

THE FEDERAL RESERVE SYSTEM

Date: October 16, 2020

To: Federal Open Market Committee

From: Lorie Logan, Trevor Reeve, and Beth Anne Wilson

Subject: Memos on Asset Purchases

As background for the discussion on asset purchases at the upcoming FOMC meeting, attached are two memos. The first memo, “Considerations for Asset Purchases,” discusses key considerations for asset purchases in the current environment and various design features, including approaches for providing guidance to the public. This memo was prepared by Christopher Gust and Zeynep Senyuz (Division of Monetary Affairs) and Antoine Martin and Patricia Zobel (FRBNY).

The second memo, “Ongoing Asset Purchases at Foreign Central Banks,” reviews how advanced foreign economy central banks are conducting asset purchases, including their communications to the public. This memo was prepared by Pon Sagnanert, Zina Saijid, and Paul Wood (Division of International Finance).

A third memo will be distributed next week. It will discuss potential implications of substantially higher levels of reserves for the banking sector and money markets, as well as the Federal Reserve’s tools for dealing with any pressures that could emerge.

At the November FOMC meeting, following brief staff presentations and Q&A, there will be a full go-round. It would be helpful if, in your comments, you could address the questions on the following page. Please note that the memo that will be distributed next week pertains to the final question.

**Questions for Discussion on Asset Purchases
at the November 2020 FOMC Meeting**

1. In considering how the Committee's asset purchases should evolve over coming meetings, what do you see as the most important objectives of these purchases—maintaining policy accommodation, providing additional policy accommodation, or guarding against a potential tightening in financial conditions? What are your views on whether sustaining smooth market functioning should remain as an explicit objective of purchases?
2. What economic or financial factors do you see as important in assessing the appropriate pace and composition of asset purchases over time? Under what circumstances should the Committee alter the pace and/or composition of asset purchases?
3. In terms of the Committee's communications regarding the future path of asset purchases, what do you see as the appropriate role of date-based or state-based guidance? What are your views about the most appropriate way to integrate guidance for asset purchases with the forward guidance for the federal funds rate?
4. Are you comfortable with the tools that the Federal Reserve has to manage pressures on bank balance sheets and money market rates that could arise with sizable further increases in aggregate bank reserves?