



# Federal Reserve Balance Sheet Developments

May 2025



## Federal Reserve Balance Sheet Actions and Activities

The Federal Reserve prepares this balance sheet report to help further its commitment to transparency about actions taken in connection with two of its key functions: conducting monetary policy to meet its congressional mandate of maximum employment and price stability as well as promoting financial stability. The report contains a snapshot of Federal Reserve actions and activity in managing its balance sheet, including

- an [overview of the Federal Reserve's balance sheet trends](#);
- a review of [changes in key Federal Reserve assets](#); and
- a review of [changes in key Federal Reserve liabilities](#).

## The Role of the Balance Sheet in Meeting the Federal Reserve's Monetary Policy Mandate

The Federal Reserve conducts monetary policy in accordance with its mandate from Congress: to promote maximum employment and stable prices in the U.S. economy. Because sustainably achieving maximum employment and price stability depends on a stable financial system and because smooth financial market functioning facilitates the transmission of monetary policy, the Federal Reserve monitors financial stability risks and takes appropriate actions to help ensure that financial institutions and financial markets can efficiently support the flow of credit to households, communities, and businesses. The Federal Reserve's policy actions in support of its goals may have implications for the size and composition of its balance sheet.

The Federal Reserve considers transparency about the goals, conduct, and stance of monetary policy to be fundamental to the effectiveness of monetary policy. Transparency about monetary policy also helps promote the accountability of the Federal Reserve to Congress and the public. As a result, and in accordance with the Federal Reserve Act, the Federal Reserve publishes each week the H.4.1 statistical release, "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks."<sup>1</sup>

<sup>1</sup> See the Federal Reserve's website at <https://www.federalreserve.gov/releases/h41/>.

## General Balance Sheet Trends

Since the previous report, the size of the Federal Reserve's balance sheet decreased \$340 billion, from about \$7.1 trillion on September 25, 2024, to about \$6.7 trillion as of March 26, 2025, as shown in [table 1](#).

<b>Table 1. Assets, liabilities, and capital of the Federal Reserve System</b> (\$ billions)			
	March 26, 2025	September 25, 2024	Change from September 25, 2024
<b>Total assets</b>	<b>6,740</b>	<b>7,080</b>	<b>-340</b>
Securities held outright	6,429	6,669	-240
U.S. Treasury securities	4,237	4,384	-147
Federal agency debt securities	2	2	0
Agency mortgage-backed securities	2,189	2,282	-93
Repurchase agreements	0	0	0
Foreign official	0	0	0
Other	0	0	0
Loans	4	90	-86
Discount window	2	1	1
Bank Term Funding Program	0	86	-86
Other credit extensions	0	0	0
Paycheck Protection Program Liquidity Facility	0	0	0
Other loans	2	2	0
Net portfolio holdings of Corporate Credit Facility LLC	0	0	0
Net portfolio holdings of Main Street Facilities LLC	7	10	-3
Net portfolio holdings of Municipal Liquidity Facility LLC	0	0	0
Net portfolio holdings of Term Asset-Backed Securities Loan Facility II LLC	0	0	0
Central bank liquidity swaps	0	0	0
Other assets	300	311	-11
<b>Total liabilities</b>	<b>6,696</b>	<b>7,037</b>	<b>-341</b>
Federal Reserve notes	2,322	2,299	23
Deposits held by depository institutions other than term deposits	3,451	3,142	309
Reverse repurchase agreements	629	833	-204
Foreign official and international accounts	387	417	-30
Others	241	416	-175
U.S. Treasury, General Account	316	779	-463
Treasury contributions to credit facilities	3	5	-2
Other liabilities	-25	-21	-4
<b>Total capital</b>	<b>44</b>	<b>43</b>	<b>1</b>

Note: Components may not sum to totals because of rounding.

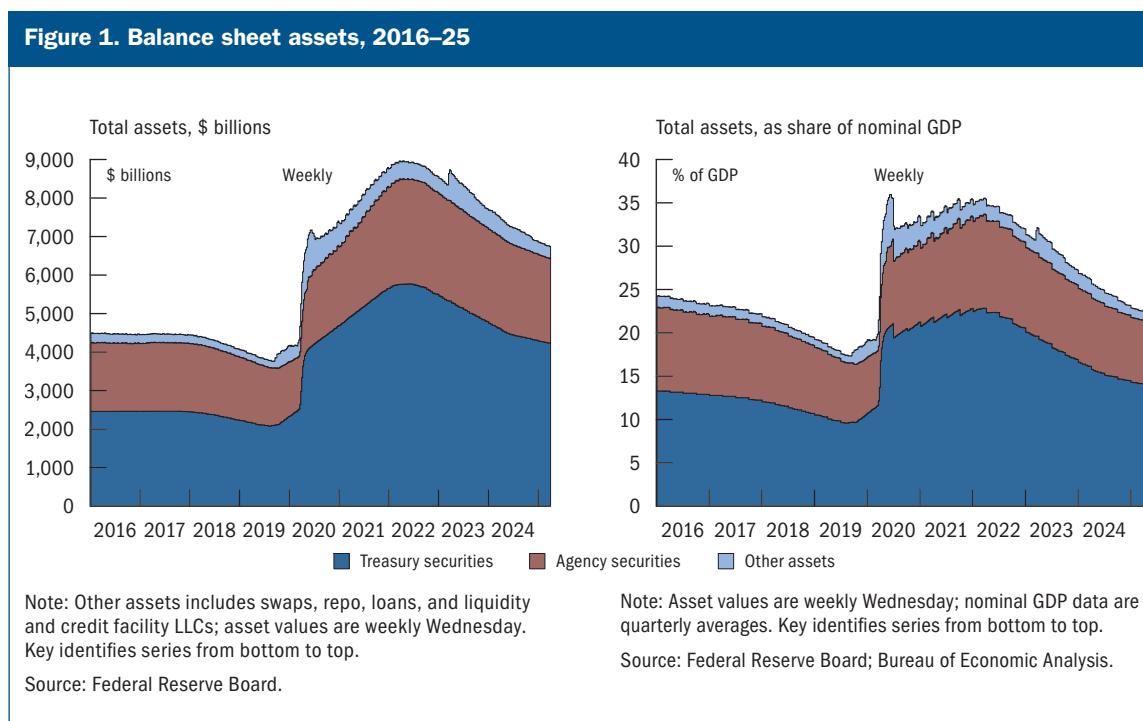
Source: Federal Reserve Board.

On the asset side of the Federal Reserve's balance sheet, securities held outright continued to decline, consistent with the Federal Open Market Committee's (FOMC's) "Plans for Reducing the Size of the Federal Reserve's Balance Sheet" announced at its May 2022 policy meeting.<sup>2</sup> In addition, loans made by the Federal Reserve decreased on net.

On the liability side of the Federal Reserve's balance sheet, balances in the U.S. Treasury's General Account declined, as did take-up at the Federal Reserve's overnight reverse repurchase agreement (ON RRP) facility. Reserve balances increased on net.

## Changes in Federal Reserve Assets

As shown in [figure 1](#), total assets on the Federal Reserve's balance sheet declined \$340 billion over the past two quarters, to stand at \$6.7 trillion, or 22 percent of nominal gross domestic product (GDP), as of March 26, 2025. Securities held outright fell \$240 billion, mostly reflecting

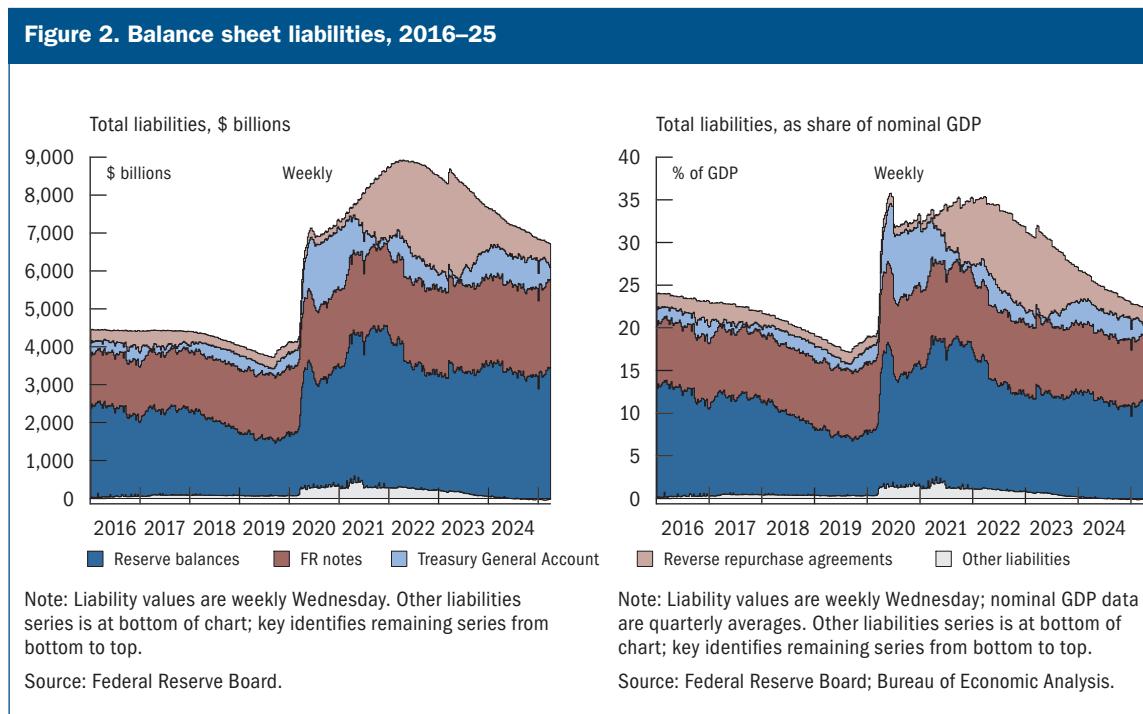


<sup>2</sup> See Board of Governors of the Federal Reserve System, "Plans for Reducing the Size of the Federal Reserve's Balance Sheet," news release, May 4, 2022, <https://www.federalreserve.gov/newsreleases/monetary20220504b.htm>. Beginning in April 2025, the Federal Reserve slowed the pace of decline of its securities holdings. See Board of Governors of the Federal Reserve System, "Federal Reserve Issues FOMC Statement," news release, March 19, 2025, <https://www.federalreserve.gov/newsreleases/monetary20250319a.htm>. The Federal Reserve had previously slowed the pace of decline of its securities holdings in June 2024 (<https://www.federalreserve.gov/newsreleases/monetary20240501a.htm>).

runoff of Treasury securities and to a lesser extent agency mortgage-backed securities. The Federal Reserve's securities holdings have declined about \$2.1 trillion since the beginning of balance sheet runoff in June of 2022. Loans also declined on net, as the remaining \$86 billion in Bank Term Funding Program (BTFP) loans were repaid.<sup>3</sup>

## Changes in Federal Reserve Liabilities

As shown in [figure 2](#), the Federal Reserve's liabilities decreased \$341 billion since September 2024 to a total of \$6.7 trillion as of March 26, 2025. Take-up at the ON RRP facility fell \$175 billion, reflecting greater availability of higher-yielding alternative money market instruments such as Treasury bills and repurchase agreements (repos), while balances in the Treasury General Account declined \$463 billion. Reserve balances rose \$309 billion on net.



<sup>3</sup> The BTFP was established under section 13(3) of the Federal Reserve Act on March 12, 2023, to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. See Board of Governors of the Federal Reserve System, “Federal Reserve Board Announces It Will Make Available Additional Funding to Eligible Depository Institutions to Help Assure Banks Have the Ability to Meet the Needs of All Their Depositors,” news release, March 12, 2023, <https://www.federalreserve.gov/newsreleases/pressreleases/monetary20230312a.htm>. BTFP lending ceased on March 11, 2024, and the last remaining BTFP loans were repaid on March 7, 2025 (<https://www.federalreserve.gov/publications/files/13-3-report-btfp-20250411.pdf>).

Consolidated net income across the Federal Reserve System remained negative on net since September 2024.<sup>4</sup> As of March 26, 2025, the Federal Reserve System reported a consolidated deferred asset of \$225 billion in connection with accumulated negative net income.<sup>5</sup> Negative net income, and the corresponding creation of a deferred asset, do not affect the Federal Reserve's ability to conduct monetary policy or meet its financial obligations.

### Box 1. FOMC Slows the Pace of Balance Sheet Runoff

On March 19, 2025, the FOMC announced that the Committee would slow the pace of decline of its securities holdings, consistent with its Plans for Reducing the Size of the Federal Reserve's Balance Sheet ("Plans"). Those Plans indicated that in order to ensure a smooth transition from abundant to ample reserve balances, the Committee would slow and then stop the decline in the size of the balance sheet when reserve balances were somewhat above the level it judged to be consistent with ample reserves. Since the beginning of balance sheet runoff in June 2022, the Federal Reserve's total securities holdings have declined over \$2 trillion as of March 2025. Consistent with its Plans, given this sizable decline in the balance sheet, the Committee judged it appropriate to further slow the pace of balance sheet runoff at its March 2025 meeting.

Under the Committee's Plans, the Federal Reserve's securities holdings are reduced over time in a predictable manner primarily by adjusting the amounts reinvested of principal payments received from securities held in the System Open Market Account (SOMA). Principal payments from securities held in the SOMA are reinvested only to the extent that they exceed monthly caps. Principal payments up to the monthly cap are redeemed without reinvestment, which reduces the SOMA's securities holdings.<sup>1</sup> Beginning in April 2025, the Committee reduced the monthly redemption cap on Treasury securities from \$25 billion to \$5 billion, maintained the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35 billion, and will reinvest principal payments in excess of these caps into Treasury securities to roughly match the maturity composition of Treasury securities outstanding.

Slower runoff gives the Committee more time to assess market conditions as the balance sheet continues to shrink. It also allows banks, and short-term funding markets more generally, additional time to adjust to the lower level of reserves, thus reducing the probability that money markets experience undue stress that could require an early end to runoff. The decision to slow the pace of runoff does not mean that the balance sheet will ultimately shrink by less than it would otherwise. Rather, a slower pace of runoff will facilitate ongoing declines in securities holdings consistent with reaching ample reserves.

<sup>1</sup> If monthly principal payments received from securities held in the SOMA are less than the amount of the redemption cap, the Federal Reserve's securities holdings decrease only by the amount of the principal payments.

<sup>4</sup> Negative net income appears in the H.4.1 statistical release in table 6 as a negative entry in "Earnings remittances due to the U.S. Treasury" for each individual Federal Reserve Bank. The sum of these entries across Reserve Banks reflects the consolidated net income of the Federal Reserve; see <https://www.federalreserve.gov/releases/h41/>.

<sup>5</sup> Weekly remittances to the Treasury were made for the week of March 26, 2025, as net income at one Federal Reserve Bank was positive.