31, 2022
RMBS	8.9	9.0
CMBS	6.7	7.4

Information about transactions related to Treasury securities, federal agency and GSE MBS, and GSE debt securities held in the SOMA during the nine months ended September 30, 2023, and during the year ended December 31, 2022, is summarized as follows:

Table 7a. Domestic portfolio transactions of SOMA securities bills, notes, and bonds
(in millions)

	Bills	Notes	Bonds	Total Treasury securities
Balance at December 31, 2021	**$ 325,956**	**$ 3,812,476**	**$ 1,778,994**	**$ 5,917,426**
Purchases[1]	958,843	514,065	105,271	1,578,179
Sales[1]	–	–	(21)	(21)
Realized gains (losses), net[2]	–	–	(5)	(5)
Principal payments and maturities	(1,002,507)	(762,463)	(11,460)	(1,776,430)
Amortization of premiums and accretion of discounts, net	4,293	(18,981)	(10,156)	(24,844)
Inflation adjustment on inflation-indexed securities	–	19,766	15,176	34,942
Subtotal of activity	(39,371)	(247,613)	98,805	(188,179)
Balance at December 31, 2022	**$ 286,585**	**$ 3,564,863**	**$ 1,877,799**	**$ 5,729,247**
Purchases[1]	503,787	163,710	35,194	702,691
Sales[1]	–	(141)	(35)	(176)
Realized gains (losses), net[2]	–	(8)	(22)	(30)
Principal payments and maturities	(563,775)	(680,872)	(26,907)	(1,271,554)
Amortization of premiums and accretion of discounts, net	9,465	(11,418)	(8,183)	(10,136)
Inflation adjustment on inflation-indexed securities	–	6,557	5,538	12,095
Subtotal of activity	(50,523)	(522,172)	5,585	(567,110)
Balance at September 30, 2023	**$ 236,062**	**$ 3,042,691**	**$ 1,883,384**	**$ 5,162,137**
Year-ended December 31, 2022				
Supplemental information—par value of transactions				
Purchases[3]	$ 965,988	$ 515,609	$ 106,728	$ 1,588,325
Sales	–	–	(25)	(25)
Nine months ended September 30, 2023				
Supplemental information—par value of transactions				
Purchases[3]	$ 513,073	$ 164,395	$ 35,755	$ 713,222
Sales	–	(148)	(54)	(203)

[1] Purchases and sales may include payments and receipts related to principal, premiums, discounts, and inflation compensation adjustments to the basis of inflation-indexed securities.
[2] Realized gains (losses), net is the offset of the amount of realized gains and losses included in the reported sales amount.
[3] Includes inflation compensation.

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Table 7b. Domestic portfolio transactions of SOMA securities residential and commercial MBS and GSE debt securities
(in millions)

	Residential MBS	Commercial MBS	Total federal agency and GSE MBS	GSE debt securities
Balance at December 31, 2021	**$ 2,675,057**	**$ 10,211**	**$ 2,685,268**	**$ 2,610**
Purchases[1]	402,649	–	402,649	–
Sales[1]	(345)	–	(345)	–
Realized gains (losses), net[2]	(28)	–	(28)	–
Principal payments and maturities	(376,705)	(744)	(377,449)	–
Amortization of premiums and accretion of discounts, net	(12,348)	(164)	(12,512)	(26)
Subtotal of activity	13,223	(908)	12,315	(26)
Balance at December 31, 2022	**$ 2,688,280**	**$ 9,303**	**$ 2,697,583**	**$ 2,584**
Purchases[1]	453	–	453	–
Sales[1]	(247)	–	(247)	–
Realized gains (losses), net[2]	(26)	–	(26)	–
Principal payments and maturities	(161,815)	(174)	(161,989)	–
Amortization of premiums and accretion of discounts, net	(4,925)	(88)	(5,013)	(20)
Subtotal of activity	(166,560)	(262)	(166,822)	(20)
Balance at September 30, 2023	**$ 2,521,720**	**$ 9,041**	**$ 2,530,761**	**$ 2,564**
Year-ended December 31, 2022				
Supplemental information—par value of transactions				
Purchases	$ 403,669	$ –	$ 403,669	$ –
Sales	(365)	–	(365)	–
Nine months ended September 30, 2023				
Supplemental information—par value of transactions				
Purchases	$ 450	$ –	$ 450	$ –
Sales	(137)	–	(137)	–

[1] Purchases and sales may include payments and receipts related to principal, premiums, and discounts. The amount reported as sales includes the realized gains and losses on such transactions. Purchases and sales exclude MBS TBA transactions that are settled on a net basis.
[2] Realized gains (losses), net is the offset of the amount of realized gains and losses included in the reported sales amount.

Information about foreign currency denominated investments recorded at amortized cost and valued at foreign currency market exchange rates held in the SOMA at September 30, 2023, and December 31, 2022, was as follows:

Table 8. Foreign currency denominated investments
(in millions)

	September 30, 2023	December 31, 2022
Euro:		
Foreign currency deposits	$ 7,446	$ 7,092
French government debt instruments	2,445	1,103
Dutch government debt instruments	1,018	2,591
German government debt instruments	619	688
Japanese yen:		
Foreign currency deposits	6,252	7,088
Japanese government debt instruments	2	3
Total	**$ 17,782**	**$ 18,565**

UNAUDITED

The remaining maturity distribution of foreign currency denominated investments at September 30, 2023, and December 31, 2022, was as follows:

Table 9. Maturity distribution of foreign currency denominated investments
(in millions)

	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Total
September 30, 2023						
Euro	$ 7,446	$ 43	$ 367	$ 2,907	$ 765	$ 11,528
Japanese yen	6,252	–	–	2	–	6,254
Total	**$ 13,698**	**$ 43**	**$ 367**	**$ 2,909**	**$ 765**	**$ 17,782**
December 31, 2022						
Euro	$ 7,158	$ –	$ 193	$ 2,965	$ 1,158	$ 11,474
Japanese yen	7,088	–	–	3	–	7,091
Total	**$ 14,246**	**$ –**	**$ 193**	**$ 2,968**	**$ 1,158**	**$ 18,565**

At September 30, 2023, and December 31, 2022, the fair value of foreign currency denominated investments held in the SOMA was $17,371 million and $18,112 million, respectively.

Because of the global character of bank funding markets, the Federal Reserve System has, at times, coordinated with other central banks to provide liquidity. The Federal Open Market Committee (FOMC) authorized and directed the FRBNY to maintain standing U.S. dollar liquidity swap arrangements with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank in order to provide U.S. dollar liquidity to foreign markets. Effective March 20, 2023, the Bank of Canada, the Bank of England, the European Central Bank, the Swiss National Bank, and the Federal Reserve announced a coordinated effort to enhance the provision of liquidity through the standing U.S. dollar liquidity lines that increased the frequency of seven day maturity operations from weekly to daily. At the end of April 2023, the daily operations reverted back to weekly.

The remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Reserve Banks at September 30, 2023, and December 31, 2022, was as follows:

Table 10. Maturity distribution of U.S. dollar liquidity swaps
(in millions)

	Within 15 days	Total
September 30, 2023		
Euro	$ 219	$ 219
Swiss franc	10	10
Total	**$ 229**	**$ 229**
December 31, 2022		
Euro	$ 412	$ 412
Total	**$ 412**	**$ 412**

UNAUDITED

The following table presents the realized gains (losses) and the change in the cumulative unrealized gains (losses) related to SOMA domestic securities holdings during the periods ended September 30, 2023, and September 30, 2022:

Table 11. Realized gains (losses) and change in unrealized gain (loss) position
(in millions)

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Realized gains (losses), net[1, 2]	Change in cumulative unrealized gains (losses)[3]	Realized gains (losses), net[1, 2]	Change in cumulative unrealized gains (losses)[3]
Treasury securities	$ (30)	$ (121,885)	$ (5)	$ (821,793)
Federal agency and GSE MBS				
Residential	(26)	(99,351)	(221)	(429,360)
Commercial	–	(204)	–	(1,485)
Total federal agency and GSE MBS	(26)	(99,555)	(221)	(430,845)
GSE debt securities	–	(111)	–	(533)
Total	**$ (56)**	**$ (221,551)**	**$ (226)**	**$ (1,253,171)**

[1] Realized gains (losses) for Treasury securities are reported in "Other items of income (loss): System Open Market Account: Treasury securities gains (losses), net" in the Combined statements of operations.

[2] Realized gains (losses) for federal agency and GSE MBS are reported in "Other items of income (loss): System Open Market Account: Federal agency and government-sponsored enterprise mortgage-backed securities gains (losses), net" in the Combined statements of operations.

[3] Because SOMA securities are recorded at amortized cost, the change in the cumulative unrealized gains (losses) is not reported in the Combined statements of operations.

(3) Consolidated Variable Interest Entities (VIEs)

The Board of Governors authorized several lending facilities under section 13(3) of the FRA to support the flow of credit to households and businesses. The combined financial statements include the accounts and result of operations of the consolidated VIEs formed to administer certain lending facilities. A Reserve Bank consolidates a VIE if it has a controlling financial interest. The Reserve Banks that are controlling members have extended loans to the VIEs under the authority of section 13(3) of the FRA. Intercompany balances and transactions are eliminated in consolidation. Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Treasury provided credit protection to the limited liability companies (LLCs) and is a non-controlling member of MS Facilities LLC (Main Street), Municipal Liquidity Facility LLC (MLF), and Term Asset-Backed Securities Loan Facility II LLC (TALF II). The assets of the VIE and the amounts provided by the Treasury as credit protection are used to secure the loan from the Reserve Banks.

Main Street supported small and medium-sized businesses and nonprofit organizations in sound financial condition before the onset of the pandemic through the purchase of loan participations. MLF purchased municipal notes to support lending to state, city, and county governments, certain multistate entities, and other issuers of municipal securities. TALF II supported the flow of credit to consumers and businesses by enabling issuance of asset-backed securities that were backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA, and certain other assets.

The authority for MLF and TALF II to purchase assets ended December 31, 2020, and Main Street's authority to purchase assets ended on January 8, 2021. Semiannually, Main Street, MLF, and TALF II return portions of the Treasury's equity investment, as reported in table 14a and 14b, respectively.

The classification of assets and liabilities of the consolidated VIEs as of September 30, 2023, and December 31, 2022, respectively, are as follows:

Table 12a. Net portfolio assets and liabilities of consolidated VIEs
(in millions)

	Main Street	MLF	TALF II	Total
As of September 30, 2023:				
Assets				
Cash and cash equivalents[1]	$ 1,996	$ 1	$ 66	$ 2,063
Short-term investments in non-marketable securities[2]	8,646	2,511	759	11,916
Short-term investments[3]	–	104	–	104
Loan participations[4]	8,815	–	–	8,815
Municipal notes[5]	–	2,907	–	2,907
Loans[6]	–	–	336	336
Other assets	–	107	58	165
Total assets, net	**$ 19,457**	**$ 5,630**	**$ 1,219**	**$ 26,306**
Liabilities	**63**	**–**	**–**	**63**
Net assets and liabilities	**$ 19,394**	**$ 5,630**	**$ 1,219**	**$ 26,243**

[1] Includes $543 million of cash equivalents and $1,520 million of cash at September 30, 2023.
[2] Represents the portion of the Treasury preferred equity contribution to the credit facilities, which are held as short-term investments in non-marketable securities at amortized cost and the related earnings on those investments.
[3] Reported at fair value.
[4] Reported at principal amount outstanding, net of allowance, charge-offs, and recoveries and including interest.
[5] Reported at amortized cost.
[6] Reported at principal amount outstanding.

Table 12b. Net portfolio assets and liabilities of consolidated VIEs
(in millions)

	Main Street	MLF	TALF II	Total
As of December 31, 2022:				
Assets				
Cash and cash equivalents[1]	$ 2,240	$ 101	$ 54	$ 2,395
Short-term investments in non-marketable securities[2]	9,907	2,482	887	13,276
Loan participations[3]	10,763	–	–	10,763
Municipal notes[4]	–	2,907	–	2,907
Loans[5]	–	–	996	996
Other assets	–	80	19	99
Total assets, net	**$ 22,910**	**$ 5,570**	**$ 1,956**	**$ 30,436**
Liabilities	**94**	**1**	**1**	**96**
Net assets and liabilities	**$ 22,816**	**$ 5,569**	**$ 1,955**	**$ 30,340**

[1] Includes $547 million of cash equivalents and $1,848 million of cash at December 31, 2022.
[2] Represents the portion of the Treasury preferred equity contribution to the credit facilities, which are held as short-term investments in non-marketable securities at amortized cost and the related earnings on those investments.
[3] Reported at principal amount outstanding, net of allowance, charge-offs, and recoveries and including interest.
4 Reported at amortized cost.
[5] Reported at principal amount outstanding.

Investments held by MLF are subject to review each reporting period to identify indications of other-than-temporary impairment, and no impairments were indicated as of September 30, 2023. TALF II loans and Main Street loan participations are evaluated for impairment in accordance with FASB Accounting Standards Codification Topic 310 and Topic 450. No impairments were indicated for loans, and there were no loans in non-accrual status extended by TALF II as of September 30, 2023. Effective January 1, 2023, Main Street adopted the CECL methodology in accordance with *FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial instruments*, amended in subsequent related ASUs. The adoption of this methodology replaces the previous GAAP methodology, and an immaterial amount was recorded to increase credit losses under the CECL methodology. Main Street's allowance for loan losses consists of specific allowances for impaired loan participations and a general allowance for all other loan participations, collectively reflecting management's estimate of probable loan losses inherent in the loan portfolio at the reporting date. The principal exposure of loan participations in non-accrual status as of September 30, 2023, and December 31, 2022, was $1.3 billion and $2.0 billion, respectively. The evaluation of loan participations purchased by Main Street, including those in non-accrual status, resulted in recording a loan loss allowance of $0.8 billion and $1.1 billion as of September 30, 2023, and December 31, 2022, respectively. Main Street realized principal and interest losses, net of subsequent recoveries, of $231.3 million and $45.0 million for charge-offs during the periods ended September 30, 2023, and September 30, 2022, respectively. In certain cases, when a borrower experiences significant financial difficulties and is unable to meet its financial obligations, modifications to contractual terms may be approved that would not otherwise have been approved if the loan were performing. The balance of modified loan participations totaled $135.4 million and $80.0 million as of September 30, 2023, and December 31, 2022, respectively.

The maturity distribution of major asset categories in the consolidated VIEs net portfolio holdings, which have set maturity terms is as follows:

Table 13. Maturity distribution of major asset categories of consolidated VIEs
(in millions)

	Remaining maturity				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
September 30, 2023					
Cash equivalents	$ 543	$ –	$ –	$ –	$ 543
Short-term investments in non-marketable securities	11,916	–	–	–	11,916
Short-term investments	53	51	–	–	104
Loan participations	–	–	–	8,815	8,815
Municipal notes	–	2,907	–	–	2,907
Loans	–	336	–	–	336
Total	**$ 12,512**	**$ 3,294**	**$ –**	**$ 8,815**	**$ 24,621**
December 31, 2022					
Cash equivalents	$ 447	$ 100	$ –	$ –	$ 547
Short-term investments in non-marketable securities	13,276	–	–	–	13,276
Loan participations	–	–	–	10,763	10,763
Municipal notes	–	–	2,907	–	2,907
Loans	–	–	996	–	996
Total	**$ 13,723**	**$ 100**	**$ 3,903**	**$ 10,763**	**$ 28,489**

The following tables present information related to the portfolio holdings of the VIEs and the funding provided by the Reserve Bank and Treasury, as of September 30, 2023, and December 31, 2022, respectively.

Table 14a. Analysis of Reserve Bank funding and Treasury non controlling interests of VIEs
(in millions)

	September 30, 2023			
	Main Street	MLF	TALF II	Total
Outstanding amount of facility assets	$ 8,815	$ 2,907	$ 336	$ 12,058
Treasury contribution, including deposits and non-marketable Treasury securities[1]	10,149	2,947	891	13,987
Other assets and liabilities, net	430	212	124	766
Unconsolidated variable interest entities: Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net	**$ 19,394**	**$ 6,066**	**$ 1,351**	**$ 26,811**
Reserve Bank funding:				
Loans outstanding	$ 8,740	$ 2,908	$ 393	$ 12,041
Plus: Outstanding interest accrued	24	8	22	54
Total controlling interests outstanding	**$ 8,764**	**$ 2,916**	**$ 415**	**$ 12,095**
Non-controlling interest:				
Non-controlling interest–capital contribution	$ 37,500	$ 17,500	$ 10,000	$ 65,000
Return of non-controlling interest–capital contribution	(27,816)	(14,674)	(9,152)	(51,642)
Non-controlling interest–Treasury capital contributions	**$ 9,684**	**$ 2,826**	**$ 848**	**$ 13,358**
Excess of net unconsolidated VIE assets	**$ 946**	**$ 324**	**$ 88**	**$ 1,358**
Allocated to non-controlling Treasury interest	898	305	83	1,286
Allocated to Reserve Banks	48	19	5	72
Consolidated variable interest entities: Non-controlling interest	**$ 10,582**	**$ 3,131**	**$ 931**	**$ 14,644**
Memo: Earnings distribution[2]	**$ –**	**$ –**	**$ –**	**$ –**
Non-controlling Treasury interest	–	–	–	–
Reserve Banks	–	–	–	–

[1] Includes earnings on non-marketable Treasury securities and deposits from the Treasury. Treasury contributions held in deposit, which eliminate in consolidation, are $436 million for MLF and $132 million for TALF II.

[2] Represents distribution of cumulative LLC earnings upon wind down in accordance with the LLC's legal agreements.

Table 14b. Analysis of Reserve Bank funding and Treasury non controlling interests of VIEs
(in millions)

	December 31, 2022			
	Main Street	MLF	TALF II	Total
Outstanding amount of facility assets	$ 10,763	$ 2,907	$ 996	$ 14,666
Treasury contribution, including deposits and non-marketable Treasury securities[1]	11,648	2,919	1,043	15,610
Other assets and liabilities, net	405	179	72	656
Unconsolidated variable interest entities: Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net	**$ 22,816**	**$ 6,005**	**$ 2,111**	**$ 30,932**
Reserve Bank funding:				
Loans outstanding	$ 11,353	$ 2,907	$ 1,012	$ 15,272
Plus: Outstanding interest accrued	23	6	19	48
Total controlling interests outstanding	**$ 11,376**	**$ 2,913**	**$ 1,031**	**$ 15,320**
Non-controlling interest:				
Non-controlling interest–capital contribution	$ 37,500	$ 17,500	$ 10,000	$ 65,000
Return of non-controlling interest–capital contribution	(26,048)	(14,630)	(8,976)	(49,654)
Non-controlling interest–Treasury capital contributions	**$ 11,452**	**$ 2,870**	**$ 1,024**	**$ 15,346**
Excess of net unconsolidated VIE assets	**$ (12)**	**$ 222**	**$ 56**	**$ 266**
Allocated to non-controlling Treasury interest	(12)	204	53	245
Allocated to Reserve Banks	–	18	3	21
Consolidated variable interest entities: Non-controlling interest	**$ 11,440**	**$ 3,074**	**$ 1,077**	**$ 15,591**
Memo: Earnings distribution[2]	**$ –**	**$ –**	**$ –**	**$ –**
Non-controlling Treasury interest	–	–	–	–
Reserve Banks	–	–	–	–

[1] Includes earnings on non-marketable Treasury securities and deposits from the Treasury. Treasury contributions held in deposit, which eliminate in consolidation, are $436 million for MLF and $156 million for TALF II.

[2] Represents distribution of cumulative LLC earnings upon wind down in accordance with the LLC's legal agreements.

The allocation of the excess of net unconsolidated VIE assets is determined in accordance with the limited liability company agreement for each entity. The hypothetical liquidation basis of valuation (HLBV) is applied in determining the allocation. Under the HLBV, the hypothetical liquidation of the VIE at book value forms the basis for allocating income or loss and net assets between its controlling and non-controlling interest holders.

(4) Federal Reserve Notes

Federal Reserve notes are the circulating currency of the United States. These notes, which are identified as issued to a specific Reserve Bank, must be fully collateralized. All of the Reserve Banks' assets are eligible to be pledged as collateral. At September 30, 2023, and December 31, 2022, all Federal Reserve notes, net, were fully collateralized.

(5) Depository Institution Deposits

Depository institutions' deposits primarily represent the balances in the master accounts and excess balance accounts held by the depository institutions at the Reserve Banks.

(6) Treasury Deposits

The Treasury holds deposits at the Reserve Banks in a general account pursuant the Reserve Banks' role as fiscal agent and depositary of the United States.

(7) Capital and Surplus

The FRA requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. These shares have a par value of $100 and may not be transferred or hypothecated. As a member bank's capital and surplus changes, its holdings of Reserve Bank stock must be adjusted. Currently, only one-half of the subscription is paid in, and the remainder is subject to call. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

The FRA requires each Reserve Bank to pay each member bank an annual dividend on paid-in capital stock. By law member banks with more than $10 billion of total consolidated assets, adjusted annually for inflation, receive a dividend on paid-in capital stock equal to the smaller of 6 percent or the rate equal to the high yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend. Member banks with $10 billion or less of total consolidated assets, adjusted annually for inflation, receive a dividend on paid-in capital stock equal to 6 percent. The dividend is paid semiannually and is cumulative.

The FRA limits aggregate Reserve Bank surplus to $6.785 billion.

The Treasury equity contribution to the consolidated VIEs is reported as an element of "Consolidated variable interest entities formed to administer credit and liquidity facilities: Non-controlling interest" in the Combined statements of condition. The reported amount also includes Treasury's allocated portion of undistributed net VIE assets as of September 30, 2023, determined in accordance with VIE agreements and accounting policies adopted by the VIEs.

(8) Income and Expense

(A) Loans to Depository Institutions and Other Loans

Interest income on primary, secondary, and seasonal loans is accrued using the applicable rate for each loan type established at least every 14 days by the Reserve Banks' boards of directors, subject to review and determination by the Board of Governors. For other credit extensions, which include outstanding loans to depository institutions that were subsequently placed in FDIC receivership (including depository institutions established by the FDIC), interest income is accrued at 100 basis points above the primary credit rate. Interest income on advances made under the BTFP and PPPLF is accrued using the applicable rate as outlined by the term sheets of the respective programs. Interest income on outstanding BTFP loans extended to a depository institution that was subsequently placed in FDIC receivership is accrued at 100 basis points above the applicable BTFP rate.

Supplemental information on interest income on loans and other loans is as follows:

Table 15. Interest income on loans to depository institutions and other loans
(in millions)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest income:		
Primary, secondary, seasonal, and other credit	$ 5,875	$ 29
BTFP[1]	2,646	–
PPPLF[2]	22	56
Total interest income	**$ 8,543**	**$ 85**
Average daily loan balance:		
Primary, secondary, seasonal, and other credit	$ 131,643	$ 2,171
BTFP[1]	102,050	–
PPPLF[2]	8,407	21,431
Average interest rate:		
Primary, secondary, seasonal, and other credit	5.97 %	1.76 %
BTFP[1]	4.68 %	–
PPPLF[2]	0.35 %	0.35 %

[1] BTFP commenced extending loans on March 12, 2023.
[2] PPPLF ceased extending loans on July 30, 2021.

(B) SOMA Holdings

The amount reported as interest income on SOMA portfolio holdings includes the amortization of premiums and discounts. Supplemental information on interest income on SOMA portfolio holdings is as follows:

Table 16. Interest income on SOMA portfolio
(in millions)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest income:		
Securities purchased under agreements to resell	$ 195	*
Treasury securities, net	80,579	91,347
Federal agency and GSE MBS, net	43,129	39,151
GSE debt securities, net	99	100
Foreign currency denominated investments, net[1]	165	(23)
Central bank liquidity swaps	13	2
Total interest income	**$ 124,180**	**$ 130,577**
Average daily balance:		
Securities purchased under agreements to resell	$ 5,246	$ 1
Treasury securities, net[2]	5,426,496	5,985,695
Federal agency and GSE MBS, net[3]	2,622,287	2,771,068
GSE debt securities, net[2]	2,574	2,600
Foreign currency denominated investments, net[4]	18,529	18,801
Central bank liquidity swaps[5]	345	288
Average interest rate:		
Securities purchased under agreements to resell	4.95 %	1.45 %
Treasury securities, net	1.99 %	2.04 %
Federal agency and GSE MBS, net	2.19 %	1.88 %
GSE debt securities, net	5.11 %	5.11 %
Foreign currency denominated investments, net	1.19 %	-0.17 %
Central bank liquidity swaps	5.18 %	1.05 %

[1] As a result of negative interest rates on certain foreign currency denominated investments held in the SOMA, interest income on foreign currency denominated investments, net contains negative interest of $6 million and $32 million for the nine months ended September 30, 2023 and 2022, respectively.

[2] Face value, net of unamortized premiums and discounts.

[3] Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities, net of premiums and discounts.

[4] Foreign currency denominated investments are revalued daily at market exchange rates.

[5] 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.

* Less than $500 thousand.

Supplemental information on interest expense on securities sold under agreement to repurchase (reverse repurchase agreements) is as follows:

Table 17. Interest expense on securities sold under agreement to repurchase
(in millions)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest expense:		
Primary dealers and expanded counterparties[1]	$ 73,928	$ 16,400
Foreign official and international accounts[2]	12,643	2,078
Total interest expense	**$ 86,571**	**$ 18,478**
Average daily balance:		
Primary dealers and expanded counterparties[1]	$ 2,003,086	$ 1,932,321
Foreign official and international accounts[2]	342,018	271,337
Average interest rate:		
Primary dealers and expanded counterparties[1]	4.92 %	1.13 %
Foreign official and international accounts[2]	4.93 %	1.02 %

[1] Overnight and term reverse repurchase agreements arranged as open market operations are settled through a set of expanded counterparties that includes banks, savings associations, GSEs, and domestic money market funds.
[2] Reverse repurchase agreements are entered into as part of a service offering to foreign official and international account holders.

(C) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and results of operations of consolidated VIEs formed under the authority of section 13(3) of the FRA (note 3). Net income and losses from operations of the consolidated VIEs are reported as “Consolidated variable interest entities: Income, net” in the Combined statements of operations. The portion of consolidated VIE net income and loss that is allocated to the non-controlling interests is reported as “Consolidated variable interest entities: Non-controlling (income), net” in the Combined statements of operations.

Supplemental information on consolidated VIE income is as follows:

Table 18a. Net operating income (loss) of consolidated VIEs
(in millions)

	Main Street	MLF	TALF II	Total
Nine months ended September 30, 2023				
Interest income[1]	$ 887	$ 105	$ 62	$ 1,054
Other items of income (loss):				
Fees	29	1	–	30
Provision for loan losses	110	–	–	110
Realized (loss) on sale of portfolio investments	(25)	–	–	(25)
Total other items of income (loss)	114	1	–	115
Less: Expenses[2]	35	–	–	35
Net income (loss) attributable to consolidated VIEs	**$ 966**	**$ 106**	**$ 62**	**$ 1,134**
Allocated to non-controlling Treasury interest	$ 910	$ 101	$ 30	$ 1,041
Allocated to Reserve Banks	$ 56	$ 5	$ 32	$ 93

[1] Recorded when earned and includes amortization of premiums and accretion of discounts.
[2] Includes fees, participation loan servicing costs, and other expenses.

Table 18b. Net operating income (loss) of consolidated VIEs
(in millions)

	Main Street	MLF	TALF II	Total
Nine months ended September 30, 2022				
Interest income[1]	$ 456	$ 53	$ 24	$ 533
Other items of income (loss):				
Fees	38	1	–	39
Provision for loan losses	603	–	–	603
Total other items of income (loss)	641	1	–	642
Less: Expenses[2]	40	–	–	40
Net income (loss) attributable to consolidated VIEs	**$ 1,057**	**$ 54**	**$ 24**	**$ 1,135**
Allocated to non-controlling Treasury interest	$ 1,047	$ 49	$ 13	$ 1,109
Allocated to Reserve Banks	$ 10	$ 5	$ 11	$ 26

[1] Recorded when earned and includes amortization of premiums and accretion of discounts.
[2] Includes fees, participation loan servicing costs, and other expenses.

(D) Depository Institution Deposits

Depository institutions earn interest at the interest of reserve balance (IORB) rate. The Board of Governors sets the IORB rate at a rate not to exceed the general level of short-term interest rates and has the discretion to change the IORB rate at any time. Effective March 16, 2022, June 16, 2022, July 28, 2022, September 22, 2022, November 3, 2022, December 14, 2022, March 23, 2023, May 4, 2023, and July 27, 2023, the FOMC increased the established target range for the federal funds rate.

The Reserve Banks also offer term deposits through the Term Deposit Facility, and all depository institutions that are eligible to receive interest on their balances at the Reserve Banks may participate in the term deposit program. The interest rate paid on these deposits is determined by auction.

(E) Operating Expenses

The Reserve Banks have established procedures for budgetary control and monitoring of operating expenses as part of their efforts to ensure appropriate stewardship and accountability. Reserve Bank and Board governance bodies provide budget guidance for major functional areas for the upcoming budget year. The Board's Committee on Federal Reserve Bank Affairs (BAC) reviews the Banks' budgets, and the BAC chair submits the budgets to Board members for review and final action. Throughout the year, Reserve Bank and Board staff monitor actual performance and compare it with approved budgets and forecasts.

Additional information regarding Reserve Bank operating expenses is available each year in the Annual Report of the Board of Governors of the Federal Reserve System at https://www.federalreserve.gov/publications/annual-report.htm, and on the Audit webpage of the Board's website at https://www.federalreserve.gov/regreform/audit.htm.

(F) Reconciliation of Total Distribution of Comprehensive Income and Treasury Remittances

The Reserve Banks remitted excess earnings to the Treasury on a weekly basis for most of 2022. Most Reserve Banks did not remit excess earnings to the Treasury during 2023. At September 30, 2023, Treasury remittances are reported as "Earnings remittances to the Treasury, net" in the Combined statements of operations. In the fall of 2022, the Reserve Banks first suspended weekly remittances to the Treasury because earnings shifted from excess to less than the costs of operations, payment of dividends, and reservation of surplus. The Reserve Banks began accumulating a deferred asset, which represents the net accumulation of costs in excess of earnings and is reported as "Deferred asset—remittances to the Treasury" in the Combined statements of condition. The deferred asset is the amount of net excess earnings the Reserve Banks will need to realize in the future before remittances to the Treasury resume. This deferred asset is periodically reviewed for impairment and no impairment existed as of September 30, 2023.

The following table presents the distribution of the System's total comprehensive income as of September 30, 2023, and September 30, 2022:

Table 19. Reconciliation of total distribution of comprehensive income (loss) and Treasury remittances
(in millions)

	September 30, 2023	September 30, 2022
Reserve Bank and consolidated variable interest entity net (loss) income before providing for remittances to the Treasury	$ (88,059)	$ 74,213
Other comprehensive (loss) income	(46)	15
Total comprehensive (loss) income—available for distribution	$ (88,105)	$ 74,228
Distribution of comprehensive income (loss):		
Dividends	$ 1,050	$ 830
Remittances transferred to the Treasury	127	73,398
Deferred asset increase[1]	(89,282)	–
Earnings remittances to the Treasury, net	(89,155)	73,398
Total distribution of comprehensive (loss) income	$ (88,105)	$ 74,228

[1] The change in deferred asset is measured from prior year end.

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