



Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

June 30, 2020



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Abbreviations

BAC	Committee on Federal Reserve Bank Affairs
CCF	Corporate Credit Facilities LLC
CPFF II	Commercial Paper Funding Facility II LLC
CMBS	Commercial mortgage-backed securities
FRA	Federal Reserve Act
FOMC	Federal Open Market Committee
FRBNY	Federal Reserve Bank of New York
GSE	Government-sponsored enterprise
LLC	Limited liability company
MBS	Mortgage-backed securities
MMLF	Money Market Mutual Fund Liquidity Facility
Main Street	MS Facilities LLC
MUNI	Municipal Liquidity Facility LLC
PDCF	Primary Dealer Credit Facility
PPPLF	Paycheck Protection Program Liquidity Facility
RMBS	Residential mortgage-backed securities
SBA	Small Business Administration
SOMA	System Open Market Account
TALF II	Term Asset-Backed Securities Loan Facility (TALF) II LLC
VIE	Variable interest entity

Combined Quarterly Financial Statements

Combined statements of condition (in millions)		
	June 30, 2020	December 31, 2019
Assets		
Gold certificates	\$ 11,037	\$ 11,037
Special drawing rights certificates	5,200	5,200
Coin	1,472	1,657
Loans	Note 2	
Loans to depository institutions	7,192	42
Other loans, net	92,079	—
System Open Market Account:	Note 3	
Securities purchased under agreements to resell	57,952	255,619
Treasury securities, net (of which \$31,982 and \$41,602 is lent as of June 30, 2020, and December 31, 2019, respectively)	4,455,402	2,401,604
Federal agency and government-sponsored enterprise mortgage-backed securities, net	1,975,169	1,446,989
Government-sponsored enterprise debt securities, net (of which \$0 is lent as of June 30, 2020, and December 31, 2019)	2,646	2,657
Foreign currency denominated investments, net	20,784	20,711
Central bank liquidity swaps	226,884	3,728
System Open Market Account accrued interest receivable	29,588	20,746
Other assets	17	—
Investments held by consolidated variable interest entities, net (including \$8,185 measured at fair value as of June 30, 2020)	Note 4	
	117,063	—
Prepaid pension benefit costs	8	—
Other accrued interest receivable	95	—
Bank premises and equipment, net	2,525	2,544
Items in process of collection	54	82
Other assets	950	1,025
Total assets	<u>\$7,006,117</u>	<u>\$4,173,641</u>

(continued)

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Combined statements of condition—continued			
(in millions)			
		June 30, 2020	December 31, 2019
Liabilities and capital			
Federal Reserve notes outstanding, net	Note 5	1,921,304	\$1,759,427
System Open Market Account:			
Securities sold under agreements to repurchase	Note 3	232,957	336,649
Other liabilities		2,689	129
Deposits:			
Depository institutions	Note 6	2,787,035	1,548,849
Treasury, general account	Note 7	1,722,032	403,853
Other deposits		180,926	79,256
Interest payable to depository institutions and others		109	954
Consolidated variable interest entities: Other liabilities	Note 4	527	—
Treasury credit protection provided for lending facility	Note 2	1,500	—
Accrued benefit costs		2,593	2,862
Deferred credit items		784	725
Accrued remittances to the Treasury		1,739	2,114
Other liabilities		444	300
Total liabilities		6,854,639	4,135,118
Reserve Bank capital	Note 8		
Capital paid-in		32,024	31,698
Surplus (including accumulated other comprehensive loss of \$3,096 and \$3,143 at June 30, 2020, and December 31, 2019, respectively)		6,825	6,825
Total Reserve Bank capital		38,849	38,523
Non-controlling interest in consolidated variable interest entities formed to administer credit and liquidity facilities	Note 4	112,629	—
Total Reserve Bank capital and non-controlling interest in consolidated variable interest entities		151,478	38,523
Total liabilities and capital		\$7,006,117	\$4,173,641

Combined statements of operations				
(in millions)				
	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Interest income				
Loans Note 9(A)				
Loans to depository institutions	\$ 15	\$ —	\$ 19	\$ —
Other loans, net	157	—	168	—
System Open Market Account: Note 9(B)				
Securities purchased under agreements to resell	84	—	721	—
Treasury securities, net	14,486	16,164	29,871	29,528
Federal agency and government-sponsored enterprise mortgage-backed securities, net	9,125	11,216	18,543	23,316
Government-sponsored enterprise debt securities, net	34	34	68	69
Foreign currency denominated investments, net	(9)	(8)	(19)	(15)
Central bank liquidity swaps	365	1	400	3
Total interest income	<u>24,257</u>	<u>27,407</u>	<u>49,771</u>	<u>52,901</u>
Interest expense				
System Open Market Account: Note 9(B)				
Securities sold under agreements to repurchase	—	1,624	711	3,145
Other	1	—	2	—
Deposits:				
Depository institutions and others	814	9,522	6,333	19,758
Term Deposit Facility	—	1	—	1
Total interest expense	<u>815</u>	<u>11,147</u>	<u>7,046</u>	<u>22,904</u>
Net interest income	<u>23,442</u>	<u>16,260</u>	<u>42,725</u>	<u>29,997</u>
Other items of income (loss)				
System Open Market Account:				
Treasury securities gains, net	1	—	1	—
Federal agency and government-sponsored enterprise mortgage-backed securities gains, net	170	—	171	—
Foreign currency translation gains, net	220	381	82	58
Other	16	10	29	18
Income from services	110	112	223	221
Reimbursable services to government agencies	173	173	349	343
Other components of net benefit costs	77	2	156	11
Other	(77)	19	(60)	36
Total other items of income	<u>690</u>	<u>697</u>	<u>951</u>	<u>687</u>
Operating expenses Note 9(E)				
Salaries and benefits	870	821	1,737	1,656
System pension service cost	164	129	328	258
Occupancy	80	84	164	165
Equipment	47	49	91	95
Other	243	182	426	339
Assessments:				
Board of Governors operating expenses and currency costs	443	394	808	729
Bureau of Consumer Financial Protection	137	120	235	243
Total operating expenses	<u>1,984</u>	<u>1,779</u>	<u>3,789</u>	<u>3,485</u>
Reserve Bank net income from operations	22,148	15,178	39,887	27,199
Consolidated variable interest entities income, net	146	—	146	—
Non-controlling interest in consolidated variable interest entities (income), net	(129)	—	(129)	—
Reserve Bank and consolidated variable interest entities net income before providing for remittances to the Treasury	22,165	15,178	39,904	27,199
Earnings remittances to the Treasury	<u>22,172</u>	<u>15,090</u>	<u>39,768</u>	<u>26,897</u>
Net income after providing for remittances to the Treasury	(7)	88	136	302
Change in prior service costs related to benefit plans	(8)	(6)	(15)	(11)
Change in actuarial gains related to benefit plans	31	42	62	84
Total other comprehensive income	<u>23</u>	<u>36</u>	<u>47</u>	<u>73</u>
Comprehensive income	<u>\$ 16</u>	<u>124</u>	<u>\$ 183</u>	<u>\$ 375</u>

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Combined statements of changes in Reserve Bank capital and non-controlling interest (in millions, except share data)							
	Reserve Bank capital				Total Reserve Bank capital	Non-controlling interest	Total Reserve Bank capital and non-controlling interest in consolidated variable interest entities
	Capital paid-in	Surplus					
		Net income retained	Accumulated other comprehensive income (loss)	Total surplus			
Balance at December 31, 2018 (646,704,007 shares of Reserve Bank capital)	\$32,335	\$10,117	\$(3,292)	\$6,825	\$39,160	\$ —	\$ 39,160
Net change in capital stock redeemed (12,742,050 shares)	(637)	—	—	—	(637)	—	(637)
Comprehensive income:							
Reserve Bank net income from operations less Treasury remittance	—	565	—	565	565	—	565
Other comprehensive income	—	—	149	149	149	—	149
Dividends on capital stock	—	(714)	—	(714)	(714)	—	(714)
Net change in capital	(637)	(149)	149	—	(637)	—	(637)
Balance at December 31, 2019 (633,961,957 shares of Reserve Bank capital)	\$31,698	\$ 9,968	\$(3,143)	\$6,825	\$38,523	\$ —	\$ 38,523
Net change in capital stock issued (6,528,158 shares)	326	—	—	—	326	—	326
Comprehensive income:							
Reserve Bank net income from operations less Treasury remittance	—	119	—	119	119	—	119
Consolidated variable interest entities income, net	—	17	—	17	17	129	146
Other comprehensive income	—	—	47	47	47	—	47
Dividends on capital stock	—	(183)	—	(183)	(183)	—	(183)
Non-controlling interest in consolidated variable interest entities—capital contribution	—	—	—	—	—	112,500	112,500
Net change in Reserve Bank capital and non-controlling interest	326	(47)	47	—	326	112,629	112,955
Balance at June 30, 2020 (640,490,115 shares of Reserve Bank capital)	\$32,024	\$ 9,921	\$(3,096)	\$6,825	\$38,849	\$112,629	\$151,478

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Supplemental Financial Information

(1) Credit and Liquidity Facilities

The Federal Reserve is using its full range of tools to support the flow of credit to households and businesses. Pursuant to section 13(3) of the Federal Reserve Act (FRA) and after obtaining the requisite approval from the Secretary of the Treasury, the Board of Governors of the Federal Reserve established facilities with broad-based eligibility. The Board of Governors established three lending facilities (note 2) and formed five limited liability companies (LLCs, note 4) for additional lending programs to provide liquidity to various sectors of the economy. The structure and objective of these lending facilities are outlined in table 1:

Table 1. 13(3) Lending facilities established by the Board of Governors to support the economy

Facility	Structure of facility	Targeted economic sector
Commercial Paper Funding Facility	Commercial Paper Funding Facility II LLC (CPFF II)	Through U.S. dollar-denominated commercial paper issuance, which supplies credit and funding for auto loans, mortgages, and liquidity to meet operational needs of a range of companies, support flow of credit to households and businesses
Corporate Credit Facilities	Corporate Credit Facilities LLC (CCF)	Provide liquidity to employers by purchasing
Primary Market Corporate Credit Facility		Original corporate bond and loan issuances
Secondary Market Corporate Credit Facility		Outstanding corporate bonds and exchange traded funds
Main Street Lending Program	MS Facilities LLC (Main Street)	Through the purchase of loan participations, support small- and medium-sized businesses and nonprofit organizations in sound financial condition before the onset of the COVID-19
Main Street New Loan Facility		
Main Street Priority Loan Facility		
Main Street Expanded Loan Facility		
Nonprofit Organization New Loan Facility		
Nonprofit Organization Expanded Loan Facility		
Municipal Liquidity Facility	Municipal Liquidity Facility LLC (MUNI)	Through purchase of municipal notes, support lending to state, city, and county governments, certain multistate entities, and other issuers of municipal securities
Money Market Mutual Fund Liquidity Facility (MMLF)	Reserve Bank loans to eligible financial institutions secured by high-quality assets purchased by the borrowing financial institution from money market mutual funds	Support flow of credit to businesses and households by meeting demands for money market fund redemptions by households and other investors
Paycheck Protection Program Liquidity Facility (PPPLF)	Reserve Bank loans to eligible borrowers participating in the Small Business Administration's (SBA) Paycheck Protection Program	Help the flow of loans to small businesses to keep their workers on the payroll
Primary Dealer Credit Facility (PDCF)	Reserve Bank supplied overnight and term funding to primary dealers with maturities of up to 90 days	Support smooth market functioning and facilitate availability of credit to businesses and households
Term Asset-Backed Securities Loan Facility	TALF II LLC (TALF II)	Support flow of credit to consumers and businesses by enabling issuance of asset-backed securities backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA and certain other assets

The combined financial statements include the accounts and result of operations of the consolidated variable interest entities (VIEs). A Reserve Bank consolidates a VIE if it has a controlling financial interest.

Pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Treasury provided credit protection for CCF, MUNI, TALF II, and Main Street. The Treasury is a non-controlling member of and contributed equity to function as credit protection for the LLCs. Additionally, the Treasury provided credit protection to MMLF and CPFF.

(2) Loans

Loans to Depository Institutions

The Reserve Banks offer primary, secondary, and seasonal loans to eligible borrowers (depository institutions that maintain reservable transaction accounts or nonpersonal time deposits and have established discount window borrowing privileges). 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, Net

MMLF, PPPLF, and PDCF were established pursuant to section 13(3) of the FRA (note 1). The Treasury contributed \$1.5 billion as credit protection for the MMLF, which is reported on the Combined statements of condition as “Treasury credit protection provided for lending facility.”

The PPPLF program extends credit to eligible financial institutions that originate Paycheck Protection Program loans, taking the loans as collateral at face value.

The amounts outstanding at June 30, 2020, and December 31, 2019, for loans to depository institutions and other loans, net were as follows (in millions):

Table 2. Loans to depository institutions and other loans, net (in millions)		
	June 30, 2020	December 31, 2019
Loans to depository institutions		
Primary, secondary, and seasonal credit	\$ 7,192	\$ 42
Other loans, net		
Money Market Mutual Fund Liquidity Facility	21,375	—
Paycheck Protection Program Liquidity Facility	68,215	—
Primary Dealer Credit Facility	2,489	—
Total other loans, net	\$92,079	\$ —
Total loans	\$99,271	\$ 42

The remaining maturity distribution of loans to depository institutions and other loans, net outstanding as of June 30, 2020, and December 31, 2019, was as follows:

Table 3. Maturity distribution of loans to depository institutions and other loans, net (in millions)					
	Remaining maturity				Total
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	
June 30, 2020					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$5,685	\$ 1,492	\$ 15	\$ —	\$ 7,192
Other loans, net					
Money Market Mutual Fund Liquidity Facility	2,787	11,300	7,288	—	21,375
Paycheck Protection Program	—	—	—	68,215	68,215
Primary Dealer Credit Facility	116	2,373	—	—	2,489
Total other loans, net	\$2,903	\$13,673	\$7,288	\$68,215	\$92,079
Total loans	\$8,588	\$15,165	\$7,303	\$68,215	\$99,271
December 31, 2019					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$ 42	\$ —	\$ —	\$ —	\$ 42

At June 30, 2020, and December 31, 2019, the Reserve Banks did not have any loans that were impaired, restructured, past due, or on non-accrual status, and no allowance for loan losses was required. There were no impaired loans during the period ended June 30, 2020, and year ended December 31, 2019.

(3) 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 June 30, 2020, and December 31, 2019, were as follows:

Table 4. Domestic SOMA portfolio holdings (in millions)						
	June 30, 2020			December 31, 2019		
	Amortized cost	Fair value	Cumulative unrealized gains (losses), net	Amortized cost	Fair value	Cumulative unrealized gains (losses), net
Treasury securities						
Bills	\$ 325,528	\$ 325,926	\$ 398	\$ 168,461	\$ 168,479	\$ 18
Notes	2,771,282	2,840,025	68,743	1,290,201	1,303,576	13,375
Bonds	1,358,592	1,641,909	283,317	942,942	1,068,675	125,733
Total Treasury securities	\$4,455,402	\$4,807,860	\$352,458	\$2,401,604	\$2,540,730	\$139,126
Federal agency and GSE MBS						
Residential	\$1,964,903	\$2,025,819	\$ 60,916	\$1,446,989	\$1,467,802	\$ 20,813
Commercial	10,266	10,429	163	—	—	—
Total federal agency and GSE MBS	\$1,975,169	\$2,036,248	\$ 61,079	\$1,446,989	\$1,467,802	\$ 20,813
GSE debt securities	2,646	3,615	969	2,657	3,344	687
Total domestic SOMA portfolio securities holdings	\$6,433,217	\$6,847,723	\$414,506	\$3,851,250	\$4,011,876	\$160,626
Memorandum—Commitments for purchases of:						
Treasury securities	\$ 16,321	\$ 16,033	\$ (288)	\$ 1	\$ 1	\$ —
Federal agency and GSE MBS	101,085	101,413	328	4,177	4,187	10
Memorandum—Commitments for sales of:						
Treasury securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal agency and GSE MBS	177	177	—	—	—	—

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at June 30, 2020, and December 31, 2019:

Table 5. Detail of federal agency and GSE MBS holdings—distribution of MBS holdings by coupon rate				
(in millions)				
	June 30, 2020		December 31, 2019	
	Amortized cost	Fair value	Amortized cost	Fair value
Residential				
2.00%	\$ 37,103	\$ 37,483	\$ 6,183	\$ 6,116
2.50%	335,750	340,153	79,991	79,661
3.00%	720,441	740,875	538,642	540,588
3.50%	518,116	536,345	498,727	506,691
4.00%	270,943	281,132	242,353	247,915
4.50%	60,792	65,478	56,789	60,551
5.00%	17,288	19,385	19,377	20,921
5.50%	3,866	4,292	4,266	4,633
6.00%	528	591	578	635
6.50%	76	85	83	91
Total	<u>\$1,964,903</u>	<u>\$2,025,819</u>	<u>\$1,446,989</u>	<u>\$1,467,802</u>
Commercial				
1.50%–2.00%	\$ 275	\$ 278	\$ —	\$ —
2.01%–2.50%	1,287	1,305	—	—
2.51%–3.00%	1,837	1,868	—	—
3.01%–3.50%	3,079	3,146	—	—
3.51%–4.00%	3,511	3,555	—	—
4.01%–4.50%	277	277	—	—
Total	<u>\$ 10,266</u>	<u>\$ 10,429</u>	<u>\$ —</u>	<u>\$ —</u>
Total MBS	<u>\$1,975,169</u>	<u>\$2,036,248</u>	<u>\$1,446,989</u>	<u>\$1,467,802</u>

The Federal Reserve Bank of New York (FRBNY) may engage in purchases of securities under agreements to resell (repurchase agreements) with primary dealers and foreign official account holders.

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 (primary dealer and expanded counterparties reverse repurchase agreements). Reverse repurchase agreements may also be executed with foreign official and international account holders as part of a service offering. Financial information related to reverse repurchase agreements at June 30, 2020, and December 31, 2019, was as follows:

Table 6. Repurchase Agreements and Reverse Repurchase Agreements		
(in millions)		
	June 30, 2020	December 31, 2019
Repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$ 57,950	\$255,619
Foreign official:		
Contract amount outstanding, end of period	2	—
Total repurchase agreement contract amount outstanding, end of period	\$ 57,952	\$255,619
Reverse repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$ 950	\$ 64,087
Securities pledged (par value), end of period	737	60,490
Securities pledged (fair value), end of period	946	64,008
Foreign official and international accounts:		
Contract amount outstanding, end of period	\$232,007	\$272,562
Securities pledged (par value), end of period	218,724	265,139
Securities pledged (fair value), end of period	232,071	272,579
Total reverse repurchase agreement contract amount outstanding, end of period	\$232,957	\$336,649

The remaining maturity distribution of Treasury securities, federal agency and GSE MBS bought outright, GSE debt securities, repurchase agreements, and reverse repurchase agreements at June 30, 2020, and December 31, 2019, was as follows:

Table 7. Maturity distribution of domestic SOMA 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
June 30, 2020:							
Treasury securities (par value)	\$ 45,747	\$269,544	\$635,460	\$1,595,951	\$731,455	\$ 932,391	\$4,210,548
Federal agency and GSE residential MBS (par value) ¹	—	—	4	2,176	75,732	1,824,292	1,902,204
Federal agency and GSE commercial MBS (par value) ¹	—	—	—	—	3,669	5,505	9,174
GSE debt securities (par value)	—	—	—	—	1,436	911	2,347
Securities purchased under agreements to resell (contract amount)	57,952	—	—	—	—	—	57,952
Securities sold under agreements to repurchase (contract amount)	232,957	—	—	—	—	—	232,957
December 31, 2019:							
Treasury securities (par value)	\$ 8,260	\$115,689	\$349,014	\$ 893,832	\$321,591	\$ 640,547	\$2,328,933
Federal agency and GSE residential MBS (par value) ¹	—	—	12	1,135	73,528	1,334,002	1,408,677
GSE debt securities (par value)	—	—	—	—	486	1,861	2,347
Securities purchased under agreements to resell (contract amount)	205,619	50,000	—	—	—	—	255,619
Securities sold under agreements to repurchase (contract amount)	336,649	—	—	—	—	—	336,649
¹ The par amount shown for federal agency and GSE residential 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 7 above. The estimated weighted-average lives of the federal agency and GSE RMBS and CMBS differ from the stated maturity in table 7 primarily because these estimated weighted-average lives factor in scheduled payments and prepayment assumptions. The estimated weighted-average life of federal agency and GSE RMBS was approximately 3.4 years and 5.3 years as of June 30, 2020, and December 31, 2019, respectively. The estimated weighted-average life of the federal agency and GSE CMBS was approximately 9.2 years as of June 30, 2020.

Information about transactions related to Treasury securities, federal agency and GSE MBS, and GSE debt securities held in the SOMA during the six months ended June 30, 2020, and during the year ended December 31, 2019, is summarized as follows:

Table 8a. Domestic portfolio transactions of SOMA securities—bills, notes, and bonds				
(in millions)				
	Bills	Notes	Bonds	Total Treasury securities
Balance December 31, 2018	\$ —	\$1,383,929	\$ 918,533	\$2,302,462
Purchases ¹	190,009	273,742	50,899	514,650
Sales ¹	(50)	(50)	—	(100)
Realized gains, net ²	—	—	—	—
Principal payments and maturities	(21,824)	(366,328)	(20,755)	(408,907)
Amortization of premiums and accretion of discounts, net	326	(1,828)	(7,468)	(8,970)
Inflation adjustment on inflation-indexed securities	—	736	1,733	2,469
Subtotal of activity ¹	<u>168,461</u>	<u>(93,728)</u>	<u>24,409</u>	<u>99,142</u>
Balance December 31, 2019	\$ 168,461	\$1,290,201	\$ 942,942	\$2,401,604
Purchases ¹	454,333	1,668,910	433,023	2,556,266
Sales ¹	—	(26)	—	(26)
Realized gains, net ²	—	1	—	1
Principal payments and maturities	(299,032)	(181,345)	(11,939)	(492,316)
Amortization of premiums and accretion of discounts, net	1,766	(5,605)	(4,801)	(8,640)
Inflation adjustment on inflation-indexed securities	—	(854)	(633)	(1,487)
Subtotal of activity ¹	<u>157,067</u>	<u>1,481,081</u>	<u>415,650</u>	<u>2,053,798</u>
Balance June 30, 2020	\$ 325,528	\$2,771,282	\$1,358,592	\$4,455,402
Year ended December 31, 2019				
Supplemental information—par value of transactions				
Purchases ³	\$ 191,399	\$ 273,096	\$ 48,430	\$ 512,925
Sales	(50)	(50)	—	(100)
Six months ended June 30, 2020				
Supplemental information—par value of transactions				
Purchases ³	\$ 455,552	\$1,596,714	\$ 323,178	\$2,375,444
Sales	—	(25)	—	(25)
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. The amount reported as sales includes the realized gains and losses on such transactions.				
² Realized gains, net, offset the amount of realized gains and losses included in the reported sales amount.				
³ Includes inflation compensation.				

Table 8b. 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 December 31, 2018	\$1,683,532	\$ —	\$1,683,532	\$2,741
Purchases ¹	34,259	—	34,259	—
Sales ¹	(316)	—	(316)	—
Realized gains, net ²	6	—	6	—
Principal payments and maturities	(261,805)	—	(261,805)	(62)
Amortization of premiums and accretion of discounts, net	(8,687)	—	(8,687)	(22)
Subtotal of activity ¹	(236,543)	—	(236,543)	(84)
Balance December 31, 2019	\$1,446,989	\$ —	\$1,446,989	\$2,657
Purchases ¹	736,099	10,350	746,449	—
Sales ¹	—	—	—	—
Realized gains, net ²	—	—	—	—
Principal payments and maturities	(211,131)	(61)	(211,192)	—
Amortization of premiums and accretion of discounts, net	(7,054)	(23)	(7,077)	(11)
Subtotal of activity ¹	517,914	10,266	528,180	(11)
Balance June 30, 2020	\$1,964,903	\$10,266	\$1,975,169	\$2,646
Year ended December 31, 2019				
Supplemental information—par value of transactions				
Purchases	\$ 33,662	\$ —	\$ 33,662	\$ —
Sales	(304)	—	(304)	—
Six months ended June 30, 2020				
Supplemental information—par value of transactions				
Purchases	\$ 704,658	\$ 9,235	\$ 713,893	\$ —
Sales	—	—	—	—

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, net, offset 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 June 30, 2020, and December 31, 2019, was as follows:

Table 9. Foreign currency denominated investments (in millions)		
	June 30, 2020	December 31, 2019
Euro:		
Foreign currency deposits	\$ 7,170	\$ 6,892
French government debt instruments	2,476	2,629
Dutch government debt instruments	1,426	1,443
German government debt instruments	1,038	1,145
Japanese yen:		
Foreign currency deposits	8,116	7,752
Japanese government debt instruments	558	850
Total	<u>\$20,784</u>	<u>\$20,711</u>

The remaining maturity distribution of foreign currency denominated investments at June 30, 2020, and December 31, 2019, was as follows:

Table 10. 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
June 30, 2020:						
Euro	\$ 7,081	\$ 135	\$ 357	\$ 2,564	\$ 1,973	\$ 12,110
Japanese yen	8,116	190	361	7	—	8,674
Total	<u>\$15,197</u>	<u>\$325</u>	<u>\$ 718</u>	<u>\$2,571</u>	<u>\$1,973</u>	<u>\$20,784</u>
December 31, 2019:						
Euro	\$ 6,892	\$ 48	\$ 365	\$ 2,744	\$ 2,060	\$ 12,109
Japanese yen	7,752	110	739	1	—	8,602
Total	<u>\$14,644</u>	<u>\$158</u>	<u>\$1,104</u>	<u>\$2,745</u>	<u>\$2,060</u>	<u>\$20,711</u>

At June 30, 2020, and December 31, 2019, the fair value of foreign currency denominated investments held in the SOMA was \$20,926 million and \$20,829 million, respectively.

Because of the global character of bank funding markets, the Federal Open Market Committee (FOMC) authorized and directed the FRBNY to maintain U.S. dollar liquidity swap arrangements and foreign currency liquidity swap arrangements with foreign central banks. As of December 31, 2019, and June 30, 2020, the FRBNY had 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. On March 19, 2020, the FRBNY entered into temporary U.S. dollar liquidity swap arrangements to be in place for at least six months 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). On July 29, 2020,

these swap lines were extended through March 31, 2021. The FRBNY holds amounts outstanding under these swap lines in the SOMA.

The remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Reserve Banks at June 30, 2020, and December 31, 2019, was as follows:

Table 11. Maturity distribution of liquidity swaps
(in millions)

	Within 15 days	16 days to 90 days	Total
June 30, 2020			
Japanese yen	\$ 78,251	\$ 77,988	\$156,239
Euro	13,989	16,283	30,272
South Korean won	6,155	4,712	10,867
Swiss franc	6,378	3,734	10,112
Singapore dollar	3,149	4,330	7,479
Mexican peso	1,590	3,520	5,110
Norwegian krone	275	3,550	3,825
Danish krone	1,465	300	1,765
British pound	300	395	695
Australian dollar	500	20	520
Total	\$112,052	\$114,832	\$226,884
December 31, 2019			
Euro	3,728	—	3,728
Total	\$ 3,728	\$ —	\$ 3,728

The following table presents the realized gains and the change in the cumulative unrealized gains (losses) related to SOMA domestic securities holdings during the periods ended June 30, 2020, and June 30, 2019:

Table 12. Realized gains and change in unrealized gains (losses) position
(in millions)

	Six months ended June 30, 2020		Six months ended June 30, 2019	
	Realized gains, net	Change in cumulative unrealized gains (losses) ¹	Realized gains, net	Change in cumulative unrealized gains (losses) ¹
Treasury securities ²	\$ 1	\$213,332	\$ —	\$ 94,189
Federal agency and GSE MBS ³	171	40,266	—	48,663
GSE debt securities	—	282	—	200
Total	\$172	\$253,880	\$ —	\$143,052

¹ Because SOMA securities are recorded at amortized cost, unrealized gains (losses) are not reported in the Combined statements of operations. Change in cumulative unrealized gains (losses) is calculated from December 31 of the previous year.

² Realized gains for Treasury securities are reported in "Other items of income (loss): System Open Market Account: Treasury securities gains, net" in the Combined statements of operations.

³ Realized gains 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, net" in the Combined statements of operations.

(4) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and results of operations of CPFF II, CCF, Main Street, MUNI, and TALF II. 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.

Purchases of each LLC's portfolio assets are funded by loans extended by the controlling Reserve Bank. The assets of the VIE and the amounts provided by the Treasury as credit protection are used to secure the loan from the Reserve Bank.

The classification of assets and liabilities of the consolidated VIEs as of June 30, 2020, are as follows:

Table 13. Net portfolio assets of consolidated VIEs						
(in millions)						
	CPFF II	CCF	Main Street	MUNI	TALF II	Total
As of June 30, 2020:						
Assets						
Commercial paper ¹	\$ 4,252	\$ —	\$ —	\$ —	\$ —	\$ 4,252
Corporate bonds ¹	—	1,896	—	—	—	1,896
Loan participations ¹	—	—	—	—	—	—
Municipal notes ¹	—	—	—	1,200	—	1,200
Exchange traded funds ¹	—	8,111	—	—	—	8,111
Loans ¹	—	—	—	—	252	252
Non-marketable Treasury securities ²	8,501	31,879	37,502	14,877	8,501	101,260
Cash, cash equivalents, and other assets ³	46	42	—	4	—	92
Total assets	\$12,799	\$41,928	\$37,502	\$16,081	\$8,753	\$117,063
Liabilities⁴	39	472	12	3	1	527
Net assets and liabilities	\$12,760	\$41,456	\$37,490	\$16,078	\$8,752	\$116,536
¹ Outstanding amounts of facility asset purchases: a. For the CPFF II includes commercial paper at amortized cost. b. For the CCF includes exchange traded funds at fair value and corporate bonds at amortized cost. c. For Main Street includes loan participations at the outstanding principal amount of loan participations. d. For MUNI includes municipal notes at amortized cost. e. For TALF II includes loans at the outstanding principal amount of loans.						
² Includes the portion of the Treasury contribution to the credit facilities and their earnings, which are held as investments in non-marketable Treasury securities.						
³ The residual portion of the Treasury contribution to the credit facilities held as cash and cash equivalents at the FRBNY are eliminated in consolidation from net portfolio assets, in the following amounts: \$1.5 billion for CPFF II, \$5.6 billion in CCF, \$2.6 billion in MUNI, and \$1.5 billion in TALF II.						
⁴ Includes registration and syndication fees, accrued professional fees, facility fees, and other liabilities.						

The assets recorded at amortized cost are evaluated for other than temporary impairments. At June 30, 2020, the consolidated VIEs did not have assets that were impaired, restructured, past due, or on non-accrual status, and no allowance for loan losses was required. There were no impaired assets or loans during the period ended June 30, 2020.

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

Table 14. Maturity distribution of major asset categories of consolidated VIEs
(in millions)

	Remaining maturity				Total
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	
June 30, 2020					
CPFF II: Commercial paper ¹	\$2,179	\$2,073	\$ —	\$ —	\$4,252
CCF: Corporate bonds ^{1,2}	—	4	168	1,724	1,896
Main Street: Loan participations ³	—	—	—	—	—
MUNI: Municipal notes ¹	—	—	1,200	—	1,200
TALF II: Loans ³	—	—	—	252	252

¹ Reported at amortized cost.

² CCF excludes exchange traded funds of \$8.1 billion as of June 30, 2020, measured at fair value, which do not have set maturity terms.

³ Reported at the outstanding principal amount of the loans.

The following table presents information related to the portfolio holdings of the VIEs and the funding provided by the Reserve Bank and Treasury.

Table 15. Analysis of Reserve Bank funding and Treasury non-controlling interests of VIEs
(in millions)

	June 30, 2020					
	CPFF II	CCF	Main Street	MUNI	TALF II	Total
Outstanding amount of facility assets	\$ 4,252	\$10,007	\$ —	\$ 1,200	\$ 252	\$ 15,711
Treasury contribution, including deposits and non-marketable Treasury securities ¹	10,001	37,504	37,502	17,502	10,001	112,510
Other assets and liabilities, net	7	(430)	(12)	1	(1)	(435)
Net unconsolidated VIE assets available to pay Reserve Bank loans and Treasury non-controlling interests¹	\$14,260	\$47,081	\$37,490	\$18,703	\$10,252	\$127,786
Reserve Bank funding:²						
Loans outstanding	4,241	9,444	—	1,200	253	15,138
Plus: Interest accrued and capitalized	1	1	—	—	—	2
Total controlling interests outstanding	\$ 4,242	\$ 9,445	\$ —	\$ 1,200	\$ 253	\$ 15,140
Non-controlling interest—Treasury capital contributions	\$10,000	\$37,500	\$37,500	\$17,500	\$10,000	\$112,500
Excess of net unconsolidated VIE assets	\$ 18	\$ 136	\$ (10)	\$ 3	\$ (1)	\$ 146
allocated to Reserve Bank	3	14	—	—	—	17
allocated to Treasury	15	122	(10)	3	(1)	129
Memo: Non-controlling interest in consolidated VIEs	\$10,015	\$37,662	\$37,490	\$17,503	\$ 9,999	\$112,629

¹ Includes earnings on non-marketable Treasury securities and deposits from the Treasury as of June 30, 2020. Treasury contributions held in deposit, which eliminate in consolidation, are \$1.5 billion for CPFF II, \$5.6 billion for MUNI, and \$1.5 billion for TALF II.

² Eliminates in consolidation.

(5) 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 June 30, 2020, and December 31, 2019, all Federal Reserve notes, net, were fully collateralized.

(6) Depository Institution Deposits

Depository institutions' deposits primarily represent the balances in 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.

(7) Treasury Deposits

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

(8) 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 \$6.825 billion.

The Treasury equity contribution to the consolidated VIEs is reported as an element of "Non-controlling interests in consolidated variable interest entities formed to administer credit and liquidity facilities" in the Combined statements of condition. The reported amount also includes Treasury's allocated portion of undistributed net VIE assets as of June 30, 2020, determined in accordance with VIE agreements and accounting policies adopted by the VIEs.

(9) Income and Expense

(A) Loans to Depository Institutions and Other Loans, Net

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. Interest income on advances made under the MMLF, PPPLF, 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, net is as follows:

Table 16. Interest income on loans to depository institutions and other loans, net		
(in millions)		
	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest income:		
Primary, secondary, and seasonal credit	\$ 19	*
Money Market Mutual Fund Liquidity Facility	127	—
Paycheck Protection Program Liquidity Facility	29	—
Primary Dealer Credit Facility	12	—
Total interest income	\$ 187	\$ —
Average daily loan balance:		
Primary, secondary, and seasonal credit	\$14,820	\$ 37
Money Market Mutual Fund Liquidity Facility	37,990	— ¹
Paycheck Protection Program Liquidity Facility	41,600	— ¹
Primary Dealer Credit Facility	16,785	— ¹
Average interest rate:		
Primary, secondary, and seasonal credit	0.25%	2.61%
Money Market Mutual Fund Liquidity Facility	1.22%	— ¹
Paycheck Protection Program Liquidity Facility	0.34%	— ¹
Primary Dealer Credit Facility	0.25%	— ¹
* Less than \$500 thousand.		
¹ The Money Market Mutual Fund Liquidity Facility, the Paycheck Protection Program Liquidity Facility, and the Primary Dealer Credit Facility commenced March 23, 2020; April 16, 2020; and March 20, 2020, respectively.		

(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 17. Interest income on SOMA portfolio		
(in millions)		
	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest income:		
Securities purchased under agreements to resell	\$ 721	\$ —
Treasury securities, net	29,871	29,528
Federal agency and GSE MBS, net	18,543	23,316
GSE debt securities, net	68	69
Foreign currency denominated investments, net ¹	(19)	(15)
Central bank liquidity swaps	400	3
Total interest income	\$ 49,584	\$ 52,901
Average daily balance:		
Securities purchased under agreements to resell	194,636	—
Treasury securities, net ²	3,406,865	2,239,002
Federal agency and GSE MBS, net ³	1,601,513	1,637,395
GSE debt securities, net ²	2,651	2,703
Foreign currency denominated investments, net ⁴	20,584	20,781
Central bank liquidity swaps ⁵	216,176	174
Average interest rate:		
Securities purchased under agreements to resell	0.73%	0.00%
Treasury securities, net	1.76%	2.64%
Federal agency and GSE MBS, net	2.32%	2.85%
GSE debt securities, net	5.11%	5.10%
Foreign currency denominated investments, net	-0.19%	-0.14%
Central bank liquidity swaps	0.37%	2.91%
<p>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 \$24 million and \$21 million for the six months ended June 30, 2020 and 2019, respectively.</p> <p>² Face value, net of unamortized premiums and discounts.</p> <p>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.</p> <p>⁴ Foreign currency denominated investments are revalued daily at market exchange rates.</p> <p>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.</p>		

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

Table 18. Interest expense on securities sold under agreement to repurchase
(in millions)

	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest expense:		
Primary dealers and expanded counterparties ¹	\$ 14	\$ 48
Foreign official and international accounts ²	697	3,097
Total interest expense	\$ 711	\$ 3,145
Average daily balance:		
Primary dealers and expanded counterparties ¹	\$ 17,484	\$ 4,248
Foreign official and international accounts ²	248,963	255,472
Average interest rate:		
Primary dealers and expanded counterparties ¹	0.16%	2.26%
Foreign official and international accounts ²	0.56%	2.42%
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 (notes 1 and 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 “Non-controlling interest in consolidated variable interest entities (income), net” in the Combined statements of operations.

Supplemental information on consolidated VIE income is as follows:

Table 19. Consolidated VIE income (loss), net
(in millions)

	CPFF II	CCF	Main Street	MUNI	TALF II	Total
Six months ended June 30, 2020:						
Interest income ¹	\$11	\$ 4	\$ 2	\$ 5	\$ —	\$ 22
Other items of income (loss):						
Dividends and fees ²	10	10	—	—	—	20
Portfolio holdings gains (losses) ³	—	127	—	—	—	127
Total other items of income (loss)	10	137	—	—	—	147
Less: professional fees	3	5	12	2	1	23
Net income (loss) attributable to consolidated VIEs	\$18	\$136	\$(10)	\$ 3	\$ (1)	\$146
Allocated to non-controlling Treasury interest	\$15	\$122	\$(10)	\$ 3	\$ (1)	\$129

¹ Recorded when earned and includes interest income, amortization of premiums, accretion of discounts, and paydown gains and losses.

² Includes dividend revenue, syndication fee revenue, registration fee revenue, facility fee revenue, and servicing fees.

³ Includes realized and unrealized gains and losses on portfolio holdings.

(D) Depository Institution Deposits

The Reserve Banks pay interest to depository institutions on qualifying balances held at the Reserve Banks. The interest rates paid on required reserve balances and excess balances are determined by the Board of Governors, based on an FOMC-established target range for the federal funds rate. Effective March 26, 2020, the Board of Governors has reduced reserve requirement ratios to zero. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.

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.

Certain amounts relating to the prior year have been reclassified in the Combined statements of operations to conform to the current year presentation. In accordance with Financial Accounting Standards Board Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, \$20 million previously reported as "Operating expenses: System pension service cost" have been reclassified as "Operating expenses: Salaries and benefits" for the six months ended June 30, 2019.

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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