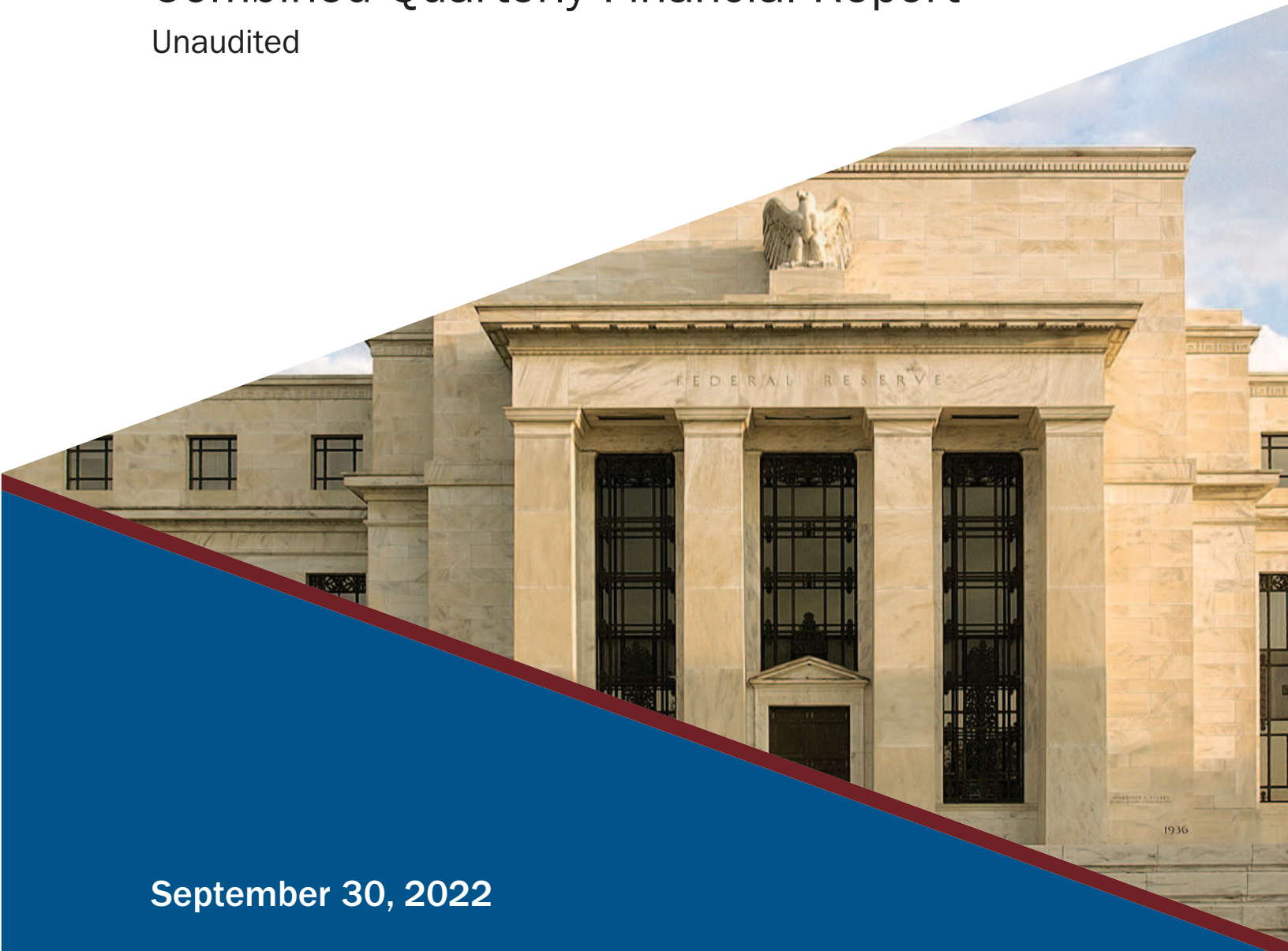




# Federal Reserve Banks Combined Quarterly Financial Report Unaudited



September 30, 2022

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.

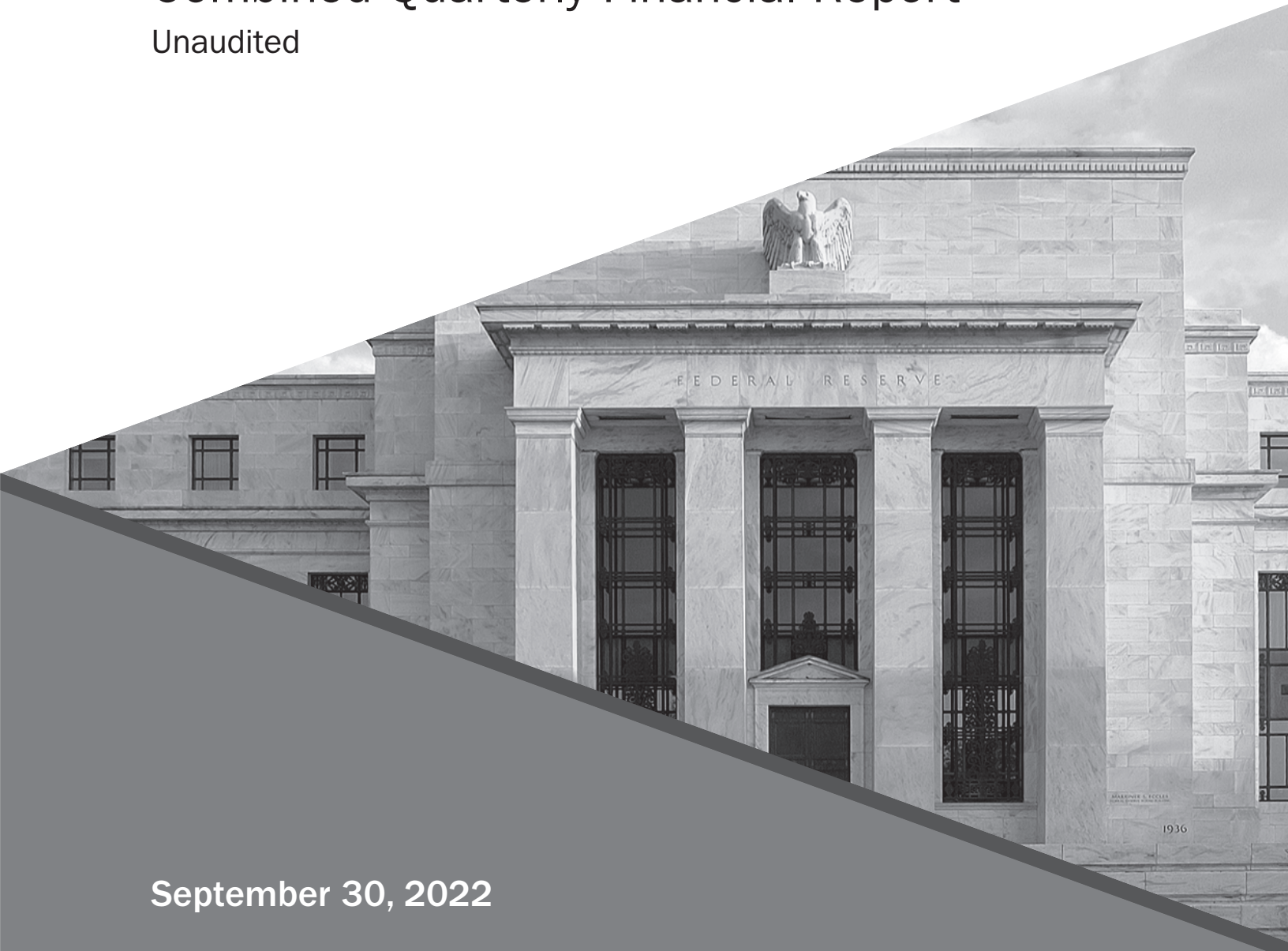
The Federal Reserve

- **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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# Federal Reserve Banks Combined Quarterly Financial Report Unaudited



September 30, 2022



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## 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>).





# Combined Quarterly Financial Statements

The following unaudited financial statements—for the quarter-ended September 30, 2022—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.

<b>Combined statements of condition</b>			
<b>(in millions)</b>			
		<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>			
Gold certificates		\$ 11,037	\$ 11,037
Special drawing rights certificates		5,200	5,200
Coin		1,242	1,232
<b>Loans:</b>	<b>Note 1</b>		
Loans to depository institutions		7,200	555
Other loans		13,959	33,853
<b>System Open Market Account:</b>	<b>Note 2</b>		
Treasury securities, net (of which \$51,369 and \$40,737 is lent as of September 30, 2022 and December 31, 2021, respectively)		5,873,710	5,917,426
Federal agency and government-sponsored enterprise mortgage-backed securities, net		2,756,299	2,685,268
Government-sponsored enterprise debt securities, net (of which \$22 and \$0 is lent as of September 30, 2022 and December 31, 2021)		2,590	2,610
Foreign currency denominated investments, net		16,940	20,330
Central bank liquidity swaps		300	3,340
Accrued interest receivable		31,559	30,976
Other assets		1	1
Consolidated variable interest entities: Investments, net (including \$571 and \$612 measured at fair value as of September 30, 2022 and December 31, 2021, respectively)	<b>Note 3</b>	33,799	40,171
Prepaid pension benefit costs		328	472
Other accrued interest receivable		81	89
Bank premises and equipment, net		2,643	2,610
Items in process of collection		79	76
Deferred asset - remittances to the Treasury		2,179	–
Other assets		1,234	1,153
<b>Total assets</b>		<b>\$ 8,760,380</b>	<b>\$ 8,756,399</b>
<b>Liabilities and capital</b>			
Federal Reserve notes outstanding, net	<b>Note 4</b>	\$ 2,229,428	\$ 2,187,139
<b>System Open Market Account:</b>	<b>Note 2</b>		
Securities sold under agreements to repurchase		2,720,433	2,183,041
Other liabilities		232	2,374
<b>Deposits:</b>			
Depository institutions	<b>Note 5</b>	2,874,800	3,644,277
Treasury, general account	<b>Note 6</b>	635,994	406,108
Other deposits		233,193	264,593
Interest payable to depository institutions and others		2,485	34
Consolidated variable interest entities: Other liabilities	<b>Note 3</b>	113	156
Accrued benefit costs		2,979	2,831
Deferred credit items		455	659
Accrued remittances to the Treasury		–	4,384
Other liabilities		829	340
<b>Total liabilities</b>		<b>\$ 8,700,941</b>	<b>\$ 8,695,936</b>
Reserve Bank capital	<b>Note 7</b>		
Capital paid-in		\$ 35,062	\$ 33,877
Surplus (including accumulated other comprehensive loss of \$2,764 and \$2,779 at September 30, 2022 and December 31, 2021, respectively)		6,785	6,785
Total Reserve Bank capital		41,847	40,662
Consolidated variable interest entities formed to administer credit and liquidity facilities: Non-controlling interest	<b>Note 3</b>	17,592	19,801
Total Reserve Bank capital and consolidated variable interest entities non-controlling interest		59,439	60,463
<b>Total liabilities and capital</b>		<b>\$ 8,760,380</b>	<b>\$ 8,756,399</b>

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<b>Combined statements of operations</b>				
<b>(in millions)</b>				
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2022</b>	<b>September 30, 2021</b>	<b>September 30, 2022</b>	<b>September 30, 2021</b>
<b>Interest income</b>				
<b>Loans:</b>	<b>Note 8(A)</b>			
Loans to depository institutions	\$ 24	\$ 1	\$ 29	\$ 2
Other loans	14	69	56	186
<b>System Open Market Account:</b>	<b>Note 8(B)</b>			
Securities purchased under agreements to resell	—	—	—	1
Treasury securities, net	32,862	26,518	91,347	69,253
Federal agency and government-sponsored enterprise mortgage-backed securities, net	14,312	8,362	39,151	20,343
Government-sponsored enterprise debt securities, net	33	34	100	101
Foreign currency denominated investments, net	(2)	(12)	(23)	(34)
Central bank liquidity swaps	1	1	2	7
Total interest income	<u>\$ 47,244</u>	<u>\$ 34,973</u>	<u>\$ 130,662</u>	<u>\$ 89,859</u>
<b>Interest expense</b>				
<b>System Open Market Account:</b>	<b>Note 8(B)</b>			
Securities sold under agreements to repurchase	\$ 13,744	\$ 165	\$ 18,478	\$ 186
Other	3	7	5	8
Depository institutions and others	<b>Note 8(D)</b> 19,723	1,649	29,163	3,649
Total interest expense	<u>33,470</u>	<u>1,821</u>	<u>47,646</u>	<u>3,843</u>
Net interest income	<u>13,774</u>	<u>33,152</u>	<u>83,016</u>	<u>86,016</u>
<b>Other items of income (loss)</b>				
<b>System Open Market Account:</b>				
Treasury securities (losses), net	\$ —	\$ —	\$ (5)	\$ —
Federal agency and government-sponsored enterprise mortgage-backed securities (losses) gains, net	(6)	16	(221)	1
Foreign currency translation (losses), net	(1,167)	(326)	(3,378)	(1,380)
Other	21	8	55	33
Income from services	117	114	351	342
Reimbursable services to government agencies	225	189	613	566
Other components of net benefit costs	67	48	305	222
Other	11	17	29	44
Total other items of (loss) income	<u>(732)</u>	<u>66</u>	<u>(2,251)</u>	<u>(172)</u>
<b>Operating expenses</b>				
	<b>Note 8(E)</b>			
Salaries and benefits	\$ 937	\$ 790	\$ 2,761	\$ 2,675
System pension service cost	241	250	710	716
Occupancy	80	77	231	236
Equipment	62	56	180	166
Other	297	349	811	720
<b>Assessments:</b>				
Board of Governors operating expenses and currency costs	518	487	1,478	1,419
Bureau of Consumer Financial Protection	64	108	407	393
Total operating expenses	<u>2,199</u>	<u>2,117</u>	<u>6,578</u>	<u>6,325</u>
Total Reserve Bank net income from operations	10,843	31,101	74,187	79,519
Consolidated variable interest entities: Income, net	<b>Note 8(C)</b> 632	368	1,135	544
Consolidated variable interest entities: Non-controlling (income), net	<b>Note 8(C)</b> (621)	(355)	(1,109)	(504)
Reserve Bank and consolidated variable interest entities net income before providing remittances to the Treasury	10,854	31,114	74,213	79,559
Earnings remittances to the Treasury	<u>10,589</u>	<u>31,011</u>	<u>73,398</u>	<u>79,274</u>
Net income after providing for remittances to the Treasury	<u>265</u>	<u>103</u>	<u>815</u>	<u>285</u>
Change in prior service costs related to benefit plans	(7)	(13)	(22)	(41)
Change in actuarial gains related to benefit plans	23	55	37	149
Total other comprehensive income	<u>16</u>	<u>42</u>	<u>15</u>	<u>108</u>
<b>Comprehensive income</b>	<u>\$ 281</u>	<u>\$ 145</u>	<u>\$ 830</u>	<u>\$ 393</u>

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<b>Combined statements of changes in capital</b>							
<small>(in millions, except share data)</small>							
	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, 2020 (647,525,381 shares of Reserve Bank capital stock)	\$ 32,376	\$ 11,244	\$ (4,419)	\$ 6,825	\$ 39,201	\$ 110,646	\$ 149,847
Net change in capital stock issued (30,008,722 shares)	1,501	–	–	–	1,501	–	1,501
Comprehensive income:	–	–	–	–	–	–	–
Reserve Bank net loss after providing for remittances to the Treasury	–	(1,145)	–	(1,145)	(1,145)	–	(1,145)
Consolidated variable interest entities: Income, net	–	48	–	48	48	927	975
Other comprehensive income	–	–	1,640	1,640	1,640	–	1,640
Dividends on capital stock	–	(583)	–	(583)	(583)	–	(583)
Consolidated variable interest entities: Non-controlling interest - capital contribution (distribution)	–	–	–	–	–	(91,243)	(91,243)
Consolidated variable interest entities: Non-controlling interest - (earnings distribution)	–	–	–	–	–	(529)	(529)
Net change in Reserve Bank capital and non-controlling interest	1,501	(1,680)	1,640	(40)	1,461	(90,845)	(89,384)
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 (23,708,552 shares)	1,185	–	–	–	1,185	–	1,185
Comprehensive income:	–	–	–	–	–	–	–
Reserve Bank net income after providing for remittances to the Treasury	–	789	–	789	789	–	789
Consolidated variable interest entities: Income, net	–	26	–	26	26	1,109	1,135
Other comprehensive income	–	–	15	15	15	–	15
Dividends on capital stock	–	(830)	–	(830)	(830)	–	(830)
Consolidated variable interest entities: Non-controlling interest - capital contribution (distribution)	–	–	–	–	–	(3,318)	(3,318)
Consolidated variable interest entities: Non-controlling interest - (earnings distribution)	–	–	–	–	–	–	–
Net change in Reserve Bank capital and non-controlling interest	1,185	(15)	15	–	1,185	(2,209)	(1,024)
<b>Balance at September 30, 2022 (701,242,655 shares of Reserve Bank capital stock)</b>	<b>\$ 35,062</b>	<b>\$ 9,549</b>	<b>\$ (2,764)</b>	<b>\$ 6,785</b>	<b>\$ 41,847</b>	<b>\$ 17,592</b>	<b>\$ 59,439</b>

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# Supplemental Financial Information

## (1) Loans

### Loans to Depository Institutions

The Reserve Banks offer primary, secondary, and seasonal loans to eligible borrowers. Primary and secondary loans are extended on a short-term basis, typically overnight, whereas seasonal loans may be extended for a period of up to nine months.

### Other Loans

The Board of Governors authorized the Paycheck Protection Program Liquidity Facility (PPPLF) under section 13(3) of the Federal Reserve Act (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 ceased extending credit on July 30, 2021.

The amounts outstanding at September 30, 2022, and December 31, 2021, for loans to depository institutions and other loans were as follows (in millions):

<b>Table 1. Loans to depository institutions and other loans</b>		
<small>(in millions)</small>		
	September 30, 2022	December 31, 2021
<b>Loans to depository institutions</b>		
Primary, secondary, and seasonal credit	\$ 7,200	\$ 555
<b>Other loans</b>		
PPPLF	13,959	33,853
<b>Total loans</b>	<b>\$ 21,159</b>	<b>\$ 34,408</b>

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The remaining maturity distribution of loans to depository institutions and other loans outstanding as of September 30, 2022, and December 31, 2021, was as follows:

<b>Table 2. Maturity distribution of Loans to depository institutions and other loans</b>					
<small>(in millions)</small>					
	Remaining maturity				Total
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	
<b>September 30, 2022</b>					
<b>Loans to depository institutions</b>					
Primary, secondary, and seasonal credit	\$2,840	\$4,360	\$–	\$–	\$ 7,200
<b>Other loans</b>					
PPPLF <sup>1</sup>	9	–	–	13,950	13,959
<b>Total loans</b>	<b>\$ 2,849</b>	<b>\$ 4,360</b>	<b>\$ –</b>	<b>\$ 13,950</b>	<b>\$ 21,159</b>
<b>December 31, 2021</b>					
<b>Loans to depository institutions</b>					
Primary, secondary, and seasonal credit	\$ 252	\$ 303	\$ –	\$ –	\$ 555
<b>Other loans</b>					
PPPLF	–	–	1,445	32,408	33,853
<b>Total loans</b>	<b>\$ 252</b>	<b>\$ 303</b>	<b>\$ 1,445</b>	<b>\$ 32,408</b>	<b>\$ 34,408</b>

<sup>1</sup> A component of PPPLF loans presented in the "Within 15 days" category has reached maturity and is recognized as performing loans based upon the underlying guarantee of the collateral by the SBA.

At September 30, 2022, and December 31, 2021, the Reserve Banks did not have any loans that were impaired, restructured, past due and determined non-performing, or on non-accrual status, and no allowance for loan losses was required.

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## (2) System Open Market Account (SOMA) Holdings

Treasury securities, federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS), and GSE debt securities are reported at amortized cost in the Combined statements of condition. SOMA portfolio holdings at September 30, 2022, and December 31, 2021, were as follows:

<b>Table 3. Domestic SOMA portfolio holdings</b>						
<b>(in millions)</b>						
	<b>September 30, 2022</b>			<b>December 31, 2021</b>		
	<b>Amortized cost</b>	<b>Fair value</b>	<b>Cumulative unrealized gains (losses), net</b>	<b>Amortized cost</b>	<b>Fair value</b>	<b>Cumulative unrealized gains (losses), net</b>
<b>Treasury securities</b>						
Bills	\$ 307,878	\$ 307,407	\$ (471)	\$ 325,956	\$ 325,929	\$ (27)
Notes	3,690,110	3,388,633	(301,477)	3,812,476	3,802,434	(10,042)
Bonds	1,875,722	1,490,506	(385,216)	1,778,994	1,923,692	144,698
<b>Total Treasury securities</b>	<b>\$ 5,873,710</b>	<b>\$ 5,186,546</b>	<b>\$ (687,164)</b>	<b>\$ 5,917,426</b>	<b>\$ 6,052,055</b>	<b>\$ 134,629</b>
<b>Federal agency and GSE MBS</b>						
Residential	\$ 2,746,855	\$ 2,310,190	\$ (436,665)	\$ 2,675,057	\$ 2,667,752	\$ (7,305)
Commercial	9,444	7,816	(1,628)	10,211	10,068	(143)
<b>Total federal agency and GSE MBS</b>	<b>\$ 2,756,299</b>	<b>\$ 2,318,006</b>	<b>\$ (438,293)</b>	<b>\$ 2,685,268</b>	<b>\$ 2,677,820</b>	<b>\$ (7,448)</b>
GSE debt securities	2,590	2,745	155	2,610	3,298	688
<b>Total domestic SOMA portfolio securities holdings</b>	<b>\$ 8,632,599</b>	<b>\$ 7,507,297</b>	<b>\$ (1,125,302)</b>	<b>\$ 8,605,304</b>	<b>\$ 8,733,173</b>	<b>\$ 127,869</b>
<b>Memorandum - Commitments for purchases of:</b>						
Treasury securities <sup>1</sup>	\$ 4,963	\$ 4,962	\$ (1)	\$ 4,674	\$ 4,674	\$ -
Federal agency and GSE MBS <sup>1</sup>	3,118	3,002	(116)	98,724	98,693	(31)
<b>Memorandum - Commitments for sales of:</b>						
Treasury securities <sup>2</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal agency and GSE MBS <sup>2</sup>	-	-	-	87	87	-

<sup>1</sup> The amortized cost column presents unsettled purchase costs.

<sup>2</sup> The amortized cost column presents unsettled sales proceeds.

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The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at September 30, 2022, and December 31, 2021:

<b>Table 4. Detail of Federal agency and GSE MBS holdings: distribution of MBS holdings by coupon rate</b>				
<b>(In millions)</b>				
	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>Amortized cost</b>	<b>Fair value</b>	<b>Amortized cost</b>	<b>Fair value</b>
<b>Residential</b>				
1.50%	\$ 172,394	\$ 141,168	\$ 176,227	\$ 172,999
2.00%	1,053,868	856,638	1,053,493	1,036,086
2.50%	768,174	637,264	736,648	728,310
3.00%	330,753	288,269	334,788	340,133
3.50%	216,403	194,588	216,456	223,964
4.00%	132,526	122,326	114,300	119,260
4.50%	54,302	51,890	29,973	32,369
5.00%	16,003	15,605	10,238	11,377
5.50%	2,088	2,093	2,521	2,794
6.00%	301	305	361	402
6.50%	43	44	52	58
<b>Total</b>	<b>\$ 2,746,855</b>	<b>\$ 2,310,190</b>	<b>\$ 2,675,057</b>	<b>\$ 2,667,752</b>
<b>Commercial</b>				
1.00% - 1.50%	\$ 91	\$ 70	\$ 92	\$ 87
1.51% - 2.00%	458	358	503	485
2.01% - 2.50%	1,041	853	1,128	1,104
2.51% - 3.00%	1,439	1,192	1,593	1,567
3.01% - 3.50%	2,966	2,448	3,151	3,119
3.51% - 4.00%	3,175	2,671	3,448	3,417
4.01% - 4.50%	274	224	296	289
<b>Total</b>	<b>\$ 9,444</b>	<b>\$ 7,816</b>	<b>\$ 10,211</b>	<b>\$ 10,068</b>
<b>Total MBS</b>	<b>\$ 2,756,299</b>	<b>\$ 2,318,006</b>	<b>\$ 2,685,268</b>	<b>\$ 2,677,820</b>

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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, 2022, and December 31, 2021, was as follows:

<b>Table 5. Reverse Repurchase Agreements</b>				
<small>(In millions)</small>				
	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
<b>Reverse repurchase agreements conducted with</b>				
<b>Primary dealers and expanded counterparties:</b>				
Contract amount outstanding, end of period	\$	2,425,910	\$	1,904,582
Securities pledged (par value), end of period		2,644,992		1,844,099
Securities pledged (fair value), end of period		2,415,306		1,905,973
<b>Foreign official and international accounts:</b>				
Contract amount outstanding, end of period		294,523		278,459
Securities pledged (par value), end of period		332,396		274,442
Securities pledged (fair value), end of period		292,777		278,472
<b>Total reverse repurchase agreement contract amount outstanding, end of period</b>	<b>\$</b>	<b>2,720,433</b>	<b>\$</b>	<b>2,183,041</b>

There were no outstanding repurchase agreement contracts that were transacted with primary dealers, eligible counterparties, and foreign official and international account holders as of September 30, 2022 and December 31, 2021.

**UNAUDITED**

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, 2022, and December 31, 2021, was as follows:

<b>Table 6. Maturity distribution of SOMA domestic portfolio securities, securities purchased under agreements to resell, and securities sold under agreements to repurchase</b>							
<b>(in millions)</b>							
	<b>Within 15 days</b>	<b>16 days to 90 days</b>	<b>91 days to 1 year</b>	<b>Over 1 year to 5 years</b>	<b>Over 5 years to 10 years</b>	<b>Over 10 years</b>	<b>Total</b>
<b>September 30, 2022:</b>							
Treasury securities (par value)	\$ 57,969	\$ 321,152	\$ 828,989	\$ 1,979,984	\$ 991,991	\$ 1,454,855	\$ 5,634,940
Federal agency and GSE residential MBS (par value) <sup>1</sup>	–	1	46	2,955	49,730	2,636,825	2,689,557
Federal agency and GSE commercial MBS (par value) <sup>1</sup>	–	–	–	296	4,817	3,488	8,601
GSE debt securities (par value)	–	–	–	–	2,347	–	2,347
Securities sold under agreements to repurchase (contract amount)	2,720,433	–	–	–	–	–	2,720,433
<b>December 31, 2021:</b>							
Treasury securities (par value)	\$ 54,973	\$ 351,418	\$ 727,400	\$ 2,146,103	\$ 1,019,239	\$ 1,353,409	\$ 5,652,542
Federal agency and GSE residential MBS (par value) <sup>1</sup>	–	–	26	1,690	55,311	2,549,282	2,606,309
Federal agency and GSE commercial MBS (par value) <sup>1</sup>	–	–	–	113	5,017	4,107	9,237
GSE debt securities (par value)	–	–	–	–	2,134	213	2,347
Securities sold under agreements to repurchase (contract amount)	2,183,041	–	–	–	–	–	2,183,041

<sup>1</sup> 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, 2022, and December 31, 2021, was as follows:

<b>Table 6a. Estimated weighted-average life of residential and commercial CMBS</b>		
<b>(in years)</b>		
	<b>September 30, 2022</b>	<b>December 31, 2021</b>
RMBS	9.1	5.7
CMBS	7.7	8.3

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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, 2022, and during the year ended December 31, 2021, is summarized as follows:

<b>Table 7a. Domestic portfolio transactions of SOMA securities - bills, notes, and bonds</b>				
<b>(in millions)</b>				
	<b>Bills</b>	<b>Notes</b>	<b>Bonds</b>	<b>Total Treasury securities</b>
<b>Balance at Balance at December 31, 2020</b>	<b>\$ 325,937</b>	<b>\$ 3,133,576</b>	<b>\$ 1,496,358</b>	<b>\$ 4,955,871</b>
Purchases <sup>1</sup>	996,069	1,380,267	324,921	2,701,257
Sales <sup>1</sup>	–	(50)	–	(50)
Realized gains (losses), net <sup>2</sup>	–	–	–	–
Principal payments and maturities	(996,284)	(691,911)	(42,195)	(1,730,390)
Amortization of premiums and accretion of discounts, net	234	(23,435)	(10,772)	(33,973)
Inflation adjustment on inflation-indexed securities	–	14,029	10,682	24,711
Subtotal of activity	19	678,900	282,636	961,555
<b>Balance at Balance at December 31, 2021</b>	<b>\$ 325,956</b>	<b>\$ 3,812,476</b>	<b>\$ 1,778,994</b>	<b>\$ 5,917,426</b>
Purchases <sup>1</sup>	742,314	473,101	96,356	1,311,771
Sales <sup>1</sup>	–	–	(21)	(21)
Realized gains (losses), net <sup>2</sup>	–	–	(4)	(4)
Principal payments and maturities	(762,406)	(599,203)	(6,264)	(1,367,873)
Amortization of premiums and accretion of discounts, net	2,014	(14,473)	(7,277)	(19,736)
Inflation adjustment on inflation-indexed securities	–	18,209	13,938	32,147
Subtotal of activity	(18,078)	(122,366)	96,728	(43,716)
<b>Balance at Balance at September 30, 2022</b>	<b>\$ 307,878</b>	<b>\$ 3,690,110</b>	<b>\$ 1,875,722</b>	<b>\$ 5,873,710</b>
Year-ended December 31, 2021				
<b>Supplemental information - par value of transactions</b>				
Purchases <sup>3</sup>	\$ 996,284	\$ 1,363,886	\$ 309,172	\$ 2,669,342
Sales	–	(50)	–	(50)
Nine months ended September 30, 2022				
<b>Supplemental information - par value of transactions</b>				
Purchases <sup>3</sup>	\$ 746,048	\$ 474,425	\$ 97,676	\$ 1,318,149
Sales	–	–	(25)	(25)
<sup>1</sup> Purchases and sales may include payments and receipts related to principal, premiums, discounts, and inflation compensation adjustments to the basis of inflation-indexed securities. The amount reported as sales includes the realized gains and losses on such transactions.				
<sup>2</sup> Realized gains (losses), net is the offset of the amount of realized gains and losses included in the reported sales amount.				
<sup>3</sup> Includes inflation compensation.				

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<b>Table 7b. Domestic portfolio transactions of SOMA securities - residential and commercial MBS and GSE debt securities</b>				
<b>(in millions)</b>				
	<b>Residential MBS</b>	<b>Commercial MBS</b>	<b>Total federal agency and GSE MBS</b>	<b>GSE debt securities</b>
<b>Balance at December 31, 2020</b>	<b>\$ 2,098,753</b>	<b>\$ 10,962</b>	<b>\$ 2,109,715</b>	<b>\$ 2,634</b>
Purchases <sup>1</sup>	1,444,058	328	1,444,386	–
Sales <sup>1</sup>	(255)	–	(255)	–
Realized gains, net <sup>2</sup>	1	–	1	–
Principal payments and maturities	(836,672)	(916)	(837,588)	–
Amortization of premiums and accretion of discounts, net	(30,828)	(163)	(30,991)	(24)
Subtotal of activity	576,304	(751)	575,553	(24)
<b>Balance at December 31, 2021</b>	<b>\$ 2,675,057</b>	<b>\$ 10,211</b>	<b>\$ 2,685,268</b>	<b>\$ 2,610</b>
Purchases <sup>1</sup>	399,532	–	399,532	–
Sales <sup>1</sup>	(231)	–	(231)	–
Realized gains, net <sup>2</sup>	(16)	–	(16)	–
Principal payments and maturities	(317,014)	(636)	(317,650)	–
Amortization of premiums and accretion of discounts, net	(10,473)	(131)	(10,604)	(20)
Subtotal of activity	71,798	(767)	71,031	(20)
<b>Balance at September 30, 2022</b>	<b>\$ 2,746,855</b>	<b>\$ 9,444</b>	<b>\$ 2,756,299</b>	<b>\$ 2,590</b>
Year-ended December 31, 2021				
<b>Supplemental information - par value of transactions</b>				
Purchases	\$ 1,413,602	\$ 313	\$ 1,413,915	\$ –
Sales	(248)	–	(248)	–
Nine months ended September 30, 2022				
<b>Supplemental information - par value of transactions</b>				
Purchases	\$ 400,504	\$ –	\$ 400,504	\$ –
Sales	(243)	–	(243)	–
<sup>1</sup> 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.				
<sup>2</sup> Realized gains (losses), net is the offset of the amount of realized gains and losses included in the reported sales amount.				

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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, 2022, and December 31, 2021, was as follows:

<b>Table 8. Foreign currency denominated investments</b>				
<small>(in millions)</small>				
	September 30, 2022		December 31, 2021	
<b>Euro:</b>				
Foreign currency deposits	\$	6,376	\$	6,576
French government debt instruments		2,461		2,910
Dutch government debt instruments		1,012		1,791
German government debt instruments		633		932
<b>Japanese yen:</b>				
Foreign currency deposits		6,456		7,564
Japanese government debt instruments		2		557
<b>Total</b>	<b>\$</b>	<b>16,940</b>	<b>\$</b>	<b>20,330</b>

The remaining maturity distribution of foreign currency denominated investments at September 30, 2022, and December 31, 2021, was as follows:

<b>Table 9. Maturity distribution of foreign currency denominated investments</b>						
<small>(in millions)</small>						
	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
<b>September 30, 2022</b>						
Euro	\$ 6,376	\$ 83	\$ 198	\$ 2,609	\$ 1,216	\$ 10,482
Japanese yen	6,456	–	–	2	–	6,458
<b>Total</b>	<b>\$ 12,832</b>	<b>\$ 83</b>	<b>\$ 198</b>	<b>\$ 2,611</b>	<b>\$ 1,216</b>	<b>\$ 16,940</b>
<b>December 31, 2021</b>						
Euro	\$ 2,149	\$ –	\$ 5,329	\$ 2,163	\$ 2,568	\$ 12,209
Japanese yen	7,564	23	531	3	–	8,121
<b>Total</b>	<b>\$ 9,713</b>	<b>\$ 23</b>	<b>\$ 5,860</b>	<b>\$ 2,166</b>	<b>\$ 2,568</b>	<b>\$ 20,330</b>

At September 30, 2022, and December 31, 2021, the fair value of foreign currency denominated investments held in the SOMA was \$16,593 million and \$20,398 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. The FOMC established temporary swap U.S. dollar liquidity lines with the Reserve Bank of Australia, the Banco Central do Brasil, the Danmarks Nationalbank (Denmark), the Bank of Korea, the Banco de Mexico, the Norges Bank (Norway), the Reserve Bank of New Zealand, the Monetary Authority of Singapore, and the Sveriges Riksbank (Sweden). The temporary swap lines expired on December 31, 2021.

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The remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Reserve Banks at September 30, 2022, and December 31, 2021, was as follows:

	Within 15 days	16 days to 90 days	Total
<b>September 30, 2022</b>			
British pound	\$ 5	\$ –	\$ 5
Euro	\$ 275	\$ –	\$ 275
Swiss franc	20	–	20
<b>Total</b>	<b>\$ 300</b>	<b>\$ –</b>	<b>\$ 300</b>
<b>December 31, 2021</b>			
Euro	\$ 940	\$ –	\$ 940
Mexican peso	–	50	50
Swiss franc	2,350	–	2,350
<b>Total</b>	<b>\$ 3,290</b>	<b>\$ 50</b>	<b>\$ 3,340</b>

The following table presents the realized gains (losses) and the change in the cumulative unrealized gains related to SOMA domestic securities holdings during the periods ended September 30, 2022, and September 30, 2021:

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	Realized gains (losses), net <sup>1,2</sup>	Change in cumulative unrealized gains (losses) <sup>3</sup>	Realized gains (losses), net <sup>2</sup>	Change in cumulative unrealized gains (losses) <sup>3</sup>
Treasury securities	\$ (5)	\$ (821,793)	\$ –	\$ (167,862)
Federal agency and GSE MBS				
Residential	(221)	(429,360)	1	(42,607)
Commercial	–	(1,485)	–	(282)
Total federal agency and GSE MBS	(221)	(430,845)	1	(42,889)
GSE debt securities	–	(533)	–	(188)
<b>Total</b>	<b>\$ (226)</b>	<b>\$ (1,253,171)</b>	<b>\$ 1</b>	<b>\$ (210,939)</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 Federal Reserve Act (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

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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 of MS Facilities LLC (Main Street), Municipal Liquidity Facility LLC (MLF), Term Asset-Backed Securities Loan Facility II LLC (TALF II), and Corporate Credit Facilities LLC (CCF). The Treasury, using the Exchange Stabilization Fund, made an equity investment in CP Funding Facility II LLC (CPFF 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 which were backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA, and certain other assets. CPFF II supported the flow of credit to households and business through US dollar-denominated commercial paper issuances which supplied credit and funding for auto loans, mortgages, and liquidity to meet operational needs of a range of companies. CCF provided liquidity to employers by purchasing original corporate bond and loans issuances, and outstanding corporate bonds and exchange traded funds.

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. During 2022 and 2021, Main Street, MLF, and TALF II returned portions of the Treasury's equity investment, as reported in table 14a and 14b, respectively. The authority for CPFF II and CCF to purchase assets ended December 31, 2020, and March 31, 2021, respectively. Prior to the termination of CCF and CPFF II, where all obligations of the facilities were repaid, the remaining assets were distributed to the FRBNY and Treasury, as reported in table 14b.

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The classification of assets and liabilities of the consolidated VIEs as of September 30, 2022, and December 31, 2021, respectively, are as follows:

<b>Table 12a. Net portfolio assets and liabilities of consolidated VIEs</b>				
<i>(in millions)</i>				
	Main Street	MLF	TALF II	Total
<b>As of September 30, 2022:</b>				
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	\$ 2,620	\$ 101	\$ 45	\$ 2,766
Short-term investments in non-marketable securities <sup>2</sup>	11,912	2,487	992	15,391
Loan participations <sup>3</sup>	11,568	–	–	11,568
Municipal notes <sup>4</sup>	–	2,907	–	2,907
Loans <sup>5</sup>	–	–	1,058	1,058
Other assets	–	69	40	109
<b>Total assets, net</b>	<b>\$ 26,100</b>	<b>\$ 5,564</b>	<b>\$ 2,135</b>	<b>\$ 33,799</b>
<b>Liabilities</b>	<b>111</b>	<b>1</b>	<b>1</b>	<b>113</b>
<b>Net assets and liabilities</b>	<b>\$ 25,989</b>	<b>\$ 5,563</b>	<b>\$ 2,134</b>	<b>\$ 33,686</b>
<sup>1</sup> Includes \$571 million of cash equivalents and \$2,195 million of cash at September 30, 2022. <sup>2</sup> 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. <sup>3</sup> Reported at principal amount outstanding, net of allowance including interest. <sup>4</sup> Reported at amortized cost. <sup>5</sup> Reported at principal amount outstanding.				

<b>Table 12b. Net portfolio assets and liabilities of consolidated VIEs</b>				
<i>(in millions)</i>				
	Main Street	MLF	TALF II	Total
<b>As of December 31, 2021:</b>				
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	\$ 2,931	\$ 1	\$ 32	\$ 2,964
Short-term investments in non-marketable securities <sup>2</sup>	13,332	3,594	1,163	18,089
Short-term investments <sup>3</sup>	–	59	–	59
Loan participations <sup>4</sup>	13,444	–	–	13,444
Municipal notes <sup>5</sup>	–	4,131	–	4,131
Loans <sup>6</sup>	–	–	1,346	1,346
Other assets	–	79	59	138
<b>Total assets, net</b>	<b>\$ 29,707</b>	<b>\$ 7,864</b>	<b>\$ 2,600</b>	<b>\$ 40,171</b>
<b>Liabilities</b>	<b>152</b>	<b>3</b>	<b>1</b>	<b>156</b>
<b>Net assets and liabilities</b>	<b>\$ 29,555</b>	<b>\$ 7,861</b>	<b>\$ 2,599</b>	<b>\$ 40,015</b>
<sup>1</sup> Includes \$553 million of cash equivalents and \$2,411 million of cash at December 31, 2021. <sup>2</sup> 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. <sup>3</sup> Reported at fair value. <sup>4</sup> Reported at principal amount outstanding, net of allowance including interest. <sup>5</sup> Reported at amortized cost. <sup>6</sup> Reported at principal amount outstanding.				

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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, 2022. TALF II loans and Main Street loan participations are evaluated for impairment in accordance with Financial Accounting Standards Board 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, 2022. 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 reporting date. The principal exposure of loan participations in non-accrual status as of September 30, 2022, and December 31, 2021 was \$2,466 million and \$3,011 million, respectively. The evaluation of loan participations purchased by Main Street, including those in non-accrual status, resulted in recording a loan loss allowance of \$1,398 million and \$2,007 million as of September 30, 2022, and December 31, 2021, respectively. Main Street realized losses, net of subsequent recoveries, of \$45 million and \$12 million for charge-offs as of September 30, 2022, and September 30, 2021, respectively.

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

<b>Table 13. Maturity distribution of major asset categories of consolidated VIEs</b>					
<b>(In millions)</b>					
	Remaining maturity				Total
	Within 15 days	16 day to 90 days	91 days to 1 year	Over 1 year to 5 years	
<b>September 30, 2022</b>					
Cash equivalents	\$ 471	\$ 100	\$ –	\$ –	\$ 571
Short-term investments in non-marketable securities	15,391	–	–	–	15,391
Short-term investments	–	–	–	–	–
Loan participations	–	–	–	11,568	11,568
Municipal notes	–	–	–	2,907	2,907
Loans	–	–	484	574	1,058
<b>Total</b>	<b>\$ 15,862</b>	<b>\$ 100</b>	<b>\$ 484</b>	<b>\$ 15,049</b>	<b>\$ 31,495</b>
<b>December 31, 2021</b>					
Cash equivalents	\$ 553	\$ –	\$ –	\$ –	\$ 553
Short-term investments in non-marketable securities	18,089	–	–	–	18,089
Short-term investments	–	–	59	–	59
Loan participations	–	–	–	13,444	13,444
Municipal notes	–	482	–	3,649	4,131
Loans	–	–	–	1,346	1,346
<b>Total</b>	<b>\$ 18,642</b>	<b>\$ 482</b>	<b>\$ 59</b>	<b>\$ 18,439</b>	<b>\$ 37,622</b>

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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, 2022, and December 31, 2021, respectively.

<b>Table 14a. Analysis of Reserve Bank funding and Treasury noncontrolling-interests of VIEs</b>				
<b>(in millions)</b>				
	<b>September 30, 2022</b>			
	<b>Main Street</b>	<b>MLF</b>	<b>TALF II</b>	<b>Total</b>
Outstanding amount of facility assets	\$ 11,568	\$ 2,907	\$ 1,058	\$ 15,533
Treasury contribution, including deposits and non-marketable Treasury securities <sup>1</sup>	14,001	2,923	1,166	18,090
Other assets and liabilities, net	420	169	84	673
<b>Unconsolidated variable interest entities: Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net</b>	<b>\$ 25,989</b>	<b>\$ 5,999</b>	<b>\$ 2,308</b>	<b>\$ 34,296</b>
<b>Reserve Bank funding:</b>				
Loans outstanding	\$ 12,642	\$ 2,907	\$ 1,096	\$ 16,645
Plus: Outstanding interest accrued	23	6	10	39
<b>Total controlling interests outstanding</b>	<b>\$ 12,665</b>	<b>\$ 2,913</b>	<b>\$ 1,106</b>	<b>\$ 16,684</b>
<b>Non-controlling interest:</b>				
Non-controlling interest - capital contribution	\$ 37,500	\$ 17,500	\$ 10,000	\$ 65,000
Return of non-controlling interest - capital contribution	(23,609)	(14,606)	(8,846)	(47,061)
<b>Non-controlling interest-Treasury capital contributions</b>	<b>\$ 13,891</b>	<b>\$ 2,894</b>	<b>\$ 1,154</b>	<b>\$ 17,939</b>
<b>Excess of net unconsolidated VIE assets</b>	<b>\$ (567)</b>	<b>\$ 192</b>	<b>\$ 48</b>	<b>\$ (327)</b>
Allocated to non-controlling Treasury interest	(567)	175	45	(347)
Allocated to Reserve Bank	–	17	3	20
<b>Consolidated variable interest entities: Non- controlling interest</b>	<b>\$ 13,324</b>	<b>\$ 3,069</b>	<b>\$ 1,199</b>	<b>\$ 17,592</b>
<b>Memo: Earnings distribution<sup>2</sup></b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>
Non-controlling Treasury interest	–	–	–	–
Reserve Bank	–	–	–	–

<sup>1</sup> 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 \$174 million for TALF II.

<sup>2</sup> Represents distribution of cumulative LLC earnings upon wind down in accordance with the LLC's legal agreements.

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

	December 31, 2021					
	CPFF II	CCF	Main Street	MLF	TALF II	Total
Outstanding amount of facility assets	\$ —	\$ —	\$ 13,444	\$ 4,131	\$ 1,346	\$ 18,921
Treasury contribution, including deposits and non-marketable Treasury securities <sup>1</sup>	—	—	15,691	4,228	1,368	21,287
Other assets and liabilities, net	—	—	420	136	90	646
<b>Unconsolidated variable interest entities:</b>						
<b>Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 29,555</b>	<b>\$ 8,495</b>	<b>\$ 2,804</b>	<b>\$ 40,854</b>
<b>Reserve Bank funding:</b>						
Loans outstanding	\$ —	\$ —	\$ 15,478	\$ 4,131	\$ 1,405	\$ 21,014
Plus: Outstanding interest accrued	—	—	17	5	2	24
<b>Total controlling interests outstanding</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 15,495</b>	<b>\$ 4,136</b>	<b>\$ 1,407</b>	<b>\$ 21,038</b>
<b>Non-controlling interest:</b>						
Non-controlling interest - capital contribution	\$ 10,000	\$ 37,500	\$ 37,500	\$ 17,500	\$ 10,000	\$ 112,500
Return of non-controlling interest - capital contribution	(10,000)	(37,500)	(21,826)	(13,281)	(8,636)	(91,243)
<b>Total controlling interests outstanding</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 15,674</b>	<b>\$ 4,219</b>	<b>\$ 1,364</b>	<b>\$ 21,257</b>
<b>Excess of net unconsolidated VIE assets</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1,614)</b>	<b>\$ 140</b>	<b>\$ 33</b>	<b>\$ (1,441)</b>
Allocated to non-controlling Treasury interest	—	—	(1,614)	127	31	(1,456)
Allocated to Reserve Bank	—	—	—	13	2	15
<b>Consolidated variable interest entities:</b>						
<b>Non-controlling interest</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 14,060</b>	<b>\$ 4,346</b>	<b>\$ 1,395</b>	<b>\$ 19,801</b>
<b>Memo: Earnings distribution<sup>2</sup></b>	<b>\$ 54</b>	<b>\$ 532</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 586</b>
Non-controlling Treasury interest	49	480	—	—	—	529
Reserve Banks	5	52	—	—	—	57

<sup>1</sup> Includes earnings on non-marketable Treasury securities and deposits from the Treasury. Treasury contributions held in deposit, which eliminate in consolidation, are \$634 million for MLF and \$205 million for TALF II.

<sup>2</sup> 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.

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#### **(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, 2022, and December 31, 2021, 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 that depository institutions hold at the Reserve Banks. Required reserve balances are those that a depository institution must hold to satisfy its reserve requirement. Reserve requirements are the amount of funds that a depository institution must hold in reserve against specified deposit liabilities. Excess reserves are those held by the depository institutions in excess of their required reserve balances. Effective March 26, 2020, reserve requirements were removed, and all balances held are excess balances.

#### **(6) Treasury Deposits**

The Treasury holds deposits at the Reserve Banks in a general account pursuant the Reserve Banks' role as fiscal agent and depository 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. On January 1, 2021, the National Defense Authorization Act for 2021 reduced the aggregate Reserve Bank surplus from \$6.825 billion to \$6.785 billion. On February 5, 2021, Reserve Banks made a \$40 million lump sum payment to the

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Treasury and is reported as a component of “Earnings remittances to the Treasury” in the Combined statements of operations.

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, 2022, 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 credit is accrued using the applicable rate established at least every 14 days by the Reserve Banks’ boards of directors, subject to review and determination by the Board of Governors. The Money Market Mutual Fund Liquidity Facility (MMLF) program extended loans to eligible financial institutions secured by high-quality money market mutual funds. The Primary Dealer Credit Facility (PDCF) program supplied funding to primary dealers with maturities of up to 90 days. Interest income on advances made under the PPPLF, MMLF, and PDCF is accrued using the applicable rate as outlined by the term sheets of the respective programs.

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, 2022 <sup>1, 2</sup>		Nine Months Ended September 30, 2021 <sup>1</sup>	
<b>Interest income:</b>				
Primary, secondary, and seasonal credit	\$	29	\$	2
PPPLF		56		181
MMLF		–		5
PDCF		–		*
<b>Total interest income</b>	<b>\$</b>	<b>85</b>	<b>\$</b>	<b>188</b>
<b>Average daily loan balance:</b>				
Primary, secondary, and seasonal credit	\$	2,171	\$	865
PPPLF		21,431		69,426
MMLF		–		1,394
PDCF		–		289
<b>Average interest rate:</b>				
Primary, secondary, and seasonal credit		1.76 %		0.25 %
PPPLF		0.35 %		0.35 %
MMLF		–		1.25 %
PDCF		–		0.25 %
<sup>1</sup> MMLF and PDCF ceased extending loans on March 31, 2021 and ceased carrying balances on April 6, 2021 and April 15, 2021, respectively.				
<sup>2</sup> PPPLF ceased extending loans on July 30, 2021.				
*Less than \$500 thousand				

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**(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:

<b>Table 16. Interest income on SOMA portfolio</b>		
<b>(In millions)</b>		
	<b>Nine Months Ended September 30, 2022</b>	<b>Nine Months Ended September 30, 2021</b>
<b>Interest income:</b>		
Securities purchased under agreements to resell	*	\$ 1
Treasury securities, net	91,347	69,253
Federal agency and GSE MBS, net	39,151	20,343
GSE debt securities, net	100	101
Foreign currency denominated investments, net <sup>1</sup>	(23)	(34)
Central bank liquidity swaps	2	7
<b>Total interest income</b>	<b>\$ 130,577</b>	<b>\$ 89,671</b>
<b>Average daily balance:</b>		
Securities purchased under agreements to resell	\$ 1	\$ 216
Treasury securities, net <sup>2</sup>	5,985,695	5,333,317
Federal agency and GSE MBS, net <sup>3</sup>	2,771,068	2,341,301
GSE debt securities, net <sup>2</sup>	2,600	2,625
Foreign currency denominated investments, net <sup>4</sup>	18,801	21,541
Central bank liquidity swaps <sup>5</sup>	288	2,711
<b>Average interest rate:</b>		
Securities purchased under agreements to resell	1.45 %	0.35 %
Treasury securities, net	2.04 %	1.74 %
Federal agency and GSE MBS, net	1.88 %	1.16 %
GSE debt securities, net	5.11 %	5.11 %
Foreign currency denominated investments, net	-0.17 %	-0.21 %
Central bank liquidity swaps	1.05 %	0.33 %
<sup>1</sup> 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 \$32 million and \$42 million for the nine months ended September 30, 2022 and 2021, respectively.		
<sup>2</sup> Face value, net of unamortized premiums and discounts.		
<sup>3</sup> 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.		
<sup>4</sup> Foreign currency denominated investments are revalued daily at market exchange rates.		
<sup>5</sup> 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.		

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

<b>Table 17. Interest expense on securities sold under agreement to repurchase</b>			
<b>(In millions)</b>			
	<b>Nine Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>
	<b>2022</b>		<b>2021</b>
<b>Interest expense:</b>			
Primary dealers and expanded counterparties <sup>1</sup>	\$	16,400	\$ 147
Foreign official and international accounts <sup>2</sup>		2,078	39
<b>Total interest expense</b>	<b>\$</b>	<b>18,478</b>	<b>\$ 186</b>
<b>Average daily balance:</b>			
Primary dealers and expanded counterparties <sup>1</sup>	\$	1,932,321	\$ 458,104
Foreign official and international accounts <sup>2</sup>		271,337	236,048
<b>Average interest rate:</b>			
Primary dealers and expanded counterparties <sup>1</sup>		1.13 %	0.04 %
Foreign official and international accounts <sup>2</sup>		1.02 %	0.02 %
<sup>1</sup> 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.			
<sup>2</sup> 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 entities: Non-controlling interest (income), net” in the Combined statements of operations.

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Supplemental information on consolidated VIE income is as follows:

<b>Table 18a. Net operating income (loss) of consolidated VIEs</b>						
<i>(in millions)</i>						
	Main Street	MLF	TALF II	Total		
<b>Nine Months Ended September 30, 2022</b>						
Interest income <sup>1</sup>	\$ 456	\$ 53	\$ 24	\$ 533		
Other items of income (loss):						
Dividends	–	–	–	–		
Fees	38	1	–	39		
Provision for loan losses	603	–	–	603		
Total other items of income (loss)	641	1	–	642		
Less: Expenses <sup>2</sup>	40	–	–	40		
<b>Net income (loss) attributable to consolidated VIEs</b>	<b>\$ 1,057</b>	<b>\$ 54</b>	<b>\$ 24</b>	<b>\$ 1,135</b>		
Allocated to non-controlling Treasury interest	\$ 1,047	\$ 49	\$ 13	\$ 1,109		
Allocated to Reserve Banks	\$ 10	\$ 5	\$ 11	\$ 26		
<sup>1</sup> Recorded when earned and includes amortization of premiums and accretion of discounts. <sup>2</sup> Includes fees, participation loan servicing costs, and other expenses.						

<b>Table 18b. Net operating income (loss) of consolidated VIEs</b>						
<i>(in millions)</i>						
	CPFF II	CCF	Main Street	MLF	TALF II	Total
<b>Nine Months Ended September 30, 2021</b>						
Interest income <sup>1</sup>	\$ 1	\$ 37	\$ 334	\$ 88	\$ 18	\$ 478
Other items of income (loss):						
Dividends	–	93	–	–	–	93
Fees	11	–	34	3	2	50
Portfolio holdings gains (losses) <sup>2</sup>	–	(101)	–	–	–	(101)
Provision for loan losses	–	–	81	–	–	81
Total other items of income (loss)	11	(8)	115	3	2	123
Less: Expenses <sup>3</sup>	2	1	51	1	2	57
<b>Net income (loss) attributable to consolidated VIEs</b>	<b>\$ 10</b>	<b>\$ 28</b>	<b>\$ 398</b>	<b>\$ 90</b>	<b>\$ 18</b>	<b>\$ 544</b>
Allocated to non-controlling Treasury interest	\$ 9	\$ 17	\$ 386	\$ 78	\$ 14	\$ 504
Allocated to Reserve Banks	\$ 1	\$ 11	\$ 12	\$ 12	\$ 4	\$ 40
<sup>1</sup> Recorded when earned and includes amortization of premiums and accretion of discounts. <sup>2</sup> Includes realized and unrealized gains and losses on portfolio holdings. <sup>3</sup> Includes fees, participation loan servicing costs, and other expenses.						

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**(D) Depository Institution Deposits**

The Reserve Banks pay interest to depository institutions on qualifying balances held at the Reserve Banks. Effective March 26, 2020, the Board of Governors has reduced reserve requirements ratios to zero, and all balances held are excess balances, as reported in Note 5. Effective July 29, 2021, the Board of Governors eliminated references to an interest on required reserves (IORR) rate and to an interest on excess reserves (IOER) rate and replaced them with a single interest on reserve balances (IORB) rate. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses. The interest rate paid on excess balances is determined by the Board of Governors, based on a FOMC-established target range for the federal funds rate. Effective March 16, 2022, June 16, 2022, July 28, 2022, and September 22, 2022, 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 Federal 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 staffs 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>.

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