



Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

March 31, 2020



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Abbreviations

BAC	Committee on Federal Reserve Bank Affairs
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
MBS	Mortgage-backed securities
MMLF	Money Market Mutual Fund Liquidity Facility
PDCF	Primary Dealer Credit Facility
RMBS	Residential mortgage-backed securities
SOMA	System Open Market Account

Combined Quarterly Financial Statements

Combined statements of condition (in millions)			
	March 31, 2020	December 31, 2019	
Assets			
Gold certificates	\$ 11,037	\$ 11,037	
Special drawing rights certificates	5,200	5,200	
Coin	1,658	1,657	
Loans Note 1			
Loans to depository institutions	49,087	42	
Other loans, net	86,262	—	
System Open Market Account: Note 2			
Securities purchased under agreements to resell	262,725	255,619	
Treasury securities, net (of which \$40,909 and \$41,602 is lent as of March 31, 2020, and December 31, 2019, respectively)	3,421,075	2,401,604	
Federal agency and government-sponsored enterprise mortgage-backed securities, net	1,497,908	1,446,989	
Government-sponsored enterprise debt securities, net (of which \$0 is lent as of March 31, 2020, and December 31, 2019)	2,651	2,657	
Foreign currency denominated investments, net	20,563	20,711	
Central bank liquidity swaps	357,674	3,728	
Accrued interest receivable	23,763	20,746	
Other assets	1	—	
Other accrued interest receivable	14	—	
Bank premises and equipment, net	2,545	2,544	
Items in process of collection	92	82	
Other assets	1,031	1,025	
Total assets	<u>\$5,743,286</u>	<u>\$4,173,641</u>	
Liabilities and capital			
Federal Reserve notes outstanding, net	Note 3	\$1,830,496	\$1,759,427
System Open Market Account:			
Securities sold under agreements to repurchase	Note 2	569,082	336,649
Other liabilities		9,480	129
Deposits:			
Depository institutions	Note 4	2,474,282	1,548,849
Treasury, general account	Note 5	515,257	403,853
Other deposits		298,168	79,256
Interest payable to depository institutions and others		45	954
Accrued benefit costs		2,750	2,862
Deferred credit items		746	725
Accrued remittances to the Treasury		3,704	2,114
Other liabilities		485	300
Total liabilities		<u>5,704,495</u>	<u>4,135,118</u>
Capital paid-in	Note 6	31,966	31,698
Surplus (including accumulated other comprehensive loss of \$3,119 and \$3,143 at March 31, 2020, and December 31, 2019, respectively)	Note 6	6,825	6,825
Total capital		<u>38,791</u>	<u>38,523</u>
Total liabilities and capital		<u>\$5,743,286</u>	<u>\$4,173,641</u>

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Combined statements of operations			
(in millions)			
		Three months ended	
		March 31, 2020	March 31, 2019
Interest income			
Loans		Note 7(A)	
Loans to depository institutions		\$ 4	\$ —
Other loans, net		11	—
System Open Market Account:		Note 7(B)	
Securities purchased under agreements to resell		637	—
Treasury securities, net		15,385	13,364
Federal agency and government-sponsored enterprise mortgage-backed securities, net		9,418	12,100
Government-sponsored enterprise debt securities, net		34	35
Foreign currency denominated investments, net		(10)	(7)
Central bank liquidity swaps		35	2
Total interest income		<u>25,514</u>	<u>25,494</u>
Interest expense			
System Open Market Account:		Note 7(B)	
Securities sold under agreements to repurchase		711	1,521
Other		1	—
Deposits:			
Depository institutions and others	Note 7(C)	5,519	10,236
Total interest expense		<u>6,231</u>	<u>11,757</u>
Net interest income		<u>19,283</u>	<u>13,737</u>
Other items of income (loss)			
System Open Market Account:			
Federal agency and government-sponsored enterprise mortgage-backed securities gains, net		1	—
Foreign currency translation losses, net		(138)	(323)
Other		13	8
Income from services		113	109
Reimbursable services to government agencies		176	170
Other components of net benefit costs		79	9
Other		17	17
Total other items of income (loss)		<u>261</u>	<u>(10)</u>
Operating expenses		Note 7(D)	
Salaries and benefits		867	835
System pension service cost		164	129
Occupancy		84	81
Equipment		44	46
Other		183	157
Assessments:			
Board of Governors operating expenses and currency costs		365	335
Bureau of Consumer Financial Protection		98	123
Total operating expenses		<u>1,805</u>	<u>1,706</u>
Net income before providing for remittances to the Treasury		17,739	12,021
Earnings remittances to the Treasury		17,596	11,807
Net income after providing for remittances to the Treasury		<u>143</u>	<u>214</u>
Change in prior service costs related to benefit plans		(7)	(5)
Change in actuarial gains related to benefit plans		31	42
Total other comprehensive income		<u>24</u>	<u>37</u>
Comprehensive income		<u>\$ 167</u>	<u>\$ 251</u>

Combined statements of changes in capital

(in millions, except share data)

	Capital paid-in	Surplus			Total capital
		Net income retained	Accumulated other comprehensive income (loss)	Total surplus	
Balance at December 31, 2018 (646,704,007 shares)	\$32,335	\$10,117	\$(3,292)	\$6,825	\$39,160
Net change in capital stock redeemed (12,742,050 shares)	(637)	—	—	—	(637)
Comprehensive income:					
Net income	—	565	—	565	565
Other comprehensive income	—	—	149	149	149
Dividends on capital stock	—	(714)	—	(714)	(714)
Net change in capital	(637)	(149)	149	—	(637)
Balance at December 31, 2019 (633,961,957 shares)	\$31,698	\$ 9,968	\$(3,143)	\$6,825	\$38,523
Net change in capital stock issued (5,363,789 shares)	268	—	—	—	268
Comprehensive income:					
Net income	—	143	—	143	143
Other comprehensive income	—	—	24	24	24
Dividends on capital stock	—	(167)	—	(167)	(167)
Net change in capital	268	(24)	24	—	268
Balance at March 31, 2020 (639,325,746 shares)	<u>\$31,966</u>	<u>\$ 9,944</u>	<u>\$(3,119)</u>	<u>\$6,825</u>	<u>\$38,791</u>

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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 (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

The Primary Dealer Credit Facility (PDCF) was approved by the Board of Governors on March 17, 2020, and began operations on March 20, 2020. The PDCF offers primary dealers overnight and term funding with maturities of up to 90 days. The Money Market Mutual Fund Liquidity Facility (MMLF) was approved by the Board of Governors on March 18, 2020, and began operations on March 23, 2020. The MMLF offers eligible financial institutions loans secured by high-quality assets purchased by the financial institution from money market mutual funds.

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

Table 1. Loans to depository institutions and other loans, net (in millions)		
	March 31, 2020	December 31, 2019
Loans to depository institutions		
Primary, secondary, and seasonal credit	\$ 49,087	\$ 42
Other loans, net		
Money Market Mutual Fund Liquidity Facility	50,084	—
Primary Dealer Credit Facility	36,178	—
Total other loans, net	\$ 86,262	\$ —
Total loans	\$135,349	\$ 42

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

Table 2. 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	
March 31, 2020				
Loans to depository institutions				
Primary, secondary, and seasonal credit	\$ 3,465	\$ 45,392	\$ 230	\$ 49,087
Other loans, net				
Money Market Mutual Fund Liquidity Facility	6,536	28,082	15,466	50,084
Primary Dealer Credit Facility	<u>6,933</u>	<u>29,245</u>	<u>—</u>	<u>36,178</u>
Total other loans, net	\$13,469	\$ 57,327	\$15,466	\$ 86,262
Total loans	<u>\$16,934</u>	<u>\$102,719</u>	<u>\$15,696</u>	<u>\$135,349</u>
December 31, 2019				
Loans to depository institutions				
Primary, secondary, and seasonal credit	\$ 42	\$ —	\$ —	\$ 42

At March 31, 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 March 31, 2020, and year ended December 31, 2019.

(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 March 31, 2020, and December 31, 2019, were as follows:

Table 3. Domestic SOMA portfolio holdings (in millions)						
	March 31, 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	\$ 324,834	\$ 325,925	\$ 1,091	\$ 168,461	\$ 168,479	\$ 18
Notes	1,953,609	2,013,796	60,187	1,290,201	1,303,576	13,375
Bonds	1,142,632	1,417,687	275,055	942,942	1,068,675	125,733
Total Treasury securities	\$3,421,075	\$3,757,408	\$336,333	\$2,401,604	\$2,540,730	\$139,126
Federal agency and GSE MBS						
Residential	\$1,496,729	\$1,550,736	\$ 54,007	\$1,446,989	\$1,467,802	\$ 20,813
Commercial	1,179	1,185	6	—	—	—
Total federal agency and GSE MBS	\$1,497,908	\$1,551,921	\$ 54,013	\$1,446,989	\$1,467,802	\$ 20,813
GSE debt securities	2,651	3,575	924	2,657	3,344	687
Total domestic SOMA portfolio securities holdings	\$4,921,634	\$5,312,904	\$391,270	\$3,851,250	\$4,011,876	\$160,626
Memorandum—Commitments for purchases of:						
Treasury securities	\$ 85,733	\$ 85,004	\$ (729)	\$ 1	\$ 1	\$ —
Federal agency and GSE MBS	195,481	196,505	1,024	4,177	4,187	10
Memorandum—Commitments for sales of:						
Treasury securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal agency and GSE MBS	—	—	—	—	—	—

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

Table 4. Detail of federal agency and GSE MBS holdings—distribution of MBS holdings by coupon rate (in millions)				
	March 31, 2020		December 31, 2019	
	Amortized cost	Fair value	Amortized cost	Fair value
Residential				
2.00%	\$ 5,859	\$ 6,005	\$ 6,183	\$ 6,116
2.50%	84,183	86,209	79,991	79,661
3.00%	562,291	580,219	538,642	540,588
3.50%	500,656	518,147	498,727	506,691
4.00%	258,382	268,362	242,353	247,915
4.50%	62,257	66,676	56,789	60,551
5.00%	18,400	19,960	19,377	20,921
5.50%	4,069	4,460	4,266	4,633
6.00%	552	609	578	635
6.50%	80	89	83	91
Total	<u>\$1,496,729</u>	<u>\$1,550,736</u>	<u>\$1,446,989</u>	<u>\$1,467,802</u>
Commercial				
2.00%–2.50%	\$ 24	\$ 24	\$ —	\$ —
2.51%–3.00%	115	117	—	—
3.01%–3.50%	432	435	—	—
3.51%–4.00%	608	609	—	—
Total	<u>\$ 1,179</u>	<u>\$ 1,185</u>	<u>\$ —</u>	<u>\$ —</u>

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

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 March 31, 2020, and December 31, 2019, was as follows:

Table 5. Repurchase Agreements and Reverse Repurchase Agreements
(in millions)

	March 31, 2020	December 31, 2019
Repurchase agreements conducted with primary dealers:		
Contract amount outstanding, end of quarter	\$262,725	\$255,619
Reverse repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$284,908	\$ 64,087
Securities pledged (par value), end of period	192,095	60,490
Securities pledged (fair value), end of period	280,943	64,008
Foreign official and international accounts:		
Contract amount outstanding, end of period	\$284,174	\$272,562
Securities pledged (par value), end of period	274,750	265,139
Securities pledged (fair value), end of period	284,087	272,579
Total contract amount outstanding, end of period	\$569,082	\$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 March 31, 2020, and December 31, 2019, was as follows:

Table 6. 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
March 31, 2020:							
Treasury securities (par value)	\$ 27,000	\$221,859	\$481,163	\$1,260,370	\$493,356	\$ 783,860	\$3,267,608
Federal agency and GSE residential MBS (par value) ¹	—	—	4	1,643	70,851	1,383,886	1,456,384
Federal agency and GSE commercial MBS (par value) ¹	—	—	—	—	1,038	—	1,038
GSE debt securities (par value)	—	—	—	—	1,151	1,196	2,347
Securities purchased under agreements to resell (contract amount)	131,075	131,650	—	—	—	—	262,725
Securities sold under agreements to repurchase (contract amount)	569,082	—	—	—	—	—	569,082
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 6 above. The estimated weighted-average lives of the federal agency and GSE RMBS and CMBS 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 federal agency and GSE RMBS was approximately 3.6 years and 5.3 years as of March 31, 2020, and December 31, 2019, respectively. The estimated weighted-average life of the federal agency and GSE CMBS was approximately 8.5 years as of March 31, 2020.

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

Table 7a. Domestic portfolio transactions of SOMA securities—bills, notes, and bonds (in millions)				
	Bills	Notes	Bonds	Total Treasury securities
Balance 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	168,461	(93,728)	24,409	99,142
Balance December 31, 2019	\$168,461	\$1,290,201	\$ 942,942	\$2,401,604
Purchases ¹	236,010	746,175	207,920	1,190,105
Sales ¹	—	—	—	—
Realized gains, net ²	—	—	—	—
Principal payments and maturities	(80,605)	(82,358)	(6,633)	(169,596)
Amortization of premiums and accretion of discounts, net	968	(579)	(1,875)	(1,486)
Inflation adjustment on inflation-indexed securities	—	170	278	448
Subtotal of activity ¹	156,373	663,408	199,690	1,019,471
Balance March 31, 2020	\$324,834	\$1,953,609	\$1,142,632	\$3,421,075
Year ended December 31, 2019				
Supplemental information—par value of transactions				
Purchases ³	\$191,399	\$ 273,096	\$ 48,430	\$ 512,925
Sales ³	(50)	(50)	—	(100)
Three months ended March 31, 2020				
Supplemental information—par value of transactions				
Purchases ³	\$237,124	\$ 716,286	\$ 154,413	\$1,107,823
Sales	—	—	—	—
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 7b. Domestic portfolio transactions of SOMA securities—residential and commercial MBS and GSE debt securities

(in millions)

	Residential MBS	Commercial MBS	Total Federal agency and GSE MBS	GSE debt securities
Balance 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	122,544	1,179	123,723	—
Sales ¹	—	—	—	—
Realized gains, net ²	—	—	—	—
Principal payments and maturities	(70,567)	—	(70,567)	—
Amortization of premiums and accretion of discounts, net	(2,237)	—	(2,237)	(6)
Subtotal of activity ¹	49,740	1,179	50,919	(6)
Balance March 31, 2020	\$1,496,729	\$1,179	\$1,497,908	\$2,651
Year ended December 31, 2019				
Supplemental information—par value of transactions				
Purchases	\$ 33,662	\$ —	\$ 33,662	\$ —
Sales	(304)	—	(304)	—
Three months ended March 31, 2020				
Supplemental information—par value of transactions				
Purchases	\$ 118,274	\$1,038	\$ 119,312	\$ —
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 March 31, 2020, and December 31, 2019, was as follows:

Table 8. Foreign currency denominated investments

(in millions)

	March 31, 2020	December 31, 2019
Euro:		
Foreign currency deposits	\$ 6,823	\$ 6,892
French government debt instruments	2,569	2,629
Dutch government debt instruments	1,407	1,443
German government debt instruments	1,071	1,145
Japanese yen:		
Foreign currency deposits	7,946	7,752
Japanese government debt instruments	747	850
Total	\$20,563	\$20,711

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

Table 9. Maturity distribution of foreign currency denominated investments (in millions)						
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Total
March 31, 2020:						
Euro	\$ 6,823	\$180	\$ 177	\$2,750	\$1,940	\$11,870
Japanese yen	7,946	188	555	4	—	8,693
Total	\$14,769	\$368	\$ 732	\$2,754	\$1,940	\$20,563
December 31, 2019:						
Euro	\$ 6,892	\$ 48	\$ 365	\$2,744	\$2,060	\$12,109
Japanese yen	7,752	110	739	1	—	8,602
Total	\$14,644	\$158	\$1,104	\$2,745	\$2,060	\$20,711

At March 31, 2020, and December 31, 2019, the fair value of foreign currency denominated investments held in the SOMA was \$20,686 million and \$20,829 million, respectively.

Because of the global character of bank funding markets, the Federal Reserve has at times coordinated with other central banks to provide liquidity. 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 March 31, 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). The FRBNY holds amounts outstanding under these swap lines in the SOMA.

The remaining maturity distribution of U.S. dollar liquidity swaps at March 31, 2020, and December 31, 2019, was as follows:

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

	Within 15 days	16 days to 90 days	Total
March 31, 2020			
Japanese yen	\$ 70,630	\$104,077	\$174,707
Euro	33,402	103,630	137,032
British pound	17,670	13,930	31,600
Swiss franc	4,395	1,695	6,090
Singapore dollar	4,270	—	4,270
Danish krone	25	2,825	2,850
Norwegian krone	—	1,075	1,075
Australian dollar	—	50	50
Total	\$130,392	\$227,282	\$357,674
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 March 31, 2020, and March 31, 2019:

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

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Realized gains, net	Change in cumulative unrealized gains (losses) ¹	Realized gains, net	Change in cumulative unrealized gains (losses) ¹
Treasury securities	\$ —	\$197,207	\$ —	\$41,660
Federal agency and GSE MBS ²	1	33,200	—	25,133
GSE debt securities	—	237	—	90
Total	\$ 1	\$230,644	\$ —	\$66,883

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 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.

(3) 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 March 31, 2020, and December 31, 2019, all Federal Reserve notes, net, were fully collateralized.

(4) Depository Institution Deposits

Depository institutions' deposits primarily represent the reserve and service-related balances in the 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.

(5) 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.

(6) Capital and Surplus

The Federal Reserve Act (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.

(7) 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 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 to depository institutions and other loans, net, is as follows:

Table 12. Interest income on loans to depository institutions and other loans, net
(in millions)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Interest income:		
Primary, secondary, and seasonal credit	\$ 4	*
Money Market Mutual Fund Liquidity Facility	9	—
Primary Dealer Credit Facility	2	—
Total interest income	\$ 15	\$ —
Average daily loan balance:		
Primary, secondary, and seasonal credit	\$ 6,923	\$ 18
Money Market Mutual Fund Liquidity Facility	36,039	— ¹
Primary Dealer Credit Facility	25,404	— ¹
Average interest rate:		
Primary, secondary, and seasonal credit	0.23%	2.83%
Money Market Mutual Fund Liquidity Facility	1.04%	— ¹
Primary Dealer Credit Facility	0.22%	— ¹
¹ The Money Market Mutual Fund Liquidity Facility and the Primary Dealer Credit Facility commenced March 23, 2020, and March 20, 2020, respectively.		
* Less than \$500 thousand.		

(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 13. Interest income on SOMA portfolio		
(in millions)		
	Three months ended March 31, 2020	Three months ended March 31, 2019
Interest income:		
Securities purchased under agreements to resell	\$ 637	\$ —
Treasury securities, net	15,385	13,364
Federal agency and GSE MBS, net	9,418	12,100
GSE debt securities, net	34	35
Foreign currency denominated investments, net ¹	(10)	(7)
Central bank liquidity swaps	35	2
Total interest income	25,499	25,494
Average daily balance:		
Securities purchased under agreements to resell	\$ 224,797	\$ —
Treasury securities, net ²	2,590,432	2,275,310
Federal agency and GSE MBS, net ³	1,427,125	1,662,958
GSE debt securities, net ²	2,654	2,735
Foreign currency denominated investments, net ⁴	20,539	20,838
Central bank liquidity swaps ⁵	34,738	269
Average interest rate:		
Securities purchased under agreements to resell	1.13%	0.00%
Treasury securities, net	2.39%	2.35%
Federal agency and GSE MBS, net	2.64%	2.91%
GSE debt securities, net	5.10%	5.08%
Foreign currency denominated investments, net	-0.19%	-0.14%
Central bank liquidity swaps	0.40%	2.89%
<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 \$12 million and \$10 million for the three months ended March 31, 2020 and 2019.</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 14. Interest expense on securities sold under agreement to repurchase		
(in millions)		
	Three months ended March 31, 2020	Three months ended March 31, 2019
Interest expense:		
Primary dealers and expanded counterparties ¹	\$ 14	\$ 20
Foreign official and international accounts ²	697	1,501
Total interest expense	\$ 711	\$ 1,521
Average daily balance:		
Primary dealers and expanded counterparties ¹	\$ 20,526	\$ 3,562
Foreign official and international accounts ²	\$241,597	\$248,423
Average interest rate:		
Primary dealers and expanded counterparties ¹	0.27%	2.25%
Foreign official and international accounts ²	1.15%	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) 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 a FOMC-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.

(D) 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*, \$10 million previously reported as "Operating expenses: System pension service cost" have been reclassified as "Operating expenses: Salaries and benefits" for the three months ended March 31, 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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