Board of Governors of the Federal Reserve System
Division of Monetary Affairs
FOMC Secretariat

Date: October 11, 2013

To: Federal Open Market Committee

From: William B. English

Subject: Background Documents and Questions for Discussion of the Debt Ceiling

Attached as background for next week's joint FOMC/Board videoconference discussion of the debt ceiling (Wednesday, October 16, 2-4 p.m. ET), are two memos: "Potential Policy Responses to the Debt Ceiling," and "Impact of Debt Limit Concerns on Financial Market Conditions."

The videoconference will begin with a series of staff presentations with Q&A, followed by a go-round on possible policy responses to the debt ceiling. In that go-round, you may wish to address the following questions:

1. Do you have any questions or concerns about actions 1-5 in the staff memo on potential policy responses, all of which fall under the current authorization of the Desk and the authority of the Reserve Banks?[1] At what point should the Federal Reserve provide clarity about its intentions regarding actions 1-5?

[1] Actions 1-5 refer to purchases of Treasury securities under the current LSAP program, rollovers of Treasury securities under the reinvestment program, securities lending operations, repurchase agreements conducted in the event that the federal funds rate threatens to move above the target range, and discount window lending.

2. What are your views on the advisability of action 6 (RRPs to address negative bill and repo rates, were they to emerge) and action 7 (RPs to address pressures in the Treasury repo market) if strains in repo markets worsen? Under what conditions would it be appropriate for the Chairman to authorize such actions if prior consultation with the Committee were not feasible given the pace of events? Are there conditions under which it would be appropriate for the Committee to indicate its willingness to conduct such operations in advance of any delayed payments on U.S. Treasury obligations, in order to increase market participants' confidence and ease market strains?

3. In 2011, the Committee set a high threshold for actions 8 and 9 (purchase operations and outright CUSIP swaps to remove Treasury securities with delayed payments from the market). Such operations could be used to support financial stability and limit the risk of adverse effects on the economy. How would you balance those possible benefits against concerns about the appropriate role of the Federal Reserve in issues related to the fiscal authorities?