Authorization for Domestic Open Market Operations
As reaffirmed effective January 25, 2022

OPEN MARKET TRANSACTIONS

1. The Federal Open Market Committee (the “Committee”) authorizes and directs the Federal Reserve Bank selected by the Committee to execute open market transactions (the “Selected Bank”), to the extent necessary to carry out the most recent domestic policy directive adopted by the Committee:

A. To buy or sell in the open market securities that are direct obligations of, or fully guaranteed as to principal and interest by, the United States, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, that are eligible for purchase or sale under Section 14(b) of the Federal Reserve Act (“Eligible Securities”) for the System Open Market Account (“SOMA”):
   i. As an outright operation with securities dealers and foreign and international accounts maintained at the Selected Bank: on a same-day or deferred delivery basis (including such transactions as are commonly referred to as dollar rolls and coupon swaps) at market prices; or
   ii. As a temporary operation: on a same-day or deferred delivery basis, to purchase such Eligible Securities subject to an agreement to resell (“repo transactions”) or to sell such Eligible Securities subject to an agreement to repurchase (“reverse repo transactions”) for a term of 65 business days or less, at rates that, unless otherwise authorized by the Committee, are determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual counterparties;
B. To allow Eligible Securities in the SOMA to mature without replacement;
C. To exchange, at market prices, in connection with a Treasury auction, maturing Eligible Securities in the SOMA with the Treasury, in the case of Eligible Securities that are direct obligations of the United States or that are fully guaranteed as to principal and interest by the United States; and
D. To exchange, at market prices, maturing Eligible Securities in the SOMA with an agency of the United States, in the case of Eligible Securities that are direct obligations of that agency or that are fully guaranteed as to principal and interest by that agency.

SECURITIES LENDING

2. In order to ensure the effective conduct of open market operations, the Committee authorizes the Selected Bank to operate a program to lend Eligible Securities held in the SOMA to dealers on an overnight basis (except that the Selected Bank may lend Eligible Securities for longer than an overnight term to accommodate weekend, holiday, and similar trading conventions).

A. Such securities lending must be:
   i. At rates determined by competitive bidding;
   ii. At a minimum lending fee consistent with the objectives of the program;
   iii. Subject to reasonable limitations on the total amount of a specific issue of Eligible Securities that may be auctioned; and
   iv. Subject to reasonable limitations on the amount of Eligible Securities that each borrower may borrow.
B. The Selected Bank may:
   i. Reject bids that, as determined in its sole discretion, could facilitate a bidder’s ability to control a single issue;
   ii. Accept Treasury securities or cash as collateral for any loan of securities authorized in this paragraph 2; and
   iii. Accept agency securities as collateral only for a loan of agency securities authorized in this paragraph 2.

OPERATIONAL READINESS TESTING

3. The Committee authorizes the Selected Bank to undertake transactions of the type described in paragraphs 1 and 2 from time to time for the purpose of testing operational readiness, subject to the following limitations:

A. All transactions authorized in this paragraph 3 shall be conducted with prior notice
to the Committee;
B. The aggregate par value of the transactions authorized in this paragraph 3 that are of the type described in paragraph 1.A.i, 1.B, 1.C and 1.D shall not exceed $5 billion per calendar year; and
C. The outstanding amount of the transactions described in paragraphs 1.A.ii and 2 shall not exceed $5 billion at any given time.

TRANSACTIONS WITH CUSTOMER ACCOUNTS

4. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments or other authorized services for foreign central bank and international accounts maintained at a Federal Reserve Bank (the “Foreign Accounts”) and accounts maintained at a Federal Reserve Bank as fiscal agent of the United States pursuant to section 15 of the Federal Reserve Act (together with the Foreign Accounts, the “Customer Accounts”), the Committee authorizes the following when undertaken on terms comparable to those available in the open market:
   A. The Selected Bank, for the SOMA, to:
      i. Undertake reverse repo transactions in Eligible Securities held in the SOMA with the Customer Accounts for a term of 65 business days or less; and
      ii. Undertake repo transactions in Eligible Securities with Foreign Accounts;
   B. Any Federal Reserve Bank that maintains Customer Accounts, for any such Customer Account, when appropriate and subject to all other necessary authorization and approvals, to:
      i. Undertake repo transactions in Eligible Securities with dealers with a corresponding reverse repo transaction in such Eligible Securities with the Customer Accounts; and
      ii. Undertake intra-day repo transactions in Eligible Securities with Foreign Accounts.

Transactions undertaken with Customer Accounts under the provisions of this paragraph 4 may provide for a service fee when appropriate. Transactions undertaken with Customer Accounts are also subject to the authorization or approval of other entities, including the Board of Governors of the Federal Reserve System and, when involving accounts maintained at a Federal Reserve Bank as fiscal agent of the United States, the United States Department of the Treasury.

ADDITIONAL MATTERS

5. The Committee authorizes the Chair of the Committee, in fostering the Committee’s objectives during any period between meetings of the Committee, to instruct the Selected Bank to act on behalf of the Committee to:
   A. Adjust somewhat in exceptional circumstances the stance of monetary policy and to take actions that may result in material changes in the composition and size of the assets in the SOMA; or
   B. Undertake transactions with respect to Eligible Securities in order to appropriately address temporary disruptions of an operational or highly unusual nature in U.S. dollar funding markets.

Any such adjustment described in subparagraph A of this paragraph 5 shall be made in the context of the Committee’s discussion and decision about the stance of policy at its most recent meeting and the Committee’s long-run objectives to foster maximum employment and price stability, and shall be based on economic, financial, and monetary developments since the most recent meeting of the Committee. The Chair, whenever feasible, will consult with the Committee before making any instruction under this paragraph 5.