



Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

September 30, 2020



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Abbreviations

BAC	Committee on Federal Reserve Bank Affairs
CCF	Corporate Credit Facilities LLC
CPFF II	Commercial Paper Funding Facility II LLC
CMBS	Commercial mortgage-backed securities
FRA	Federal Reserve Act
FOMC	Federal Open Market Committee
FRBNY	Federal Reserve Bank of New York
GSE	Government-sponsored enterprise
HLBV	Hypothetical liquidation basis of valuation
LLC	Limited liability company
MBS	Mortgage-backed securities
MMLF	Money Market Mutual Fund Liquidity Facility
Main Street	MS Facilities LLC
MUNI	Municipal Liquidity Facility LLC
PDCF	Primary Dealer Credit Facility
PPPLF	Paycheck Protection Program Liquidity Facility
RMBS	Residential mortgage-backed securities
SBA	Small Business Administration
SOMA	System Open Market Account
TALF II	Term Asset-Backed Securities Loan Facility (TALF) II LLC
VIE	Variable interest entity

Combined Quarterly Financial Statements

Combined statements of condition (in millions)			September 30, 2020	December 31, 2019
Assets				
Gold certificates			\$ 11,037	\$ 11,037
Special drawing rights certificates			5,200	5,200
Coin			1,477	1,657
Loans Note 2				
Loans to depository institutions			3,479	42
Other loans			74,894	—
System Open Market Account: Note 3				
Securities purchased under agreements to resell			1,000	255,619
Treasury securities, net (of which \$32,273 and \$41,602 is lent as of September 30, 2020, and December 31, 2019, respectively)			4,705,529	2,401,604
Federal agency and government-sponsored enterprise mortgage-backed securities, net			2,051,117	1,446,989
Government-sponsored enterprise debt securities, net (of which \$0 is lent as of September 30, 2020, and December 31, 2019, respectively)			2,640	2,657
Foreign currency denominated investments, net			21,483	20,711
Central bank liquidity swaps			23,895	3,728
System Open Market Account accrued interest receivable			29,096	20,746
Other assets			4	—
Investments held by consolidated variable interest entities, net (including \$8,666 measured at fair value as of September 30, 2020)		Note 4	121,584	—
Prepaid pension benefit costs			194	—
Other accrued interest receivable			118	—
Bank premises and equipment, net			2,531	2,544
Items in process of collection			71	82
Other assets			940	1,025
Total assets			<u>\$7,056,289</u>	<u>\$4,173,641</u>
Liabilities and capital				
Federal Reserve notes outstanding, net		Note 5	\$1,983,630	\$1,759,427
System Open Market Account:				
Securities sold under agreements to repurchase		Note 3	205,233	336,649
Other liabilities			3,699	129
Deposits:				
Depository institutions		Note 6	2,743,246	1,548,849
Treasury, general account		Note 7	1,781,679	403,853
Other deposits			179,394	79,256
Interest payable to depository institutions and others			58	954
Consolidated variable interest entities: Other liabilities		Note 4	168	—
Treasury credit protection provided for lending facility		Note 2	1,500	—
Accrued benefit costs			2,635	2,862
Deferred credit items			1,402	725
Accrued remittances to the Treasury			1,127	2,114
Other liabilities			629	300
Total liabilities			<u>6,904,400</u>	<u>4,135,118</u>
Reserve Bank capital		Note 8		
Capital paid-in			32,392	31,698
Surplus (including accumulated other comprehensive loss of \$3,058 and \$3,143 at September 30, 2020, and December 31, 2019, respectively)			6,825	6,825
Total Reserve Bank capital			39,217	38,523
Non-controlling interest in consolidated variable interest entities formed to administer credit and liquidity facilities		Note 4	112,672	—
Total Reserve Bank capital and non-controlling interest in consolidated variable interest entities			151,889	38,523
Total liabilities and capital			<u>\$7,056,289</u>	<u>\$4,173,641</u>

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Combined statements of operations				
(in millions)				
	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Interest income				
Loans	Note 9(A)			
Loans to depository institutions	\$ 2	\$ 1	\$ 21	\$ 1
Other loans	100	—	268	—
System Open Market Account:	Note 9(B)			
Securities purchased under agreements to resell	1	82	722	82
Treasury securities, net	19,793	14,392	49,664	43,920
Federal agency and government-sponsored enterprise mortgage-backed securities, net	7,541	10,290	26,084	33,606
Government-sponsored enterprise debt securities, net	33	34	101	103
Foreign currency denominated investments, net	(11)	(8)	(30)	(23)
Central bank liquidity swaps	80	—	480	3
Total interest income	<u>27,539</u>	<u>24,791</u>	<u>77,310</u>	<u>77,692</u>
Interest expense				
System Open Market Account:	Note 9(B)			
Securities sold under agreements to repurchase	—	1,687	711	4,832
Other	1	1	3	1
Deposits:				
Depository institutions and others	744	8,493	7,077	28,251
Term Deposit Facility	—	1	—	2
Total interest expense	<u>745</u>	<u>10,182</u>	<u>7,791</u>	<u>33,086</u>
Net interest income	<u>26,794</u>	<u>14,609</u>	<u>69,519</u>	<u>44,606</u>
Other items of income (loss)				
System Open Market Account:				
Treasury securities gains, net	—	—	1	—
Federal agency and government-sponsored enterprise mortgage-backed securities gains, net	247	6	418	6
Foreign currency translation gains (losses), net	707	(531)	789	(473)
Other	7	10	36	28
Income from services	112	111	335	332
Reimbursable services to government agencies	181	176	530	519
Other components of net benefit costs	55	(5)	211	6
Other income (loss)	(10)	18	(70)	54
Total other items of income (loss)	<u>1,299</u>	<u>(215)</u>	<u>2,250</u>	<u>472</u>
Operating expenses				
	Note 9(E)			
Salaries and benefits	903	836	2,640	2,492
System pension service cost	168	125	496	383
Occupancy	88	86	252	251
Equipment	47	47	138	142
Other	190	190	616	529
Assessments:				
Board of Governors operating expenses and currency costs	460	438	1,268	1,167
Bureau of Consumer Financial Protection	79	52	314	295
Total operating expenses	<u>1,935</u>	<u>1,774</u>	<u>5,724</u>	<u>5,259</u>
Reserve Bank net income from operations	26,158	12,620	66,045	39,819
Consolidated variable interest entities income, net	61	—	207	—
Non-controlling interest in consolidated variable interest entities (income), net	(43)	—	(172)	—
Reserve Bank and consolidated variable interest entities net income before providing for remittances to the Treasury	26,176	12,620	66,080	39,819
Earnings remittances to the Treasury	<u>26,122</u>	<u>12,477</u>	<u>65,890</u>	<u>39,374</u>
Net income after providing for remittances to the Treasury	54	143	190	445
Change in prior service costs related to benefit plans	(7)	(6)	(22)	(17)
Change in actuarial gains related to benefit plans	45	50	107	134
Total other comprehensive income	38	44	85	117
Comprehensive income	<u>\$ 92</u>	<u>\$ 187</u>	<u>\$ 275</u>	<u>\$ 562</u>

Combined statements of changes in Reserve Bank capital and non-controlling interest

(in millions, except share data)

	Reserve Bank capital					Non-controlling interest	Total Reserve Bank capital and non-controlling interest in consolidated variable interest entities
	Capital paid-in	Surplus			Total Reserve Bank capital		
		Net income retained	Accumulated other comprehensive income (loss)	Total surplus			
Balance at December 31, 2018 (646,704,007 shares of Reserve Bank capital)	\$32,335	\$10,117	\$(3,292)	\$6,825	\$39,160	\$ —	\$ 39,160
Net change in capital stock redeemed (12,742,050 shares)	(637)	—	—	—	(637)	—	(637)
Comprehensive income:							
Reserve Bank net income from operations less Treasury remittance	—	565	—	565	565	—	565
Other comprehensive income	—	—	149	149	149	—	149
Dividends on capital stock	—	(714)	—	(714)	(714)	—	(714)
Net change in capital	(637)	(149)	149	—	(637)	—	(637)
Balance at December 31, 2019 (633,961,957 shares of Reserve Bank capital)	\$31,698	\$ 9,968	\$(3,143)	\$6,825	\$38,523	\$ —	\$ 38,523
Net change in capital stock issued (13,875,794 shares)	694	—	—	—	694	—	694
Comprehensive income:							
Reserve Bank net income from operations less Treasury remittance	—	155	—	155	155	—	155
Consolidated variable interest entities income, net	—	35	—	35	35	172	207
Other comprehensive income	—	—	85	85	85	—	85
Dividends on capital stock	—	(275)	—	(275)	(275)	—	(275)
Non-controlling interest in consolidated variable interest entities—capital contribution	—	—	—	—	—	112,500	112,500
Net change in Reserve Bank capital and non-controlling interest	694	(85)	85	—	694	112,672	113,366
Balance at September 30, 2020 (647,837,751 shares of Reserve Bank capital)	<u>\$32,392</u>	<u>\$ 9,883</u>	<u>\$(3,058)</u>	<u>\$6,825</u>	<u>\$39,217</u>	<u>\$112,672</u>	<u>\$151,889</u>

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Supplemental Financial Information

(1) Credit and Liquidity Facilities

The Federal Reserve is using its full range of tools to support the flow of credit to households and businesses. Pursuant to section 13(3) of the Federal Reserve Act (FRA) and after obtaining the requisite approval from the Secretary of the Treasury, the Board of Governors of the Federal Reserve established facilities with broad-based eligibility. The Board of Governors established three lending facilities (note 2) and formed five limited liability companies (LLCs, note 4) for additional lending programs to provide liquidity to various sectors of the economy. The structure and objective of these lending facilities are outlined in the table 1:

Table 1. 13(3) Lending facilities established by the Board of Governors to support the economy		
Facility	Structure of facility	Targeted economic sector
Commercial Paper Funding Facility	Commercial Paper Funding Facility II LLC (CPFF II)	Through US dollar-denominated commercial paper issuance, which supplies credit and funding for auto loans, mortgages and liquidity to meet operational needs of a range of companies, support flow of credit to households and businesses
Corporate Credit Facilities Primary Market Corporate Credit Facility Secondary Market Corporate Credit Facility	Corporate Credit Facilities LLC (CCF)	Provide liquidity to employers by purchasing Original corporate bond and loan issuances Outstanding corporate bonds and exchange traded funds
Main Street Lending Program Main Street New Loan Facility Main Street Priority Loan Facility Main Street Expanded Loan Facility Nonprofit Organization New Loan Facility Nonprofit Organization Expanded Loan Facility	MS Facilities LLC (Main Street)	Through the purchase of loan participations, support small and medium sized businesses and nonprofit organizations in sound financial condition before the onset of COVID-19
Municipal Liquidity Facility	Municipal Liquidity Facility LLC (MUNI)	Through purchase of municipal notes, support lending to state, city, and county governments, certain multistate entities, and other issuers of municipal securities
Money Market Mutual Fund Liquidity Facility (MMLF)	Reserve Bank loans to eligible financial institutions secured by high-quality assets purchased by the borrowing financial institution from money market mutual funds	Support flow of credit to businesses and households by meeting demands for money market fund redemptions by households and other investors
Paycheck Protection Program Liquidity Facility (PPPLF)	Reserve Bank loans to eligible borrowers participating in the Small Business Administration's (SBA) Paycheck Protection Program	Help the flow of loans to small businesses to keep their workers on the payroll
Primary Dealer Credit Facility (PDCF)	Reserve Bank supplied overnight and term funding to primary dealers with maturities of up to 90 days	Support smooth market functioning and facilitate availability of credit to businesses and households
Term Asset-Backed Securities Loan Facility	TALF II LLC (TALF II)	Support flow of credit to consumers and businesses by enabling issuance of asset-backed securities backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA and certain other assets

The combined financial statements include the accounts and result of operations of the consolidated variable interest entities (VIEs). A Reserve Bank consolidates a VIE if it has a controlling financial interest.

Pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Treasury provided credit protection for CCF, MUNI, TALF II, and Main Street. The Treasury is a non-controlling member of and contributed equity to function as credit protection for the LLCs. Additionally, the Treasury provided credit protection to MMLF and CPFF.

(2) Loans

Loans to Depository Institutions

The Reserve Banks offer primary, secondary, and seasonal loans to eligible borrowers (depository institutions that maintain reservable transaction accounts or nonpersonal time deposits and have established discount window borrowing privileges). Primary and secondary loans are extended on a short-term basis, typically overnight, whereas seasonal loans may be extended for a period of up to nine months.

Other Loans

MMLF, PPPLF, and PDCF were established pursuant to section 13(3) of the FRA (note 1). The Treasury contributed \$1.5 billion as credit protection for the MMLF, which is reported on the Combined statements of condition as “Treasury credit protection provided for lending facility.”

The PPPLF program extends credit to eligible financial institutions that originate Paycheck Protection Program loans, taking the loans as collateral at face value.

The amounts outstanding at September 30, 2020, and December 31, 2019, for loans to depository institutions and other loans were as follows:

Table 2. Loans to depository institutions and other loans		
(in millions)		
	September 30, 2020	December 31, 2019
Loans to depository institutions		
Primary, secondary, and seasonal credit	\$ 3,479	\$ 42
Other loans		
Money Market Mutual Fund Liquidity Facility	7,088	—
Paycheck Protection Program Liquidity Facility	67,573	—
Primary Dealer Credit Facility	233	—
Total other loans	\$74,894	\$—
Total loans	\$78,373	\$ 42

The remaining maturity distribution of loans to depository institutions and other loans, outstanding as of September 30, 2020, and December 31, 2019, was as follows:

Table 3. Maturity distribution of loans to depository institutions and other loans					
(in millions)					
	Remaining maturity				Total
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	
September 30, 2020					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$1,146	\$2,333	\$ —	\$ —	\$ 3,479
Other loans					
Money Market Mutual Fund Liquidity Facility	1,011	2,155	3,922	—	7,088
Paycheck Protection Program Liquidity Facility	—	—	—	67,573	67,573
Primary Dealer Credit Facility	140	93	—	—	233
Total other loans	\$1,151	\$2,248	\$3,922	\$67,573	\$74,894
Total loans	\$2,297	\$4,581	\$3,922	\$67,573	\$78,373
December 31, 2019					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$ 42	\$ —	\$ —	\$ —	\$ 42

At September 30, 2020, and December 31, 2019, the Reserve Banks did not have any loans that were impaired, restructured, past due, or on non-accrual status, and no allowance for loan losses was required. There were no impaired loans during the period ended September 30, 2020, and year ended December 31, 2019.

(3) System Open Market Account (SOMA) Holdings

Treasury securities, federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS), and GSE debt securities are reported at amortized cost in the Combined statements of condition. SOMA portfolio holdings at September 30, 2020, and December 31, 2019, were as follows:

Table 4. Domestic SOMA portfolio holdings (in millions)						
	September 30, 2020			December 31, 2019		
	Amortized cost	Fair value	Cumulative unrealized gains (losses), net	Amortized cost	Fair value	Cumulative unrealized gains (losses), net
Treasury securities						
Bills	\$ 325,822	\$ 325,972	\$ 150	\$ 168,461	\$ 168,479	\$ 18
Notes	2,956,770	3,024,978	68,208	1,290,201	1,303,576	13,375
Bonds	1,422,937	1,705,019	282,082	942,942	1,068,675	125,733
Total Treasury securities	\$4,705,529	\$5,055,969	\$350,440	\$2,401,604	\$2,540,730	\$139,126
Federal agency and GSE MBS						
Residential	\$2,040,514	\$2,093,326	\$ 52,812	\$1,446,989	\$1,467,802	\$ 20,813
Commercial	10,603	10,845	242	—	—	—
Total federal agency and GSE MBS	\$2,051,117	\$2,104,171	\$ 53,054	\$1,446,989	\$1,467,802	\$ 20,813
GSE debt securities	2,640	3,595	955	2,657	3,344	687
Total domestic SOMA portfolio securities holdings	\$6,759,286	\$7,163,735	\$404,449	\$3,851,250	\$4,011,876	\$160,626
Memorandum—Commitments for purchases of:						
Treasury securities	\$ 11,594	\$ 11,593	\$ (1)	\$ 1	\$ 1	\$ —
Federal agency and GSE MBS	139,902	140,129	227	4,177	4,187	10
Memorandum—Commitments for sales of:						
Treasury securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal agency and GSE MBS	—	—	—	—	—	—

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at September 30, 2020, and December 31, 2019:

Table 5. Detail of federal agency and GSE MBS holdings—distribution of MBS holdings by coupon rate (in millions)				
	September 30, 2020		December 31, 2019	
	Amortized cost	Fair value	Amortized cost	Fair value
Residential				
2.00%	\$ 136,300	\$ 137,371	\$ 6,183	\$ 6,116
2.50%	472,239	477,772	79,991	79,661
3.00%	679,109	692,475	538,642	540,588
3.50%	445,880	461,739	498,727	506,691
4.00%	232,891	242,713	242,353	247,915
4.50%	54,015	58,690	56,789	60,551
5.00%	15,877	17,842	19,377	20,921
5.50%	3,632	4,081	4,266	4,633
6.00%	499	563	578	635
6.50%	72	80	83	91
Total	<u>\$2,040,514</u>	<u>\$2,093,326</u>	<u>\$1,446,989</u>	<u>\$1,467,802</u>
Commercial				
1.00%–1.50%	\$ 82	\$ 81	\$ —	\$ —
1.51%–2.00%	437	438	—	—
2.01%–2.50%	1,279	1,303	—	—
2.51%–3.00%	1,850	1,889	—	—
3.01%–3.50%	3,124	3,209	—	—
3.51%–4.00%	3,531	3,621	—	—
4.01%–4.50%	300	304	—	—
Total	<u>\$ 10,603</u>	<u>\$ 10,845</u>	<u>\$ —</u>	<u>\$ —</u>
Total MBS	<u>\$2,051,117</u>	<u>\$2,104,171</u>	<u>\$1,446,989</u>	<u>\$1,467,802</u>

The Federal Reserve Bank of New York (FRBNY) may engage in purchases of securities under agreements to resell (repurchase agreements) with primary dealers and foreign official account holders.

The FRBNY may also engage in sales of securities under agreements to repurchase (reverse repurchase agreements) with primary dealers and with a set of expanded counterparties that includes banks, savings associations, GSEs, and domestic money market funds (primary dealer and expanded counterparties reverse repurchase agreements). Reverse repurchase agreements may also be executed with foreign official and international account holders as part of a service offering. Financial information related to reverse repurchase agreements at September 30, 2020, and December 31, 2019, was as follows:

Table 6. Repurchase Agreements and Reverse Repurchase Agreements		
(in millions)		
	September 30, 2020	December 31, 2019
Repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$ —	\$255,619
Foreign official:		
Contract amount outstanding, end of period	1,000	—
Total repurchase agreement contract amount outstanding, end of period	\$ 1,000	\$255,619
Reverse repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$ 850	\$ 64,087
Securities pledged (par value), end of period	522	60,490
Securities pledged (fair value), end of period	844	64,008
Foreign official and international accounts:		
Contract amount outstanding, end of period	\$204,383	\$272,562
Securities pledged (par value), end of period	194,647	265,139
Securities pledged (fair value), end of period	204,431	272,579
Total reverse repurchase agreement contract amount outstanding, end of period	\$205,233	\$336,649

The remaining maturity distribution of Treasury securities, federal agency and GSE MBS bought outright, GSE debt securities, repurchase agreements, and reverse repurchase agreements at September 30, 2020, and December 31, 2019, was as follows:

Table 7. Maturity distribution of SOMA domestic portfolio securities, securities purchased under agreements to resell, and securities sold under agreements to repurchase
(in millions)

	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
September 30, 2020:							
Treasury securities (par value)	\$ 56,106	\$238,394	\$694,799	\$1,673,536	\$788,868	\$ 993,773	\$4,445,476
Federal agency and GSE residential MBS (par value) ¹	—	—	5	2,128	73,275	1,897,868	1,973,276
Federal agency and GSE commercial MBS (par value) ¹	—	—	—	—	4,144	5,356	9,500
GSE debt securities (par value)	—	—	—	—	1,436	911	2,347
Securities purchased under agreements to resell (contract amount)	1,000	—	—	—	—	—	1,000
Securities sold under agreements to repurchase (contract amount)	205,233	—	—	—	—	—	205,233
December 31, 2019:							
Treasury securities (par value)	\$ 8,260	\$115,689	\$349,014	\$ 893,832	\$321,591	\$ 640,547	\$2,328,933
Federal agency and GSE residential MBS (par value) ¹	—	—	12	1,135	73,528	1,334,002	1,408,677
GSE debt securities (par value)	—	—	—	—	486	1,861	2,347
Securities purchased under agreements to resell (contract amount)	205,619	50,000	—	—	—	—	255,619
Securities sold under agreements to repurchase (contract amount)	336,649	—	—	—	—	—	336,649
¹ The par amount shown for federal agency and GSE residential MBS and commercial MBS is the remaining principal balance of the securities.							

Federal agency and GSE residential MBS (RMBS) and commercial MBS (CMBS) are reported at stated maturity in table 7 above. The estimated weighted-average lives of the federal agency and GSE RMBS and CMBS differ from the stated maturity in table 7 primarily because these estimated weighted-average lives factor in scheduled payments and prepayment assumptions. The estimated weighted-average life of federal agency and GSE RMBS was approximately 3.4 years and 5.3 years as of September 30, 2020, and December 31, 2019, respectively. The estimated weighted-average life of the federal agency and GSE CMBS was approximately 9.1 years as of September 30, 2020.

Information about transactions related to Treasury securities, federal agency and GSE MBS, and GSE debt securities held in the SOMA during the nine months ended September 30, 2020, and during the year ended December 31, 2019, is summarized as follows:

Table 8a. Domestic portfolio transactions of SOMA securities—bills, notes, and bonds

(in millions)

	Bills	Notes	Bonds	Total Treasury securities
Balance December 31, 2018	\$ —	\$1,383,929	\$ 918,533	\$2,302,462
Purchases ¹	190,009	273,742	50,899	514,650
Sales ¹	(50)	(50)	—	(100)
Realized gains, net ²	—	—	—	—
Principal payments and maturities	(21,824)	(366,328)	(20,755)	(408,907)
Amortization of premiums and accretion of discounts, net	326	(1,828)	(7,468)	(8,970)
Inflation adjustment on inflation-indexed securities	—	736	1,733	2,469
Subtotal of activity ¹	168,461	(93,728)	24,409	99,142
Balance December 31, 2019	\$ 168,461	\$1,290,201	\$ 942,942	\$2,401,604
Purchases ¹	694,732	1,989,750	510,446	3,194,928
Sales ¹	—	(26)	—	(26)
Realized gains, net ²	—	1	—	1
Principal payments and maturities	(539,529)	(312,488)	(23,880)	(875,897)
Amortization of premiums and accretion of discounts, net	2,158	(11,567)	(7,526)	(16,935)
Inflation adjustment on inflation-indexed securities	—	899	955	1,854
Subtotal of activity ¹	157,361	1,666,569	479,995	2,303,925
Balance September 30, 2020	\$ 325,822	\$2,956,770	\$1,422,937	\$4,705,529
Year ended December 31, 2019				
Supplemental information—par value of transactions				
Purchases ³	\$ 191,399	\$ 273,096	\$ 48,430	\$ 512,925
Sales	(50)	(50)	—	(100)
Nine months ended September 30, 2020				
Supplemental information—par value of transactions				
Purchases ³	\$ 696,048	\$1,907,547	\$ 387,016	\$2,990,611
Sales	—	(25)	—	(25)

¹ Purchases and sales may include payments and receipts related to principal, premiums, discounts, and inflation compensation adjustments to the basis of inflation-indexed securities. The amount reported as sales includes the realized gains and losses on such transactions.

² Realized gains, net offset the amount of realized gains and losses included in the reported sales amount.

³ Includes inflation compensation.

Table 8b. Domestic portfolio transactions of SOMA securities—residential and commercial MBS and GSE debt securities
(in millions)

	Residential MBS	Commercial MBS	Total federal agency and GSE MBS	GSE debt securities
Balance December 31, 2018	\$1,683,532	\$ —	\$1,683,532	\$2,741
Purchases ¹	34,259	—	34,259	—
Sales ¹	(316)	—	(316)	—
Realized gains, net ²	6	—	6	—
Principal payments and maturities	(261,805)	—	(261,805)	(62)
Amortization of premiums and accretion of discounts, net	(8,687)	—	(8,687)	(22)
Subtotal of activity ¹	(236,543)	—	(236,543)	(84)
Balance December 31, 2019	\$1,446,989	\$ —	\$1,446,989	\$2,657
Purchases ¹	1,030,255	10,840	1,041,095	—
Sales ¹	(167)	—	(167)	—
Realized gains, net ²	6	—	6	—
Principal payments and maturities	(421,977)	(186)	(422,163)	—
Amortization of premiums and accretion of discounts, net	(14,592)	(51)	(14,643)	(17)
Subtotal of activity ¹	593,525	10,603	604,128	(17)
Balance September 30, 2020	\$2,040,514	\$10,603	\$2,051,117	\$2,640
Year ended December 31, 2019				
Supplemental Information—par value transactions				
Purchases	\$ 33,662	\$ —	\$ 33,662	\$ —
Sales	(304)	—	(304)	—
Nine months ended September 30, 2020				
Supplemental information—par value of transactions				
Purchases	\$ 986,734	\$ 9,685	\$ 996,419	\$ —
Sales	(158)	—	(158)	—
¹ Purchases and sales may include payments and receipts related to principal, premiums, and discounts. The amount reported as sales includes the realized gains and losses on such transactions. Purchases and sales exclude MBS TBA transactions that are settled on a net basis. ² Realized gains, net offset the amount of realized gains and losses included in the reported sales amount.				

Information about foreign currency denominated investments recorded at amortized cost and valued at foreign currency market exchange rates held in the SOMA at September 30, 2020, and December 31, 2019, was as follows:

Table 9. Foreign currency denominated investments
(in millions)

	September 30, 2020	December 31, 2019
Euro:		
Foreign currency deposits	\$ 7,551	\$ 6,892
French government debt instruments	2,572	2,629
Dutch government debt instruments	1,478	1,443
German government debt instruments	1,028	1,145
Japanese yen:		
Foreign currency deposits	8,479	7,752
Japanese government debt instruments	375	850
Total	\$21,483	\$20,711

The remaining maturity distribution of foreign currency denominated investments at September 30, 2020, and December 31, 2019, was as follows:

Table 10. Maturity distribution of foreign currency denominated investments						
(in millions)						
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Total
September 30, 2020:						
Euro	\$ 7,408	\$281	\$1,034	\$2,144	\$1,762	\$12,629
Japanese yen	8,479	368	—	7	—	8,854
Total	\$15,887	\$649	\$1,034	\$2,151	\$1,762	\$21,483
December 31, 2019:						
Euro	\$ 6,892	\$ 48	\$ 365	\$2,744	\$2,060	\$12,109
Japanese yen	7,752	110	739	1	—	8,602
Total	\$14,644	\$158	\$1,104	\$2,745	\$2,060	\$20,711

At September 30, 2020, and December 31, 2019, the fair value of foreign currency denominated investments held in the SOMA was \$21,635 million and \$20,829 million, respectively.

Because of the global character of bank funding markets, the Federal Open Market Committee (FOMC) authorized and directed the FRBNY to maintain U.S. dollar liquidity swap arrangements and foreign currency liquidity swap arrangements with foreign central banks. As of December 31, 2019, and September 30, 2020, the FRBNY had standing U.S. dollar liquidity swap arrangements with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank. On March 19, 2020, the FRBNY entered into temporary U.S. dollar liquidity swap arrangements to be in place for at least six months with the Reserve Bank of Australia, the Banco Central do Brasil, the Danmarks Nationalbank (Denmark), the Bank of Korea, the Banco de Mexico, the Norges Bank (Norway), the Reserve Bank of New Zealand, the Monetary Authority of Singapore, and the Sveriges Riksbank (Sweden). On July 29, 2020, these swap lines were extended through March 31, 2021. The FRBNY holds amounts outstanding under these swap lines in the SOMA.

The remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Reserve Banks at September 30, 2020, and December 31, 2019, was as follows:

Table 11. Maturity distribution of liquidity swaps			
(in millions)			
	Within 15 days	16 days to 90 days	Total
September 30, 2020			
Japanese yen	\$15,550	\$2,986	\$18,536
Mexican peso	—	1,815	1,815
Euro	755	1,008	1,763
Singapore dollar	935	100	1,035
Swiss franc	399	347	746
Total	\$17,639	\$6,256	\$23,895
December 31, 2019			
Euro	\$ 3,728	\$ —	\$ 3,728
Total	\$ 3,728	\$ —	\$ 3,728

The following table presents the realized gains, net and the change in the cumulative unrealized gains (losses) related to SOMA domestic securities holdings during the periods ended September 30, 2020, and September 30, 2019:

Table 12. Realized gains and change in unrealized gain (losses) position				
(in millions)				
	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	Realized gains, net	Change in cumulative unrealized gains (losses) ¹	Realized gains, net	Change in cumulative unrealized gains (losses) ¹
Treasury securities ²	\$ 1	\$211,314	\$ —	\$144,067
Federal agency and GSE MBS ³	418	32,241	6	62,421
GSE debt securities	—	268	—	288
Total	\$419	\$243,823	\$ 6	\$206,776

¹ Because SOMA securities are recorded at amortized cost, unrealized gains (losses) are not reported in the Combined statements of operations. Change in cumulative unrealized gains (losses) is calculated from December 31 of the previous year.

² Realized gains, net for Treasury securities are reported in "Other items of income (loss): System Open Market Account: Treasury securities gains, net" in the Combined statements of operations.

³ Realized gains, net for federal agency and GSE MBS are reported in "Other items of income (loss): System Open Market Account: Federal agency and government-sponsored enterprise mortgage-backed securities gains, net" in the Combined statements of operations.

(4) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and results of operations of CPFF II, CCF, Main Street, MUNI, and TALF II. The Reserve Banks that are controlling members have extended loans to the VIEs under the authority of section 13(3) of the FRA. Intercompany balances and transactions are eliminated in consolidation.

Purchases of each LLC's portfolio assets are funded by loans extended by the controlling Reserve Bank. The assets of the VIE and the amounts provided by the Treasury as credit protection are used to secure the loan from the Reserve Bank.

The classification of assets and liabilities of the consolidated VIEs as of September 30, 2020, are as follows:

Table 13. Net portfolio assets of consolidated VIEs

(in millions)

	CPFF II	CCF	Main Street	MUNI	TALF II	Total
As of September 30, 2020:						
Assets						
Commercial paper ¹	\$ 30	\$ —	\$ —	\$ —	\$ —	\$ 30
Corporate bonds ¹	—	4,425	—	—	—	4,425
Loan participations, net ¹	—	—	2,099	—	—	2,099
Municipal notes ¹	—	—	—	1,651	—	1,651
Exchange traded funds ¹	—	8,618	—	—	—	8,618
Loans ¹	—	—	—	—	3,180	3,180
Trading securities ²	47	—	—	1	—	48
Non-marketable Treasury securities ²	8,503	31,885	31,884	14,879	8,502	95,653
Cash, cash equivalents, and other assets ³	8	181	5,642	16	33	5,880
Total assets	\$8,588	\$45,109	\$39,625	\$16,547	\$11,715	\$121,584
Liabilities⁴	27	94	42	2	3	168
Net assets and liabilities	\$8,561	\$45,015	\$39,583	\$16,545	\$11,712	\$121,416

¹ Outstanding amounts of facility asset purchases:

- For the CPFF II includes commercial paper at amortized cost.
- For the CCF includes exchange traded-funds at fair value and corporate bonds at amortized cost.
- For Main Street includes loan participations at the outstanding principal amount of loans participations, net of allowance for loan losses.
- For MUNI includes municipal notes at amortized cost.
- For TALF II includes loans at the outstanding principal amount of loans.

² Includes the portion of the Treasury contribution to the credit facilities, which is held as investments in non-marketable Treasury securities.

³ The residual portion of the Treasury contribution to the credit facilities held as cash and cash equivalents at the FRBNY are eliminated in consolidation from net portfolio assets, in the following amounts: \$1.5 billion for CPFF II, \$5.6 billion in CCF, \$2.6 billion in MUNI, and \$1.5 billion in TALF II.

⁴ Includes registration and syndication fees, accrued professional fees, facility fees, and other liabilities.

Purchased assets of the consolidated VIEs, including commercial paper, corporate bonds, and municipal notes, are evaluated for other than temporary impairments, and no impairments were indicated as of September 30, 2020. Loans and loan participations are evaluated for impairment in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 310-10. No impairments were indicated for loans extended by TALF II as of September 30, 2020. The evaluation of loan participations purchased by Main Street resulted in recording a loan loss allowance in the amount of \$96 million as of September 30, 2020. There were no loans or loan participations in non-accrual status as of September 30, 2020.

The maturity distribution of major asset categories in the consolidated VIEs net portfolio holdings, which have set maturity terms is as follows:

Table 14. Maturity distribution of major asset categories of consolidated VIEs

(in millions)

	Remaining maturity				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
September 30, 2020					
CPFF II: Commercial paper ¹	\$ 30	\$ —	\$ —	\$ —	\$ 30
CCF: Corporate bonds ^{1, 2}	8	29	391	3,997	4,425
Main Street: Loan participations ³	—	—	2,195	—	2,195
MUNI: Municipal notes ¹	—	—	1,200	451	1,651
TALF II: Loans ³	—	—	—	3,180	3,180

¹ Reported at amortized cost.

² CCF excludes exchange traded funds of \$8.6 billion as of September 30, 2020, measured at fair value, which do not have set maturity terms.

³ Reported at the outstanding principal amount of the loans, gross of allowance for loan losses.

The following table presents information related to the portfolio holdings of the VIEs and the funding provided by the Reserve Bank and Treasury.

Table 15. Analysis of Reserve Bank funding and Treasury non-controlling interests of VIEs

(in millions)

	September 30, 2020					
	CPFF II	CCF	Main Street	MUNI	TALF II	Total
Outstanding amount of facility assets	\$ 30	\$13,043	\$ 2,099	\$ 1,651	\$ 3,180	\$ 20,003
Treasury contribution, including deposits and non-marketable Treasury securities ¹	10,003	37,510	37,509	17,504	10,002	112,528
Other assets and liabilities, net	29	87	(26)	13	29	132
Net unconsolidated VIE assets available to pay Reserve Bank loans and Treasury non-controlling interests¹	\$10,062	\$50,640	\$39,582	\$19,168	\$13,211	\$132,663
Reserve Bank funding:²						
Loans outstanding	30	12,875	2,195	1,651	3,207	19,958
Plus: outstanding interest accrued	—	3	—	—	—	3
Total controlling interests outstanding	\$ 30	\$12,878	\$ 2,195	\$ 1,651	\$ 3,207	\$ 19,961
Non-controlling interest—Treasury capital contributions	\$10,000	\$37,500	\$37,500	\$17,500	\$10,000	\$112,500
Excess of net unconsolidated VIE assets³	\$ 32	\$ 262	\$ (113)	\$ 17	\$ 4	\$ 202
allocated to Reserve Bank	3	25	—	2	—	30
allocated to Treasury	29	237	(113)	15	4	172
Memo: Non-controlling interest in consolidated VIEs	10,029	37,737	37,387	17,515	10,004	112,672

¹ Included earnings on non-marketable Treasury securities and deposits from the Treasury as of September 30, 2020. Treasury contributions held in deposit, which eliminate in consolidation, are \$1.5 billion for CPFF II, \$5.6 billion for CCF, \$2.6 billion for MLF, and \$1.5 billion for TALF II.

² Eliminates in consolidation.

³ Includes \$5 million of interest income, which eliminates in consolidation, on loans extended by the controlling Reserve Bank to the LLC.

The allocation of the excess of net unconsolidated VIE assets is determined in accordance with the limited liability company agreement for each entity. The hypothetical liquidation basis of valuation (HLBV) is applied in determining the allocation. Under the HLBV, the hypothetical liquidation of the VIE at book value forms the basis for allocating income or loss and net assets between its controlling and non-controlling interest holders.

(5) Federal Reserve Notes

Federal Reserve notes are the circulating currency of the United States. These notes, which are identified as issued to a specific Reserve Bank, must be fully collateralized. All of the Reserve Banks' assets are eligible to be pledged as collateral. At September 30, 2020, and December 31, 2019, all Federal Reserve notes, net, were fully collateralized.

(6) Depository Institution Deposits

Depository institutions' deposits primarily represent the balances in the master accounts and excess balance accounts that depository institutions hold at the Reserve Banks. Required reserve balances are those that a depository institution must hold to satisfy its reserve requirement. Reserve requirements are the amount of funds that a depository institution must hold in reserve against specified deposit liabilities. Excess reserves are those held by the depository institutions in excess of their required reserve balances. Effective March 26, 2020, reserve requirements were removed and all balances held are excess balances.

(7) Treasury Deposits

The Treasury holds deposits at the Reserve Banks in a general account pursuant the Reserve Banks' role as fiscal agent and depository of the United States.

(8) Capital and Surplus

The FRA requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. These shares have a par value of \$100, and may not be transferred or hypothecated. As a member bank's capital and surplus changes, its holdings of Reserve Bank stock must be adjusted. Currently, only one-half of the subscription is paid in, and the remainder is subject to call. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

The FRA requires each Reserve Bank to pay each member bank an annual dividend on paid in capital stock. By law member banks with more than \$10 billion of total consolidated assets, adjusted annually for inflation, receive a dividend on paid in capital stock equal to the smaller of 6 percent or the rate equal to the high yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend. Member banks with \$10 billion or less of total consolidated assets, adjusted annually for inflation, receive a dividend on paid in capital stock equal to 6 percent. The dividend is paid semi-annually and is cumulative.

The FRA limits aggregate Reserve Bank surplus to \$6.825 billion.

The Treasury equity contribution to the consolidated VIEs is reported as an element of "Non-controlling interests in consolidated variable interest entities formed to administer credit and liquidity facilities" in the Combined statements of condition. The reported amount also includes Treasury's allocated portion of undistributed net VIE assets as of September 30, 2020, determined in accordance with VIE agreements and accounting policies adopted by the VIEs.

(9) Income and Expense

(A) Loans to Depository Institutions and Other Loans

Interest income on primary, secondary, and seasonal credit is accrued using the applicable rate established at least every 14 days by the Reserve Banks' boards of directors, subject to review and determination by the Board of Governors. Interest income on advances made under the MMLF, PPPLF, and PDCF is accrued using the applicable rate as outlined by the term sheets of the respective programs.

Supplemental information on interest income on loans and other loans, net is as follows:

Table 16. Interest income on loans to depository institutions and other loans		
(in millions)		
	Nine months ended September 30, 2020	Nine months ended September 30, 2019 ¹
Interest income:		
Primary, secondary, and seasonal credit	\$ 21	\$ 1
Money Market Mutual Fund Liquidity Facility	166	—
Paycheck Protection Program Liquidity Facility	90	—
Primary Dealer Credit Facility	12	—
Total interest income	\$ 289	\$ 1
Average daily loan balance:		
Primary, secondary, and seasonal credit	\$11,026	\$63
Money Market Mutual Fund Liquidity Facility	25,698	—
Paycheck Protection Program Liquidity Facility	56,129	—
Primary Dealer Credit Facility	9,317	—
Average interest rate:		
Primary, secondary, and seasonal credit	0.25%	2.43%
Money Market Mutual Fund Liquidity Facility	1.23%	—
Paycheck Protection Program Liquidity Facility	0.35%	—
Primary Dealer Credit Facility	0.25%	—
¹ The Money Market Mutual Fund Liquidity Facility, the Paycheck Protection Program Liquidity Facility, and the Primary Dealer Credit Facility commenced March 23, 2020; April 16, 2020; and March 20, 2020, respectively.		

(B) SOMA Holdings

The amount reported as interest income on SOMA portfolio holdings includes the amortization of premiums and discounts. Supplemental information on interest income on SOMA portfolio holdings is as follows:

Table 17. Interest income on SOMA portfolio
(in millions)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest income:		
Securities purchased under agreements to resell	\$ 722	\$ 82
Treasury securities, net	49,664	43,920
Federal agency and GSE MBS, net	26,084	33,606
GSE debt securities, net	101	103
Foreign currency denominated investments, net ¹	(30)	(23)
Central bank liquidity swaps	480	3
Total interest income	\$ 77,021	\$ 77,691
Average daily balance:		
Securities purchased under agreements to resell	\$ 130,573	\$ 5,611
Treasury securities, net ²	3,801,844	2,215,105
Federal agency and GSE MBS, net ³	1,743,423	1,606,755
GSE debt securities, net ²	2,648	2,690
Foreign currency denominated investments, net ⁴	20,882	20,785
Central bank liquidity swaps ⁵	176,311	166
Average interest rate:		
Securities purchased under agreements to resell	0.74%	1.94%
Treasury securities, net	1.74%	2.64%
Federal agency and GSE MBS, net	1.99%	2.79%
GSE debt securities, net	5.11%	5.10%
Foreign currency denominated investments, net	-0.19%	-0.15%
Central bank liquidity swaps	0.36%	2.82%

¹ As a result of negative interest rates on certain foreign currency denominated investments held in the SOMA, interest income on foreign currency denominated investments, net contains negative interest of \$38 million and \$32 million for the nine months ended September 30, 2020 and 2019, respectively.

² Face value, net of unamortized premiums and discounts.

³ Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities, net of premiums and discounts.

⁴ Foreign currency denominated investments are revalued daily at market exchange rates.

⁵ Dollar value of foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank. This exchange rate equals the market exchange rate used when the foreign currency was acquired from the foreign central bank.

Supplemental information on interest expense on securities sold under agreement to repurchase (reverse repurchase agreements) is as follows:

Table 18. Interest expense on securities sold under agreement to repurchase

(in millions)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest expense:		
Primary dealers and expanded counterparties ¹	\$ 14	\$ 81
Foreign official and international accounts ²	697	4,751
Total interest expense	\$ 711	\$ 4,832
Average daily balance:		
Primary dealers and expanded counterparties ¹	\$ 11,627	\$ 4,937
Foreign official and international accounts ²	236,994	266,349
Average interest rate:		
Primary dealers and expanded counterparties ¹	0.16%	2.20%
Foreign official and international accounts ²	0.39%	2.38%

¹ Overnight and term reverse repurchase agreements arranged as open market operations are settled through a set of expanded counterparties that includes banks, savings associations, GSEs, and domestic money market funds.

² Reverse repurchase agreements are entered into as part of a service offering to foreign official and international account holders.

(C) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and results of operations of consolidated VIEs formed under the authority of section 13(3) of the FRA (notes 1 and 3). Net income and losses from operations of the consolidated VIEs are reported as “Consolidated variable interest entities income, net” in the Combined statements of operations. The portion of consolidated VIE net income and loss that is allocated to the non-controlling interests is reported as “Non-controlling interest in consolidated variable entities (income), net” in the Combined statements of operations.

Supplemental information on consolidated VIE income is as follows:

Table 19. Consolidated VIE income (loss), net

	CPFF II	CCF	Main Street	MUNI	TALF II	Total
Nine months ended September 30, 2020:						
Interest Income: ¹	\$15	\$ 21	\$ 6	\$19	\$ 7	\$ 68
Other items of income (loss):						
Dividends and fees ²	23	68	9	—	—	100
Portfolio holdings gains (losses) ³	—	184	(96)	—	—	88
Total other items of income (loss)	23	252	(87)	—	—	188
Less: professional fees	6	7	32	2	2	49
Net income (loss) attributable to consolidated VIEs	\$32	\$266	\$(113)	\$17	\$ 5	\$207
Allocated to non-controlling Treasury interest	\$29	\$237	\$(113)	\$15	\$ 4	\$172

¹ Recorded when earned and includes interest income, amortization of premiums, accretion of discounts, and paydown gains and losses.

² Includes dividend revenue, syndication fee revenue, registration fee revenue, facility fee revenue, and servicing fees.

³ Includes realized and unrealized gains and losses on portfolio holdings.

(D) Depository Institution Deposits

The Reserve Banks pay interest to depository institutions on qualifying balances held at the Reserve Banks. The interest rates paid on required reserve balances and excess balances are determined by the Board of Governors, based on a FOMC-established target range for the federal funds rate. Effective March 26, 2020, the Board of Governors has reduced reserve requirements ratios to zero. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.

The Reserve Banks also offer term deposits through the Term Deposit Facility, and all depository institutions that are eligible to receive interest on their balances at the Reserve Banks may participate in the term deposit program. The interest rate paid on these deposits is determined by auction.

(E) Operating Expenses

The Federal Reserve Banks have established procedures for budgetary control and monitoring of operating expenses as part of their efforts to ensure appropriate stewardship and accountability. Reserve Bank and Board governance bodies provide budget guidance for major functional areas for the upcoming budget year. The Board's Committee on Federal Reserve Bank Affairs (BAC) reviews the Banks' budgets and the BAC chair submits the budgets to Board members for review and final action. Throughout the year, Reserve Bank and Board staffs monitor actual performance and compare it with approved budgets and forecasts.

Certain amounts relating to the prior year have been reclassified in the Combined statements of operations to conform to the current year presentation. In accordance with Financial Accounting Standards Board Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, \$42 million previously reported as "Operating expenses: System pension service cost" have been reclassified as "Operating expenses: Salaries and benefits" for the nine months ended September 30, 2019.

Additional information regarding Reserve Bank operating expenses is available each year in the Annual Report of the Board of Governors of the Federal Reserve System at <https://www.federalreserve.gov/publications/annual-report.htm>, and on the Audit webpage of the Board's website at <https://www.federalreserve.gov/regreform/audit.htm>.

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