

Procedural Instructions with Respect to Foreign Currency Operations

As reaffirmed effective January 26, 2016

In conducting operations pursuant to the authorization and direction of the Federal Open Market Committee (the “Committee”) as set forth in the Authorization for Foreign Currency Operations and the Foreign Currency Directive, the Federal Reserve Bank selected by the Committee to execute open market transactions (the “Selected Bank”), through the manager, System Open Market Account (“manager”), shall be guided by the following procedural understandings with respect to consultations and clearances with the Committee, the Foreign Currency Subcommittee (the “Subcommittee”), and the Chairman of the Committee, unless otherwise directed by the Committee. All operations undertaken pursuant to such clearances shall be reported promptly to the Committee.

1. For the reciprocal currency arrangements authorized in paragraphs 2.A of the Authorization for Foreign Currency Operations:

A. Drawings must be approved by the Subcommittee (or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if the swap drawing proposed by a foreign bank does not exceed the larger of (i) \$200 million or (ii) 15 percent of the size of the swap arrangement.

B. Drawings must be approved by the Committee (or by the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if the swap drawing proposed by a foreign bank exceeds the larger of (i) \$200 million or (ii) 15 percent of the size of the swap arrangement.

C. The manager shall also consult with the Subcommittee or the Chairman about proposed swap drawings by the System.

D. Any changes in the terms of existing swap arrangements shall be referred for review and approval to the Chairman.

The Chairman shall keep the Committee informed of any changes in terms, and the terms shall be consistent with principles discussed with and guidance provided by the Committee.

2. For the dollar and foreign currency liquidity swap arrangements authorized in paragraphs 2.B and 2.C of the Authorization for Foreign Currency Operations:

A. Drawings must be approved by the Chairman in consultation with the Subcommittee. The Chairman or the Subcommittee will consult with the Committee prior to the initial drawing on the dollar or foreign currency liquidity swap lines if possible under the circumstances then prevailing; authority to approve subsequent drawings for either the dollar or foreign currency liquidity swap lines may be delegated to the manager by the Chairman.

B. Any changes in the terms of existing swap arrangements shall be referred for review and approval to the Chairman. The Chairman shall keep the Committee informed of any changes in terms, and the terms shall be consistent with principles discussed with and guidance provided by the Committee.

3. Any operation must be approved by:

A. The Subcommittee (or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if it:

i. Would result in a change in the System’s overall open position in foreign currencies exceeding \$300 million on any day or \$600 million since the most recent regular meeting of the Committee.

ii. Would result in a change on any day in the System’s net position in a single foreign currency exceeding \$150 million, or \$300 million when the operation is associated with repayment of swap drawings.

iii. Might generate a substantial volume of trading in a particular currency by the System, even though the change

in the System's net position in that currency (as defined in paragraph 1.D of the Authorization for Foreign Currency Operations) might be less than the limits specified in 3.A.ii.

B. The Committee (or by the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or by the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available) if it would result in a change in the System's overall open position in foreign currencies exceeding \$1.5 billion since the most recent regu-

lar meeting of the Committee.

4. The Committee authorizes the Selected Bank to undertake transactions of the type described in paragraphs 1, 2, and 5 of the Authorization for Foreign Currency Operations and foreign exchange and investment transactions that it may be otherwise authorized to undertake from time to time for the purpose of testing operational readiness. The aggregate amount of such transactions shall not exceed \$2.5 billion per calendar year. These transactions shall be conducted with prior notice to the Committee.