

Statement Regarding Continuation of the Maturity Extension Program

On June 20, 2012, the Federal Open Market Committee (FOMC) directed the Open Market Trading Desk (the Desk) at the Federal Reserve Bank of New York to continue through the end of the year its program to extend the average maturity of the Federal Reserve's holdings of Treasury securities. Specifically, the Desk was directed to purchase Treasury securities with remaining maturities of 6 years to 30 years and to sell or redeem an equal par value of Treasury securities with remaining maturities of approximately 3 years or less. The continuation of the maturity extension program will proceed at the current pace and result in the purchase, as well as the sale and redemption, of about \$267 billion in Treasury securities by the end of 2012.

The FOMC also directed the Desk to continue reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities (MBS) in agency MBS, and to suspend, for the duration of the maturity extension program, rolling over maturing Treasury securities into new issues at auction.

Purchases of Treasury securities for the maturity extension program will be distributed across five sectors using the same approximate weights that have been used in the purchases to date:

Nominal Coupon Securities by Remaining Maturity *				TIPS**
6 – 8 Years	8 – 10 Years	10 – 20 Years	20 – 30 Years	6 – 30 Years
32%	32%	4%	29%	3%

**The on-the-run 10-year note will be considered part of the 8- to 10-year sector.*

***TIPS weights are based on unadjusted par amounts.*

This distribution could be altered if market conditions warrant.

A combination of sales and redemptions of Treasury securities will be conducted to match the amount of purchases over the program. Sales of Treasury securities will take place in securities maturing between January 2013 and January 2016. Securities maturing in the second half of 2012 will be redeemed – that is, allowed to mature without reinvestment – since redeeming maturing Treasury securities has a nearly identical effect on the portfolio as selling securities that are approaching

maturity. Once the maturity extension program is completed, the Federal Reserve will hold almost no securities maturing through January 2016.

The Desk will continue to publish a tentative schedule of operations for the following calendar month on or around the last business day of each month. The schedule will include the anticipated amount of redemptions, purchases and sales to be conducted, operation dates, settlement dates, security types (nominal coupons or TIPS) to be purchased or sold, the maturity date range of eligible issues, and an expected range for the size of each operation. The next schedule of operations will be released on Friday, June 29.

All other program details remain the same at this time. Additional information on the program's structure can be found in the revised Frequently Asked Questions for the Maturity Extension Program.