

THE FEDERAL RESERVE SYSTEM

Date: October 21, 2020

To: Federal Open Market Committee

From: Michael Gibson, Lorie Logan, and Trevor Reeve

Subject: Memo on Risks Related to High Levels of Bank Reserves

Attached is the final background memo for the Committee's discussion on asset purchases at the upcoming FOMC meeting. The memo, "Assessing Risks Related to Adding High Levels of Reserves to the Banking System," discusses 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. It was prepared by a team of authors from the Board (Hillel Kipnis, Holly Kirkpatrick, Judit Temesvary, Rebecca Zarutskie) and the Federal Reserve Bank of New York (Yan Chow, Brian Hefferle, Haitham Jendoubi, Adam Kirk, Michael Koslow, Roseanna Levy, Paul Licari, Dina Marchioni, Antoine Martin, Chris Mayerfield, John McGowan, Katherine Tilghman-Hill, Phil Weed, and Emily Yang). If you have any questions about the memo, please feel free to contact us.