# FEDERAL RESERVE BANK *of* NEW YORK



2015 ANNUAL REPORT

# FEDERAL RESERVE BANK OF NEW YORK

## Annual Report

*For the year ended December 31, 2015*

SECOND FEDERAL RESERVE DISTRICT

April 2016

To the Depository Institutions in
the Second Federal Reserve District:

It is my pleasure to send you the 101st annual report of the Federal Reserve Bank of New York, covering the year 2015.

Following the "Letter from the President," the *2015 Annual Report* presents detailed tables, with extensive notes, on the Bank's financial condition.

I hope you will find the information we present interesting and useful.

William C. Dudley

William C. Dudley
President

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# LETTER FROM THE PRESIDENT

# LETTER FROM THE PRESIDENT

I am pleased to present the Federal Reserve Bank of New York's *2015 Annual Report*. This report provides an overview of our accounting policies, detailed information on our consolidated statement of condition (balance sheet), and our audited consolidated financial statements. In this letter, I will share with you some financial highlights of 2015, including changes in our balance sheet, our operational support for the policy directives of the Federal Open Market Committee (FOMC), completion of the Fedwire Securities modernization program, continued efforts to strengthen our control environment, our work on market and financial stability, and steps taken to foster discussion about bank culture. All these efforts are in support of the Federal Reserve's mission to promote financial stability, formulate and implement monetary policy, and provide safe and efficient financial services.

## Changes in Our Balance Sheet

In recent years, the New York Fed's balance sheet has grown—a reflection of the measures taken by the Federal Reserve since the financial crisis to support the nation's economic recovery. In 2015, our balance sheet continued to change in response to FOMC policy directives and market conditions. In December 2015, the FOMC noted considerable improvement in economic conditions and raised the target range for the federal funds rate. As a result, reverse repo activity increased by $115 billion from the prior year. Material changes in relative currency strength affected the valuation of foreign currency held by the Bank for operational and policy purposes. Congressional legislation also affected the Bank's balance sheet and statement of income through the Fixing America's Surface Transportation Act (FAST Act), which required the Federal Reserve to reduce aggregate capital surplus to $10 billion. As a result, the New York Fed had to reduce its retained surplus to no more than $3.3 billion, resulting in an additional $6.4 billion payment to the Treasury and a net operating loss for the fiscal year of $5.6 billion.

## Operational Support for the Normalization of Monetary Policy

For a number of years, the New York Fed has been working under the direction of the FOMC to develop the tools necessary for the normalization of monetary policy after a prolonged period of low interest rates. In 2015, the Bank continued to perform tests to create the capacity and flexibility needed to adapt its operational and analytical tools so that they remain effective in light of evolving market conditions. The tools developed were deployed in December with the FOMC's decision to raise the target federal funds rate, and since that time their performance has been consistent with our expectations.

## Executing Fedwire Modernization

There were also key milestones for the Fedwire Modernization Program in 2015. The program brought the Fedwire Funds and Fedwire Securities Services onto modern technology platforms, which provide a nimbler, faster, and more resilient infrastructure. The successful completion of this modernization was a significant operational task of large scope and complexity. The program was also an important step in our work to support the Federal Reserve's objective of a safer, more efficient, and faster payment system.

## Strengthening the Control Environment

In 2015, we continued to make progress on developing our internal processes and risk controls. We developed a new process, risk, and control (PRC) taxonomy and implemented a new risk-reporting tool. The Bank also strengthened its planning and resource management practices, giving particular attention to capital planning and the application of effective project management discipline. This work is part of our continued commitment to ensure that we have the best frameworks and organizational capacity to support our public mission.

## Market and Financial Stability

The New York Fed also made contributions to market and financial stability in 2015. Staff worked with partners to explore the evolving structure of the U.S. Treasury market, focusing on gaining a better understanding of the key factors underlying the development of its current structure and liquidity. The U.S. Treasury market is the deepest and most liquid government securities market in the world. Because of the Treasury market's unique role in the global economy, its liquidity and functioning are important for market and financial stability. In addition to conducting research and analysis on market liquidity, the Bank worked with other regulators to bring together industry leaders, academic experts, and representatives of the official sector to discuss the evolving structure of the market.

## Bank Culture

We also continued our work on bank culture and conduct with the aim of fostering discussion about the reform of culture and behavior in the financial services industry. This past year we held a number of events that explored what the financial industry is doing to proactively address this issue. We convened leaders and regulators to discuss best practices, challenges, and opportunities for further collaboration both within the industry and within the official sector. We also met with academics to learn what current research is revealing about the impact of culture on performance in the financial system. These events reinforced in my mind that there is much to do in this area and we will continue to support efforts to address culture and conduct.

## A Look Ahead

These are some of the highlights from 2015—all of which supported our priorities to promote a healthy economy and a sound financial system. We will continue to make strides on all our current efforts and prepare for the work ahead.

William C. Dudley

April 6, 2016

# MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

**Management's Report on Internal Control Over Financial Reporting**

To the Board of Directors of the Federal Reserve Bank of New York: March 8, 2016

The management of the Federal Reserve Bank of New York (Bank) is responsible for the preparation and fair presentation of the Statements of Condition as of December 31, 2015 and 2014, and the Statements of Income and Comprehensive Income, and Statements of Changes in Capital for the years then ended (the financial statements). The financial statements have been prepared in conformity with the accounting principles, policies, and practices established by the Board of Governors of the Federal Reserve System as set forth in the *Financial Accounting Manual for Federal Reserve Banks (FAM)*, and, as such, include some amounts that are based on management judgments and estimates. To our knowledge, the financial statements are, in all material respects, fairly presented in conformity with the accounting principles, policies and practices documented in the *FAM* and include all disclosures necessary for such fair presentation.

The management of the Bank is responsible for establishing and maintaining effective internal control over financial reporting as it relates to the financial statements. The Bank's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with the *FAM*. The Bank's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Bank's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with *FAM*, and that the Bank's receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on its financial statements.

Even effective internal control, no matter how well designed, has inherent limitations, including the possibility of human error, and therefore can provide only reasonable assurance with respect to the preparation of reliable financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The management of the Bank assessed its internal control over financial reporting based upon the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we believe that the Bank maintained effective internal control over financial reporting.

William C. Dudley
President

Michael Strine
First Vice President

Helen E. Mucciolo
Principal Financial Officer

# EXTERNAL AUDITOR INDEPENDENCE

# EXTERNAL AUDITOR INDEPENDENCE

The Federal Reserve Board engaged KPMG to audit the 2015 combined and individual financial statements of the Reserve Banks and Maiden Lane LLC.[1]

In 2015, KPMG also conducted audits of internal controls over financial reporting for each of the Reserve Banks. Fees for KPMG services totaled $6.7 million, of which $0.4 million was for the audit of Maiden Lane LLC. To ensure auditor independence, the Board requires that KPMG be independent in all matters relating to the audits. Specifically, KPMG may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In 2015, the Bank did not engage KPMG for any non-audit services.

[1] In addition, KPMG audited the Office of Employee Benefits of the Federal Reserve System (OEB), the Retirement Plan for Employees of the Federal Reserve System (System Plan), and the Thrift Plan for Employees of the Federal Reserve System (Thrift Plan). The System Plan and the Thrift Plan provide retirement benefits to employees of the Board, the Federal Reserve Banks, the OEB, and the Consumer Financial Protection Bureau.

# CONSOLIDATED FINANCIAL STATEMENTS

**Independent Auditors' Report**

To the Board of Governors of the Federal Reserve System
and the Board of Directors of the Federal Reserve Bank of New York:

We have audited the accompanying consolidated statement of condition of the Federal Reserve Bank of New York and subsidiaries as of December 31, 2015, and the related consolidated statements of income and comprehensive income and changes in capital for the year then ended. We also have audited the Federal Reserve Bank of New York's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Federal Reserve Bank of New York's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Federal Reserve Bank of New York's internal control over financial reporting based on our audit. The accompanying consolidated financial statements of the Federal Reserve Bank of New York and subsidiaries as of December 31, 2014 and for the year then ended were audited by other auditors whose report thereon dated March 11, 2015, expressed an unmodified opinion on those consolidated financial statements and contained an emphasis of matter paragraph that described the Federal Reserve Bank of New York's basis of accounting discussed in Note 3 to the 2014 consolidated financial statements.

We conducted our audit of the consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and in accordance with auditing standards generally accepted in the United States of America. We conducted our audit of internal control over financial reporting in accordance with the auditing standards of the PCAOB and in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

The Federal Reserve Bank of New York's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the accounting principles established by the Board of Governors of the Federal Reserve System (the "Board") as described in Note 3 of the consolidated financial statements and as set forth in the *Financial Accounting Manual for Federal Reserve Banks* ("FAM"). The Federal Reserve Bank of New York's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Federal Reserve Bank of New York; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with the FAM, and that receipts and expenditures of the Federal Reserve Bank of New York are being made only in accordance with authorizations of management and directors of the Federal Reserve Bank of New York; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Federal Reserve Bank of New York's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Note 3 to the consolidated financial statements, the Federal Reserve Bank of New York has prepared these consolidated financial statements in conformity with the accounting principles established by the Board, as set forth in the FAM, which is a basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Federal Reserve Bank of New York and subsidiaries as of December 31, 2015, and the results of its operations for the year then ended, on the basis of accounting described in Note 3. Also, in our opinion, the Federal Reserve Bank of New York maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

New York, NY
March 8, 2016

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Abbreviations

| | |
|---|---|
| **ABS** | **Asset-backed securities** |
| **ACH** | **Automated clearinghouse** |
| **AIG** | **American International Group, Inc.** |
| **AIGFP** | **American International Group, Inc. Financial Products Corp.** |
| **ASC** | **Accounting Standards Codification** |
| **ASU** | **Accounting Standards Update** |
| **BEP** | **Benefit Equalization Retirement Plan** |
| **Bureau** | **Bureau of Consumer Financial Protection** |
| **CDO** | **Collateralized debt obligation** |
| **CDS** | **Credit default swaps** |
| **CFE** | **Collateralized financing entity** |
| **CIP** | **Committee on Investment Performance (related to System Retirement Plan)** |
| **CMBS** | **Commercial mortgage-backed securities** |
| **FAM** | ***Financial Accounting Manual for Federal Reserve Banks*** |
| **FASB** | **Financial Accounting Standards Board** |
| **FAST Act** | **Fixing America's Surface Transportation Act** |
| **FOMC** | **Federal Open Market Committee** |
| **GAAP** | **Accounting principles generally accepted in the United States of America** |
| **GSE** | **Government-sponsored enterprise** |
| **IMF** | **International Monetary Fund** |
| **JPMC** | **JPMorgan Chase & Co.** |
| **LLC** | **Limited liability company** |
| **MBS** | **Mortgage-backed securities** |
| **ML** | **Maiden Lane LLC** |
| **ML II** | **Maiden Lane II LLC** |
| **ML III** | **Maiden Lane III LLC** |
| **MTM** | **Mark-to-market** |
| **RMBS** | **Residential mortgage-backed securities** |
| **OEB** | **Office of Employee Benefits of the Federal Reserve System** |
| **SBA** | **Small Business Administration** |
| **SDR** | **Special drawing rights** |
| **SERP** | **Supplemental Retirement Plan for Select Officers of the Federal Reserve Banks** |
| **SOMA** | **System Open Market Account** |
| **STRIPS** | **Separate Trading of Registered Interest and Principal of Securities** |
| **TALF** | **Term Asset-Backed Securities Loan Facility** |
| **TBA** | **To be announced** |
| **TDF** | **Term Deposit Facility** |
| **TRS** | **Total return swap** |
| **VIE** | **Variable interest entity** |

# Consolidated Statements of Condition

## As of December 31, 2015 and December 31, 2014
## (in millions)

| | | 2015 | 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Gold certificates | | $ 3,709 | $ 4,125 |
| Special drawing rights certificates | | 1,818 | 1,818 |
| Coin | | 72 | 79 |
| Loans | Note 4 | - | 4 |
| System Open Market Account: | Note 5 | | |
| Treasury securities, net (of which $11,382 and $6,840 is lent as of December 31, 2015 and 2014, respectively) | | 1,549,211 | 1,593,478 |
| Government-sponsored enterprise debt securities, net (of which $88 and $388 is lent as of December 31, 2015 and 2014, respectively) | | 20,260 | 24,544 |
| Federal agency and government-sponsored enterprise mortgage-backed securities, net | | 1,080,831 | 1,098,074 |
| Foreign currency denominated investments, net | | 6,306 | 6,720 |
| Central bank liquidity swaps | | 321 | 491 |
| Accrued interest receivable | | 15,241 | 15,715 |
| Other assets | | 9 | 18 |
| Investments held by consolidated variable interest entities (of which $1,778 and $1,808 is measured at fair value as of December 31, 2015 and 2014, respectively) | Note 6 | 1,778 | 1,811 |
| Bank premises and equipment, net | Note 7 | 479 | 475 |
| Deferred asset - remittances to the Treasury | | - | 923 |
| Other assets | | 263 | 304 |
| Total assets | | $ 2,680,298 | $ 2,748,579 |
| **LIABILITIES AND CAPITAL** | | | |
| Federal Reserve notes outstanding, net | | $ 434,194 | $ 418,319 |
| System Open Market Account: | Note 5 | | |
| Securities sold under agreements to repurchase | | 427,663 | 312,919 |
| Other liabilities | | 305 | 509 |
| Liabilities of consolidated variable interest entities (of which $21 and $41 is measured at fair value as of December 31, 2015 and 2014, respectively) | Note 6 | 57 | 127 |
| Deposits: | | | |
| Depository institutions | | 1,175,023 | 1,560,513 |
| Treasury, general account | | 333,447 | 223,452 |
| Other deposits | | 28,942 | 25,392 |
| Interest payable to depository institutions | | 162 | 86 |
| Accrued benefit costs | Notes 9 and 10 | 1,320 | 1,495 |
| Deferred credit items | | 2 | 3 |
| Accrued remittances to the Treasury | | 1,023 | - |
| Interdistrict settlement account | | 265,063 | 187,283 |
| Other liabilities | | 64 | 65 |
| Total liabilities | | 2,667,265 | 2,730,163 |
| Capital paid-in | | 9,734 | 9,208 |
| Surplus (including accumulated other comprehensive loss of $3,674 and $3,938 at December 31, 2015 and 2014, respectively) | | 3,299 | 9,208 |
| Total capital | | 13,033 | 18,416 |
| Total liabilities and capital | | $ 2,680,298 | $ 2,748,579 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Income and Comprehensive Income

## For the years ended December 31, 2015 and December 31, 2014
## (in millions)

| | | 2015 | 2014 |
|---|---|---|---|
| **INTEREST INCOME** | | | |
| Loans | Note 4 | $ - | $ 2 |
| System Open Market Account: | Note 5 | | |
| Treasury securities, net | | 38,235 | 37,733 |
| Government-sponsored enterprise debt securities, net | | 804 | 941 |
| Federal agency and government-sponsored enterprise mortgage-backed securities, net | | 29,571 | 30,664 |
| Foreign currency denominated investments, net | | 10 | 25 |
| Investments held by consolidated variable interest entities | Note 6 | 4 | 77 |
| Total interest income | | 68,624 | 69,442 |
| **INTEREST EXPENSE** | | | |
| System Open Market Account: | Note 5 | | |
| Securities sold under agreements to repurchase | | 149 | 68 |
| Other | | 1 | 1 |
| Deposits: | | | |
| Depository institutions | | 4,609 | 4,797 |
| Term Deposit Facility | | 49 | 117 |
| Total interest expense | | 4,808 | 4,983 |
| Net interest income | | 63,816 | 64,459 |
| **NON-INTEREST LOSS** | | | |
| System Open Market Account: | Note 5 | | |
| Federal agency and government-sponsored enterprise mortgage-backed securities gains, net | | 26 | 48 |
| Foreign currency translation losses, net | | (445) | (935) |
| Other | | 10 | 8 |
| Investments held by consolidated variable interest entities gains, net | Note 6 | 35 | 37 |
| Income from services | | 104 | 95 |
| Compensation received for service costs provided | | 2 | 2 |
| Reimbursable services to government agencies | | 169 | 120 |
| Other | | 9 | 7 |
| Total non-interest loss | | (90) | (618) |
| **OPERATING EXPENSES** | | | |
| Salaries and benefits | | 648 | 630 |
| Occupancy | | 70 | 64 |
| Equipment | | 18 | 18 |
| Compensation paid for service costs incurred | | 41 | 39 |
| Net periodic pension expense | Note 9 | 542 | 352 |
| Other | | 193 | 189 |
| Assessments: | | | |
| Board of Governors operating expenses and currency costs | | 357 | 343 |
| Bureau of Consumer Financial Protection | | 160 | 183 |
| Total operating expenses | | 2,029 | 1,818 |
| Net income before providing for remittances to the Treasury | | 61,697 | 62,023 |
| Earnings remittances to the Treasury: | Note 13 | | |
| Interest on Federal Reserve notes | | 56,985 | 59,625 |
| Required by the Federal Reserve Act, as amended by the FAST Act | Note 3p | 10,316 | - |
| Total earnings remittances to the Treasury | | 67,301 | 59,625 |
| Net (loss) income after providing for remittances to the Treasury | | (5,604) | 2,398 |
| Change in prior service costs related to benefit plans | Note 11 | 93 | 100 |
| Change in actuarial gains (losses) related to benefit plans | Note 11 | 171 | (1,586) |
| Total other comprehensive income (loss) | | 264 | (1,486) |
| Comprehensive (loss) income | | $ (5,340) | $ 912 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Changes in Capital

## For the years ended December 31, 2015 and December 31, 2014
## (in millions, except share data)

| | | Surplus | | | |
|---|---|---|---|---|---|
| | Capital paid-in | Net income retained | Accumulated other comprehensive income (loss) | Total surplus | Total capital |
| Balance at December 31, 2013 (176,899,697 shares) | $ 8,845 | $ 11,297 | $ (2,452) | $ 8,845 | $ 17,690 |
| Net change in capital stock issued (7,252,697 shares) | 363 | - | - | - | 363 |
| Comprehensive income: | | | | | |
| Net income | - | 2,398 | - | 2,398 | 2,398 |
| Other comprehensive loss | - | - | (1,486) | (1,486) | (1,486) |
| Dividends on capital stock | - | (549) | - | (549) | (549) |
| Net change in capital | 363 | 1,849 | (1,486) | 363 | 726 |
| Balance at December 31, 2014 (184,152,394 shares) | $ 9,208 | $ 13,146 | $ (3,938) | $ 9,208 | $ 18,416 |
| Net change in capital stock issued (10,531,859 shares) | 526 | - | - | - | 526 |
| Comprehensive income: | | | | | |
| Net loss | - | (5,604) | - | (5,604) | (5,604) |
| Other comprehensive income | - | - | 264 | 264 | 264 |
| Dividends on capital stock | - | (569) | - | (569) | (569) |
| Net change in capital | 526 | (6,173) | 264 | (5,909) | (5,383) |
| Balance at December 31, 2015 (194,684,253 shares) | $ 9,734 | $ 6,973 | $ (3,674) | $ 3,299 | $ 13,033 |

The accompanying notes are an integral part of these consolidated financial statements.

## (1) STRUCTURE

The Federal Reserve Bank of New York (Bank) is part of the Federal Reserve System (System) and is one of the 12 Federal Reserve Banks (Reserve Banks) created by Congress under the Federal Reserve Act of 1913 (Federal Reserve Act), which established the central bank of the United States. The Reserve Banks are chartered by the federal government and possess a unique set of governmental, corporate, and central bank characteristics. The Bank serves the Second Federal Reserve District, which includes the State of New York, the 12 northern counties of New Jersey, Fairfield County, Connecticut, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.

In accordance with the Federal Reserve Act, supervision and control of the Bank is exercised by a board of directors. The Federal Reserve Act specifies the composition of the board of directors for each of the Reserve Banks. Each board is composed of nine members serving three-year terms: three directors, including those designated as chairman and deputy chairman, are appointed by the Board of Governors of the Federal Reserve System (Board of Governors) to represent the public, and six directors are elected by member banks. Banks that are members of the System include all nationally-chartered banks and any state-chartered banks that apply and are approved for membership. Member banks are divided into three classes according to size. Member banks in each class elect one director representing member banks and one representing the public. In any election of directors, each member bank receives one vote, regardless of the number of shares of Reserve Bank stock it holds.

In addition to the 12 Reserve Banks, the System also consists, in part, of the Board of Governors and the Federal Open Market Committee (FOMC). The Board of Governors, an independent federal agency, is charged by the Federal Reserve Act with a number of specific duties, including general supervision over the Reserve Banks. The FOMC is composed of members of the Board of Governors, the president of the Bank, and, on a rotating basis, four other Reserve Bank presidents.

## (2) OPERATIONS AND SERVICES

The Reserve Banks perform a variety of services and operations. These functions include participating in formulating and conducting monetary policy; participating in the payment system, including transfers of funds, automated clearinghouse (ACH) operations, and check collection; distributing coin and currency; performing fiscal agency functions for the U.S. Department of the Treasury (Treasury), certain federal agencies, and other entities; serving as the federal government's bank; providing short-term loans to depository institutions; providing loans to participants in programs or facilities with broad-based eligibility in unusual and exigent circumstances; serving consumers and communities by providing educational materials and information regarding financial consumer protection rights and laws and information on community development programs and activities; and supervising bank holding companies, state member banks, savings and loan holding companies, U.S. offices of foreign banking organizations, and designated financial market utilities pursuant to authority delegated by the Board of Governors. Certain services are provided to foreign and international monetary authorities, primarily by the Bank.

The FOMC, in conducting monetary policy, establishes policy regarding domestic open market operations, oversees these operations, and issues authorizations and directives to the Bank to execute transactions. The FOMC authorizes and directs the Bank to conduct operations in domestic markets, including the direct purchase and sale of Treasury securities, government-sponsored enterprise (GSE) debt securities, and federal agency and GSE mortgage-backed securities (MBS); the purchase of these securities under agreements to resell; and the sale of these securities under agreements to repurchase. The Bank holds the resulting securities and agreements in a portfolio known as the System Open Market Account (SOMA). The Bank is authorized and directed to lend the Treasury securities and GSE debt securities that are held in the SOMA.

To be prepared to counter disorderly conditions in foreign exchange markets or to meet other needs specified by the FOMC to carry out the System's central bank responsibilities, the FOMC has authorized and directed the Bank to execute spot and forward foreign exchange transactions in 14 foreign currencies, to hold balances in those currencies, and to invest such foreign currency holdings, while maintaining adequate liquidity. The Bank holds these securities and obligations in the SOMA. The FOMC has also authorized the Bank to maintain reciprocal currency arrangements with the Bank of Canada and the Bank of Mexico in the maximum amounts of $2 billion and $3 billion, respectively, and to warehouse foreign currencies for the Treasury and the Exchange Stabilization Fund in the maximum amount of $5 billion.

Because of the global character of bank funding markets, the System has at times coordinated with other central banks to provide liquidity. The FOMC authorized and directed the Bank to establish U.S. dollar liquidity and reciprocal foreign currency liquidity swap lines with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank. The Bank holds amounts outstanding under these swap lines in the SOMA. These swap lines, which were originally established as temporary arrangements, were converted to standing arrangements on October 31, 2013, and will remain in place until further notice.

Although the Reserve Banks are separate legal entities, they collaborate on the delivery of certain services to achieve greater efficiency and effectiveness. This collaboration takes the form of centralized operations and product or function offices that have responsibility for the delivery of certain services on behalf of the Reserve Banks. Various operational and management models are used and are supported by service agreements between the Reserve Banks. In some cases, costs incurred by a Reserve Bank for services provided to other Reserve Banks are not shared; in other cases, the Reserve Banks are reimbursed for costs incurred in providing services to other Reserve Banks. Major services provided by the Bank on behalf of the System for which the costs were not reimbursed by the other Reserve Banks include the management of SOMA, the Wholesale Product Office, the System Credit Risk Technology Support function, the Valuation Support team, centralized business administration functions for wholesale payments services, and three national information technology operations dealing with incident responses, remote access, and enterprise search.

## (3) SIGNIFICANT ACCOUNTING POLICIES

Accounting principles for entities with the unique powers and responsibilities of the nation's central bank have not been formulated by accounting standard-setting bodies. The Board of Governors has developed specialized accounting principles and practices that it considers to be appropriate for the nature and function of a central bank. These accounting principles and practices are documented in the Financial Accounting Manual for Federal Reserve Banks (FAM), which is issued by the Board of Governors. The Reserve Banks are required to adopt and apply accounting policies and practices that are consistent with the FAM. The consolidated financial statements and associated disclosures have been prepared in accordance with the FAM.

Limited differences exist between the accounting principles and practices in the FAM and accounting principles generally accepted in the United States of America (GAAP), due to the unique nature of the Bank's powers and responsibilities as part of the nation's central bank and given the System's unique responsibility to conduct monetary policy. The primary differences are the presentation of all SOMA securities holdings at amortized cost, adjusted for credit impairment, if any, the recording of all SOMA securities on a settlement-date basis, and the use of straight-line amortization for Treasury securities, GSE debt securities, and foreign currency denominated investments. Amortized cost, rather than the fair value presentation, more appropriately reflects the financial position associated with the Bank's securities holdings given the System's unique responsibility to conduct monetary policy. Although the application of fair value measurements to the securities holdings may result in values substantially greater or less than their carrying values, these unrealized changes in value have no direct effect on the quantity of reserves available to the banking system or on the ability of the Reserve Banks, as the central bank, to meet their financial obligations and responsibilities. Both the domestic and foreign components of the SOMA portfolio may involve transactions that result in gains or losses when holdings are sold before maturity. Decisions regarding securities and foreign currency transactions, including their purchase and sale, are motivated by monetary policy objectives rather than profit. Accordingly, fair values, earnings, and gains or losses resulting from the sale of such securities and currencies are incidental to open market operations and do not motivate decisions related to policy or open market activities. Accounting for these securities on a settlement-date basis, rather than the trade-date basis required by GAAP, better reflects the timing of the transaction's effect on the quantity of reserves in the banking system. The cost bases of Treasury securities, GSE debt securities, and foreign government debt instruments are adjusted for amortization of premiums or accretion of discounts on a straight-line basis, rather than using the interest method required by GAAP.

In addition, the Bank does not present a Consolidated Statement of Cash Flows as required by GAAP because the liquidity and cash position of the Bank are not a primary concern given the Reserve Bank's unique powers and responsibilities as a central bank. Other information regarding the Bank's activities is provided in, or may be derived from, the Consolidated Statements of Condition, Income and Comprehensive Income, and Changes in Capital, and the accompanying notes to the consolidated financial statements. Other than those described above, there are no significant differences between the policies outlined in the FAM and GAAP.

Preparing the consolidated financial statements in conformity with the FAM requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Significant accounts and accounting policies are explained below.

### a. Consolidation

The consolidated financial statements include the accounts and results of operations of the Bank as well as several variable interest entities (VIEs), which include Maiden Lane LLC (ML), Maiden Lane II LLC (ML II), Maiden Lane III LLC (ML III), and TALF LLC. The consolidation of the VIEs was assessed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810 (ASC 810), *Consolidation*, which requires a VIE to be consolidated by its controlling financial interest holder. Intercompany balances and transactions have been eliminated in consolidation. See Note 6 for additional information on the VIEs. The consolidated financial statements of the Bank also include accounts and results of operations of Maiden and Nassau LLC, a Delaware limited liability company (LLC) wholly-owned by the Bank, which was formed to own and operate the Bank-owned 33 Maiden Lane building.

The Bank consolidates a VIE if the Bank has a controlling financial interest, which is defined as the power to direct the significant economic activities of the entity and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the VIE. To determine whether it is the controlling financial interest holder of a VIE, the Bank evaluates the VIE's design, capital structure, and relationships with the variable interest holders. The Bank reconsiders whether it has a controlling financial interest in a VIE, as required by ASC 810, at each reporting date or if there is an event that requires consideration.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Bureau of Consumer Financial Protection (Bureau) as an independent bureau within the System that has supervisory authority over some institutions previously supervised by the Reserve Banks in connection with those institutions' compliance with consumer protection statutes. Section 1017 of the Dodd-Frank Act provides that the financial statements of the Bureau are not to be consolidated with those of the Board of Governors or the System. The Board of Governors funds the Bureau through assessments on the Reserve Banks as required by the Dodd-Frank Act. The Reserve Banks reviewed the law and evaluated the design of and their relationship to the Bureau and determined that it should not be consolidated in the Bank's consolidated financial statements.

### b. Gold and Special Drawing Rights Certificates

The Secretary of the Treasury is authorized to issue gold certificates to the Reserve Banks. Upon authorization, the Reserve Banks acquire gold certificates by crediting equivalent amounts in dollars to the account established for the Treasury. The gold certificates held by the Reserve Banks are required to be backed by the gold owned by the Treasury. The Treasury may reacquire the gold certificates at any time, and the Reserve Banks must deliver them to the Treasury. At such time, the Treasury's account is charged, and the Reserve Banks' gold certificate accounts are reduced. The value of gold for purposes of backing the gold certificates is set by law at $42 2/9 per fine troy ounce. Gold certificates are recorded by the Banks at original cost. The Board of Governors allocates the gold certificates among the Reserve Banks once a year based on each Reserve Bank's average Federal Reserve notes outstanding during the preceding 12 months.

Special drawing rights (SDR) are issued by the International Monetary Fund (IMF) to its members in proportion to each member's quota in the IMF at the time of issuance. SDRs serve as a supplement to international monetary reserves and may be transferred from one national monetary authority to another. Under the law providing for U.S. participation in the SDR system, the Secretary of the Treasury is authorized to issue SDR certificates to the Reserve Banks. When SDR certificates are issued to the Reserve Banks, equivalent amounts in U.S. dollars are credited to the account established for the Treasury and the Reserve Banks' SDR certificate accounts are increased. The Reserve Banks are required to purchase SDR certificates, at the direction of the Treasury, for the purpose of financing SDR acquisitions or for financing exchange-stabilization operations. At the time SDR certificate transactions occur, the Board of Governors allocates the SDR certificates among the Reserve Banks based upon each Reserve Bank's Federal Reserve notes outstanding at the end of the preceding calendar year. SDR certificates are recorded by the Banks at original cost.

### c. Coin

The amount reported as coin in the Consolidated Statements of Condition represents the face value of all United States coin held by the Bank. The Bank buys coin at face value from the U.S. Mint in order to fill depository institution orders.

### d. Loans

Loans to depository institutions are reported at their outstanding principal balances and interest income is recognized on an accrual basis.

The interest income on Term Asset-Backed Securities Loan Facility (TALF) loans was recognized based on the contracted rate and is reported as a component of "Interest Income: Loans" in the Consolidated Statements of Income and Comprehensive Income.

Loans are impaired when current information and events indicate that it is probable that the Bank will not receive the principal and interest that are due in accordance with the contractual terms of the loan agreement. Impaired loans are evaluated to determine whether an allowance for loan loss is required. The Bank has developed procedures for assessing the adequacy of any allowance for loan losses using all available information to identify incurred losses.

This assessment includes monitoring information obtained from banking supervisors, borrowers, and other sources to assess the credit condition of the borrowers and, as appropriate, evaluating collateral values. Generally, the Bank would discontinue recognizing interest income on impaired loans until the borrower's repayment performance demonstrates principal and interest would be received in accordance with the terms of the loan agreement. If the Bank discontinues recording interest on an impaired loan, cash payments are first applied to principal until the loan balance is reduced to zero; subsequent payments are applied as recoveries of amounts previously deemed uncollectible, if any, and then as interest income.

**e. Securities Purchased Under Agreements to Resell, Securities Sold Under Agreements to Repurchase, and Securities Lending**

The Bank may engage in purchases of securities with primary dealers under agreements to resell (repurchase transactions). These repurchase transactions are typically settled through a tri-party arrangement. In the United States, there are two commercial custodial banks that provide these services. In a tri-party arrangement, a commercial custodial bank manages the collateral clearing, settlement, pricing, and pledging, and provides cash and securities custodial services for and on behalf of the Bank and counterparty. The collateral pledged must exceed the principal amount of the transaction by a margin determined by the Bank for each class and maturity of acceptable collateral. Collateral designated by the Bank as acceptable under repurchase transactions primarily includes Treasury securities (including Treasury Inflation-Protected Securities, Separate Trading of Registered Interest and Principal of Securities (STRIPS) Treasury securities, and Treasury Floating Rate Notes); direct obligations of several federal and GSE-related agencies, including Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Banks; and pass-through federal agency and GSE MBS. The repurchase transactions are accounted for as financing transactions with the associated interest income recognized over the life of the transaction. These transactions are reported at their contractual amounts as "System Open Market Account: Securities purchased under agreements to resell" and the related accrued interest receivable is reported as a component of "System Open Market Account: Accrued interest receivable" in the Consolidated Statements of Condition.

The Bank may engage in sales of securities under agreements to repurchase 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). These reverse repurchase transactions are designed to have a margin of zero and are settled through a tri-party arrangement, similar to repurchase transactions. Reverse repurchase transactions may also be executed with foreign official and international account holders as part of a service offering. Reverse repurchase agreements are collateralized by a pledge of an amount of Treasury securities, GSE debt securities, or federal agency and GSE MBS that are held in the SOMA. Reverse repurchase transactions are accounted for as financing transactions, and the associated interest expense is recognized over the life of the transaction. These transactions are reported at their contractual amounts as "System Open Market Account: Securities sold under agreements to repurchase" and the related accrued interest payable is reported as a component of "System Open Market Account: Other liabilities" in the Consolidated Statements of Condition.

Treasury securities and GSE debt securities held in the SOMA may be lent to primary dealers, typically overnight, to facilitate the effective functioning of the domestic securities markets. The amortized cost basis of securities lent continues to be reported as "System Open Market Account: Treasury securities, net" and "System Open Market Account: Government-sponsored enterprise debt securities, net," as appropriate, in the Consolidated Statements of Condition. Securities lending transactions are fully collateralized by Treasury securities based on the fair values of the securities lent increased by a margin determined by the Bank. The Bank charges the primary dealer a fee for borrowing securities, and these fees are reported as a component of “Non-interest loss: System Open Market Account: Other” in the Consolidated Statements of Income and Comprehensive Income.

Activity related to securities purchased under agreements to resell, securities sold under agreements to repurchase, and securities lending is allocated to each of the Reserve Banks on a percentage basis derived from an annual settlement of the interdistrict settlement account that occurs in the second quarter of each year.

**f. Treasury Securities, Government-Sponsored Enterprise Debt Securities, Federal Agency and Government-Sponsored Enterprise Mortgage-Backed Securities, and Foreign Currency Denominated Investments**

Interest income on Treasury securities, GSE debt securities, and foreign currency denominated investments included in the SOMA is accrued using the straight-line method. Interest income on federal agency and GSE MBS is accrued using the interest method and includes amortization of premiums, accretion of discounts, and gains or losses associated with principal paydowns. Premiums and discounts related to federal agency and GSE MBS are amortized or accreted over the term of the security to stated maturity, and the amortization of premiums and accretion of discounts are accelerated when principal payments are received. Gains and losses resulting from sales of securities are determined by specific issue based on average cost. Treasury securities, GSE debt securities, and federal agency and GSE MBS are reported net of premiums and discounts in the Consolidated Statements of Condition and interest income on those securities is reported net of the amortization of premiums and accretion of discounts in the Consolidated Statements of Income and Comprehensive Income.

In addition to outright purchases of federal agency and GSE MBS that are held in the SOMA, the Bank enters into dollar roll transactions (dollar rolls), which primarily involve an initial transaction to purchase or sell “to be announced” (TBA) MBS for delivery in the current month combined with a simultaneous agreement to sell or purchase TBA MBS on a specified future date. During the years ended December 31, 2015 and 2014, the Bank executed dollar rolls to facilitate settlement of outstanding purchases of federal agency and GSE MBS. The Bank accounts for dollar rolls as individual purchases and sales, on a settlement-date basis. Accounting for these transactions as purchases and sales, rather than as financing transactions, is appropriate because the purchase or sale component of the MBS TBA dollar roll is paired off or assigned prior to settlement and, as a result, there is no transfer and return of securities. The Bank also conducts small value exercises from time to time for the purpose of testing operational readiness. Small-value exercises may include sales of federal agency and GSE MBS. Net gains (losses) resulting from MBS transactions are reported as a component of “Non-interest loss: System Open Market Account: Federal agency and government-sponsored enterprise mortgage-backed securities gains, net” in the Consolidated Statements of Income and Comprehensive Income.

Foreign currency denominated investments, which can include foreign currency deposits, securities purchased under agreements to resell, and government debt instruments, are revalued daily at current foreign currency market exchange rates in order to report these assets in U.S. dollars. Foreign currency translation gains and losses that result from the daily revaluation of foreign currency denominated investments are reported as “Non-interest loss: System Open Market Account: Foreign currency translation losses, net” in the Consolidated Statements of Income and Comprehensive Income.

Because the Bank enters into commitments to buy Treasury securities, federal agency and GSE MBS, and foreign government debt instruments and records the related securities on a settlement-date basis in accordance with the FAM, the related outstanding commitments are not reflected in the Consolidated Statements of Condition.

Activity related to Treasury securities, GSE debt securities, and federal agency and GSE MBS, including the premiums, discounts, and realized gains and losses, is allocated to each Reserve Bank on a percentage basis derived from an annual settlement of the interdistrict settlement account that occurs in the second quarter of each year. Activity related to foreign currency denominated investments, including the premiums, discounts, and realized and unrealized gains and losses, is allocated in the first quarter of each year to each Reserve Bank based on the ratio of each Reserve Bank's capital and surplus to the Reserve Banks' aggregate capital and surplus at the preceding December 31.

The Bank is authorized to hold foreign currency working balances and execute foreign exchange contracts to facilitate international payments and currency transactions it makes on behalf of foreign central bank and U.S. official institution customers. These foreign currency working balances and contracts are not related to the Bank's monetary policy operations. Foreign currency working balances are reported as a component of "Other assets" in the Consolidated Statements of Condition and the related foreign currency translation gains and losses that result from the daily revaluation of the foreign currency working balances and contracts are reported as a component of "Non-interest loss: Other" in the Consolidated Statements of Income and Comprehensive Income.

### g. Central Bank Liquidity Swaps

Central bank liquidity swaps, which are transacted between the Bank and a foreign central bank, can be structured as either U.S. dollar or foreign currency liquidity swap arrangements.

Central bank liquidity swaps activity, including the related income and expense, is allocated in the first quarter of each year to each Reserve Bank based on the ratio of each Reserve Bank's capital and surplus to the Reserve Banks' aggregate capital and surplus at the preceding December 31. The foreign currency amounts associated with these central bank liquidity swap arrangements are revalued daily at current foreign currency market exchange rates.

#### *U.S. dollar liquidity swaps*

At the initiation of each U.S. dollar liquidity swap transaction, the foreign central bank transfers a specified amount of its currency to a restricted account for the Bank in exchange for U.S. dollars at the prevailing market exchange rate. Concurrent with this transaction, the Bank and the foreign central bank agree to a second transaction that obligates the foreign central bank to return the U.S. dollars and the Bank to return the foreign currency on a specified future date at the same exchange rate as the initial transaction. The Bank's allocated portion of the foreign currency amounts that the Bank acquires are reported as "System Open Market Account: Central bank liquidity swaps" in the Consolidated Statements of Condition. Because the swap transaction will be unwound at the same U.S. dollar amount and exchange rate that were used in the initial transaction, the recorded value of the foreign currency amounts is not affected by changes in the market exchange rate.

The foreign central bank compensates the Bank based on the amount outstanding and the rate under the swap agreement. The Bank's allocated portion of the amount of compensation received during the term of the swap transaction is reported as "Interest income: System Open Market Account: Central bank liquidity swaps" in the Consolidated Statements of Income and Comprehensive Income.

#### *Foreign currency liquidity swaps*

Foreign currency liquidity swap transactions involve the transfer by the Bank at the prevailing market exchange rate, of a specified amount of U.S. dollars to an account for the foreign central bank in exchange for its currency. The foreign currency amounts that the Bank receives are recorded as a liability.

### h. Consolidated VIEs – Investments and Liabilities

The investments held by consolidated VIEs consist primarily of short-term investments with maturities of greater than three months and less than one year, cash and cash equivalents, and swap contracts. Swap contracts consist of credit default swaps (CDS). Investments are reported as "Investments held by consolidated variable interest entities" in the Consolidated Statements of Condition. Changes in fair value of the investments are recorded in "Non-interest income (loss): Investments held by consolidated variable interest entities gains (losses), net" in the Consolidated Statements of Income and Comprehensive Income.

Investments in debt securities are accounted for in accordance with FASB ASC Topic 320, *Investments – Debt and Equity Securities*, and the VIEs elected the fair value option for all eligible assets and liabilities in accordance with FASB ASC Topic 825 (ASC 825), *Financial Instruments*. Other financial instruments, including swap contracts, are recorded at fair value in accordance with FASB ASC Topic 815 (ASC 815), *Derivatives and Hedging*.

The liabilities of consolidated VIEs consist primarily of swap contracts, cash collateral on swap contracts, and accruals for operating expenses. Swap contracts are recorded at fair value in accordance with ASC 815. Liabilities are reported as "Liabilities of consolidated variable interest entities" in the Consolidated Statements of Condition. Changes in fair value of the liabilities are recorded in "Non-interest loss: Investments held by consolidated variable interest entities gains (losses), net" in the Consolidated Statements of Income and Comprehensive Income.

### i. Bank Premises, Equipment, and Software

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from 2 to 50 years. Major alterations, renovations, and improvements are capitalized at cost as additions to the asset accounts and are depreciated over the remaining useful life of the asset or, if appropriate, over the unique useful life of the alteration, renovation, or improvement. Maintenance, repairs, and minor replacements are charged to operating expense in the year incurred. Reserve Banks may transfer assets to other Reserve Banks or may lease property of other Reserve Banks.

Costs incurred to acquire software are capitalized based on the purchase price. Costs incurred during the application development stage to develop internal-use software are capitalized based on the cost of direct services and materials associated with designing, coding, installing, and testing the software. Capitalized software costs are amortized on a straight-line basis over the estimated useful lives of the software applications, which generally range from two to five years. Maintenance costs and minor replacements related to software are charged to operating expense in the year incurred.

Capitalized assets, including software, buildings, leasehold improvements, furniture, and equipment, are impaired and an adjustment is recorded when events or changes in circumstances indicate that the carrying amount of assets or asset groups is not recoverable and significantly exceeds the assets' fair value.

### j. Interdistrict Settlement Account

Each Reserve Bank aggregates the payments due to or from other Reserve Banks. These payments result from transactions between the Reserve Banks and transactions that involve depository institution accounts held by other Reserve Banks, such as Fedwire funds and securities transfers and check and ACH transactions. The cumulative net amount due to or from the other Reserve Banks is reflected in the "Interdistrict settlement account" in the Consolidated Statements of Condition.

An annual settlement of the interdistrict settlement account occurs in the second quarter of each year. As a result of the annual settlement, the balance in each Bank's interdistrict settlement account is adjusted by an amount equal to the average balance in the account during the previous twelve-month period ended March 31. An equal and offsetting adjustment is made to each Bank's allocated portion of SOMA assets and liabilities.

**k. 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 Bank's assets are eligible to be pledged as collateral. The collateral value is equal to the book value of the collateral tendered with the exception of securities, for which the collateral value is equal to the par value of the securities tendered. The par value of securities sold under agreements to repurchase is deducted from the eligible collateral value.

The Board of Governors may, at any time, call upon a Reserve Bank for additional security to adequately collateralize outstanding Federal Reserve notes. To satisfy the obligation to provide sufficient collateral for outstanding Federal Reserve notes, the Reserve Banks have entered into an agreement that provides for certain assets of the Reserve Banks to be jointly pledged as collateral for the Federal Reserve notes issued to all Reserve Banks. In the event that this collateral is insufficient, the Federal Reserve Act provides that Federal Reserve notes become a first and paramount lien on all the assets of the Reserve Banks. Finally, Federal Reserve notes are obligations of the United States government.

"Federal Reserve notes outstanding, net" in the Consolidated Statements of Condition represents the Bank's Federal Reserve notes outstanding, reduced by the Bank's currency holdings of $64,415 million and $56,971 million at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, all Federal Reserve notes outstanding, reduced by the Reserve Bank's currency holdings, were fully collateralized. At December 31, 2015, all gold certificates, all special drawing rights certificates, and $1,363 billion of domestic securities held in the SOMA were pledged as collateral. At December 31, 2015, no investments denominated in foreign currencies were pledged as collateral.

**l. Deposits**

***Depository Institutions***

Depository institutions' deposits represent the reserve and service-related balances in the accounts that depository institutions hold at the Bank. 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. The interest rates paid on required reserve balances and excess balances are determined by the Board of Governors, based on an FOMC-established target range for the federal funds rate. Interest expense on depository institutions' deposits is accrued daily at the appropriate rate. Interest payable is reported as a component of "Interest payable to depository institutions" in the Consolidated Statements of Condition.

The Term Deposit Facility (TDF) consists of deposits with specific maturities held by eligible institutions at the Reserve Banks. The Reserve Banks pay interest on these deposits at interest rates determined by auction. Interest expense on depository institutions' deposits is accrued daily at the appropriate rate. Interest payable is reported as a component of "Interest payable to depository institutions" in the Consolidated Statements of Condition. There were no deposits held by the Bank under the TDF at December 31, 2015 and 2014.

***Treasury***

The Treasury general account is the primary operational account of the Treasury and is held at the Bank.

***Other***

Other deposits include the Bank's allocated portion of foreign central bank and foreign government deposits held at the Bank and those in which the Bank has an undivided interest. Other deposits also include cash collateral, deposits of designated financial market utilities and, GSE deposits held by the Bank.

### m. Deferred Credit Items

Deferred credit items represents the counterpart liability to items in process of collection. The amounts in this account arise from deferring credit for deposited items until the amounts are collected.

### n. Capital Paid-in

The Federal Reserve Act 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 are nonvoting, with 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.

By law, each Reserve Bank is required to pay each member bank an annual dividend of 6 percent on the paid-in capital stock. This cumulative dividend is paid semiannually.

The *Fixing America's Surface Transportation Act* (FAST Act), which was enacted on December 4, 2015, amended section 7 of the Federal Reserve Act related to Reserve Bank surplus and the payment of dividends to member banks. The FAST Act changed the dividend rate for member banks with more than $10 billion of consolidated assets, effective January 1, 2016, 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. The FAST Act did not change the 6 percent dividend rate for member banks with $10 billion or less of total consolidated assets. The provisions of the FAST Act related to dividend payments did not affect the amounts reported by the Bank for the year ended December 31, 2015, but are expected to reduce the amount of dividend payments made to member banks in future years.

### o. Surplus

Before the enactment of the FAST Act, the Board of Governors required the Reserve Banks to maintain a surplus equal to the amount of capital paid-in. On a daily basis, surplus was adjusted to equate the balance to capital paid-in. Effective December 4, 2015, the FAST Act limits aggregate Reserve Bank surplus to $10 billion. Reserve Bank surplus is allocated among the Reserve Banks based on the ratio of each Bank's capital paid-in to total Reserve Bank capital paid-in as of December 31 of each year.

Accumulated other comprehensive income is reported as a component of "Surplus" in the Consolidated Statements of Condition and the Consolidated Statements of Changes in Capital. Additional information regarding the classifications of accumulated other comprehensive income is provided in Notes 9, 10, and 11.

### p. Earnings Remittances to the Treasury

Before the enactment of the FAST Act, the Board of Governors required the Reserve Banks to transfer excess earnings to the Treasury as interest on Federal Reserve notes after providing for the costs of operations, payment of dividends, and reservation of an amount necessary to equate surplus with capital paid-in. The Federal Reserve Act, as amended by the FAST Act effective December 4, 2015, now requires that any amounts of the surplus funds of the Reserve Banks that exceed, or would exceed, the aggregate limitation of $10 billion shall be transferred to the Board of Governors for transfer to the Treasury. The Bank remits excess earnings to the Treasury after providing for the cost of operations, payment of dividends, and reservation of an amount necessary to maintain surplus at the Bank's allocated portion of the $10 billion aggregate surplus limitation. Remittances to the Treasury are made on a weekly basis. The amount of the remittances to the Treasury that were required under the Board of Governor's policy is reported as "Earnings remittances to the Treasury: Interest on Federal Reserve notes" in the Consolidated Statements of Income and Comprehensive Income. The amount of the remittances to the Treasury that are required by the FAST Act is reported as "Earnings remittances to the Treasury: Required by the Federal Reserve Act, as amended by the FAST Act" in the Consolidated Statements of Income and Comprehensive Income. The amount due to the Treasury is reported as "Accrued remittances to the Treasury" in the Consolidated Statements of Condition. See Note 13 for additional information on earnings remittances to the Treasury.

Under the previous Board of Governor's policy, if earnings during the year were not sufficient to provide for the costs of operations, payment of dividends, and equating surplus and capital paid-in, remittances to the Treasury were suspended, and under the FAST Act, if earnings during the year are not sufficient to provide for the costs of operations, payment of dividends, and maintaining surplus at an amount equal to the Bank's allocated portion of the $10 billion aggregate surplus limitation, remittances to the Treasury are suspended. A deferred asset is recorded that represents the amount of net earnings a Reserve Bank will need to realize before remittances to the Treasury resume. This deferred asset is periodically reviewed for impairment. The deferred asset is reported as "Deferred asset – remittances to the Treasury" in the Consolidated Statements of Condition. As of December 31, 2015, no impairment existed.

### q. Income and Costs Related to Treasury Services

When directed by the Secretary of the Treasury, the Bank is required by the Federal Reserve Act to serve as fiscal agent and depositary of the United States Government. By statute, the Treasury has appropriations to pay for these services. During the years ended December 31, 2015 and 2014, the Bank was reimbursed for substantially all services provided to the Treasury as its fiscal agent.

### r. Income from Services, Compensation Received for Service Costs Provided, and Compensation Paid for Service Costs Incurred

The Bank has overall responsibility for managing the Reserve Banks' provision of Fedwire funds and securities services and, as a result, reports total System revenue for these services as "Income from services" in its Consolidated Statements of Income and Comprehensive Income. The Bank compensates the applicable Reserve Banks for the costs incurred to provide these services and reports the resulting compensation paid as "Operating expenses: Compensation paid for service costs incurred" in its Consolidated Statements of Income and Comprehensive Income.

The Federal Reserve Bank of Atlanta has overall responsibility for managing the Reserve Banks' provision of check and ACH services to depository institutions, and the Federal Reserve Bank of Chicago has overall responsibility for managing the Reserve Banks' provision of electronic access services to depository institutions. The Reserve Bank that has overall responsibility for managing these services recognizes the related total System revenue in its Consolidated Statements of Income and Comprehensive Income. The Bank is compensated for costs incurred to provide these services by the Reserve Banks responsible for managing these services and reports this compensation as "Non-interest loss: Compensation received for service costs provided" in its Consolidated Statements of Income and Comprehensive Income.

### s. Assessments

The Board of Governors assesses the Reserve Banks to fund its operations and the operations of the Bureau. These assessments are allocated to each Reserve Bank based on each Reserve Bank's capital and surplus balances. The Board of Governors also assesses each Reserve Bank for expenses related to producing, issuing, and retiring Federal Reserve notes based on each Reserve Bank's share of the number of notes comprising the System's net liability for Federal Reserve notes on December 31 of the prior year.

The Dodd-Frank Act requires that, after the transfer of its responsibilities to the Bureau on July 21, 2011, the Board of Governors fund the Bureau in an amount not to exceed a fixed percentage of the total operating expenses of the System as reported in the Board of Governor's 2009 annual report, which totaled $4.98 billion. After 2013, the amount will be adjusted annually in accordance with the provisions of the Dodd-Frank Act. The percentage of total operating expenses of the System for the years ended December 31, 2015 and 2014 was 12.42 percent ($618.7 million) and 12.22 percent ($608.4 million), respectively. The Bank's assessment for Bureau funding is reported as "Assessments: Bureau of Consumer Financial Protection" in the Consolidated Statements of Income and Comprehensive Income.

### t. Fair Value

Investments and liabilities of the one remaining consolidated VIE and assets of the Retirement Plan for Employees of the System are measured at fair value in accordance with FASB ASC Topic 820 (ASC 820), *Fair Value Measurement*. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that distinguishes between assumptions developed using market data obtained from independent sources (observable inputs) and the Bank's assumptions developed using the best information available in the circumstances (unobservable inputs). The three levels established by ASC 820 are described as follows:

- Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect the Bank's estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing assets and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

### u. Taxes

The Reserve Banks are exempt from federal, state, and local taxes, except for taxes on real property. The Bank's real property taxes were $16 million and $15 million for the years ended December 31, 2015 and 2014, respectively, and are reported as a component of "Operating expenses: Occupancy" in the Consolidated Statements of Income and Comprehensive Income.

### v. Restructuring Charges

The Reserve Banks recognize restructuring charges for exit or disposal costs incurred as part of the closure of business activities in a particular location, the relocation of business activities from one location to another, or a fundamental reorganization that affects the nature of operations. Restructuring charges may include costs associated with employee separations, contract terminations, and asset impairments. Expenses are recognized in the period in which the Bank commits to a formalized restructuring plan or executes the specific actions contemplated in the plan and all criteria for financial statement recognition have been met.

In 2014, the Treasury announced plans to consolidate the provision of substantially all fiscal agent services for the U.S. Treasury at the Federal Reserve Bank of Cleveland, the Federal Reserve Bank of Kansas City, the Bank, and the Federal Reserve Bank of St. Louis. The implementation plan associated with this consolidation is expected to be completed in 2018.

The Bank had no significant restructuring activities in 2015 and 2014.

### w. Recently Issued Accounting Standards

In April 2014, FASB issued Accounting Standards Update (ASU) 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update changes the requirements for reporting discontinued operations, which may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. This update is effective for the Bank for the year ended December 31, 2015, and did not have a material effect on the Bank's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update was issued to create common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The guidance is applicable to all contracts for the transfer of goods or services regardless of industry or type of transaction. This update requires recognition of revenue in a manner that reflects the consideration that the entity expects to receive in return for the transfer of goods or services to customers. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the required effective date of this accounting by one year. This revenue recognition accounting guidance is effective for the Bank for the year ending December 31, 2019, although the Bank may elect to adopt guidance earlier. The Bank is continuing to evaluate the effect of this new guidance on the Bank's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, *Transfer and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. This update requires certain changes in the accounting for repurchase-to-maturity transactions and repurchase financing transactions. Additionally, this update provides guidance for the disclosures for certain transfers of financial assets accounted for as sales, where the transferor retains substantially all of the exposure to economic return on the transferred financial asset; and repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. This update is effective for the Bank for the year ended December 31, 2015. The update did not have any effect on the Bank's accounting for these transactions. The relevant required disclosures have been included in the Note 3e and Note 5 to the Bank's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, *Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*. This update provides guidance for the measurement of the financial assets and financial liabilities of a collateralized financing entity (CFE). A reporting entity that consolidates a CFE may elect to measure the financial assets and financial liabilities of that CFE using either the fair value or a measurement alternative as prescribed in the accounting pronouncement. This update is effective for the Bank for the year ending December 31, 2016, and is not expected to have a material effect on the Bank's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This update revised the consolidation model for reporting entities that are required to evaluate whether they should consolidate certain legal entities. More specifically, the update modified the evaluation of whether limited liability companies are VIEs or voting interest entities, and revised the consolidation analysis of reporting entities involved with VIEs, particularly those with fee arrangements and related party relationships. This update is effective for the Bank for the year ending December 31, 2016, and is not expected to have a material effect on the Bank's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40)*. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. Consequently, all software licenses within the scope of subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. This update is effective for the Bank for the year ending December 31, 2016, and is not expected to have a material effect on the Bank's consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This update removes the requirement to categorize investments that are measured using net asset value within the fair value hierarchy. This update also changes disclosure requirements for investments measured using net asset value. Some of the investments held in the defined benefit retirement plans (Note 9) are currently measured using net asset value. This update is effective for the Bank for the year ending December 31, 2017, although early adoption is permitted. The Bank is continuing to evaluate the effect of this new guidance on the consolidated financial statements.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (consensuses of the FASB Emerging Issues Task Force)*. Previously, plans were required to disclose (1) individual investments representing 5 percent or more of net assets available for benefits and (2) net appreciation or depreciation for investments by general type. The amendments in Part II of this update (1) eliminate the required disclosure related to individual investments and (2) removes the requirement to disaggregate net appreciation or depreciation for investments by general type. This update is effective for the Bank for the year ending December 31, 2016, and is not expected to have a material effect on the Bank's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The amendments in this update eliminate the requirement to disclose methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet. This update is effective for the Bank for the year ending December 31, 2019. The Bank is continuing to evaluate the effect of this new guidance on the Bank's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update revises the model to assess how a lease should be classified and provides guidance for lessees, requiring lessees to present right-of-use assets and lease liabilities on the balance sheet. The update is effective for the Bank for the year ended December 31, 2020, although earlier adoption is permitted. The Bank is continuing to evaluate the effect of this new guidance on its consolidated financial statements.

## (4) LOANS

### Loans to Depository Institutions

The Bank offers 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). Each program has its own interest rate and interest is accrued using the applicable interest rate established at least every 14 days by the Bank's board of directors, subject to review and determination by the Board of Governors. 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.

Primary, secondary, and seasonal loans are collateralized to the satisfaction of the Bank to reduce credit risk. Assets eligible to collateralize these loans include consumer, business, and real estate loans; Treasury securities; GSE debt securities; foreign sovereign debt; municipal, corporate, and state and local government obligations; asset-backed securities (ABS); corporate bonds; commercial paper; and bank-issued assets, such as certificates of deposit, bank notes, and deposit notes. Collateral is assigned a lending value that is deemed appropriate by the Bank, which is typically fair value reduced by a margin. Loans to depository institutions are monitored daily to ensure that borrowers continue to meet eligibility requirements for these programs. If a borrower no longer qualifies for these programs, the Bank will generally request full repayment of the outstanding loan or, for primary or seasonal loans, may convert the loan to a secondary credit loan. Collateral levels are reviewed daily against outstanding obligations, and borrowers that no longer have sufficient collateral to support outstanding loans are required to provide additional collateral or to make partial or full repayment.

The remaining maturity distribution of loans to depository institutions outstanding as of December 31, 2014, was as follows (in millions):

| | Within 15 days | 16 days to 90 days | Total |
|---|---|---|---|
| December 31, 2014 | $ 4 | $ - | $ 4 |

The Bank had no loans outstanding as of December 31, 2015.

At December 31, 2015 and 2014, the Bank 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 years ended December 31, 2015 and 2014. Interest income attributable to loans to depository institutions was immaterial during the years ended December 31, 2015 and 2014.

### TALF

The TALF assisted financial markets in accommodating the credit needs of consumers and businesses of all sizes by facilitating the issuance of ABS collateralized by a variety of consumer and business loans. Each TALF loan had an original maturity of three years, except loans secured by Small Business Administration (SBA) Pool Certificates, loans secured by SBA Development Company Participation Certificates, or ABS backed by student loans or commercial mortgage loans, which had an original maturity of five years if the borrower so elected. The loans were secured by eligible collateral, with the Bank having lent an amount equal to the value of the collateral, as determined by the Bank, less a margin.

The TALF loans were extended on a nonrecourse basis. If the borrower did not repay the loan, the Bank would have enforced its rights in the collateral and might have sold the collateral to TALF LLC, a Delaware LLC, established for the purpose of purchasing such assets. Pursuant to a put agreement with the Bank, TALF LLC had committed to purchase assets that secure a TALF loan at a price equal to the principal amount outstanding plus accrued but unpaid interest, regardless of the fair value of the collateral.

On October 29, 2014, the final outstanding TALF loan was repaid in full. Over the life of the program, all TALF loans were repaid in full at or before their respective maturity dates, and as such, the Bank did not incur a loss on any TALF loan. Subsequent to the repayment of the final outstanding TALF loan, the Bank terminated the put agreement with TALF LLC. Refer to Note 6 for additional information related to TALF LLC.

TALF had no loans outstanding as of December 31, 2015 and 2014. Interest income attributable to TALF loans was $2 million during the year ended December 31, 2014.

## (5) SYSTEM OPEN MARKET ACCOUNT

### a. Domestic Securities Holdings

The Bank conducts domestic open market operations and, on behalf of the Reserve Banks, holds the resulting securities in the SOMA.

During the year ended December 31, 2014, the Bank continued the purchase of Treasury securities and federal agency and GSE MBS under the large-scale asset purchase programs as directed by the FOMC, although at a reduced pace than previous years. In October 2014, the FOMC concluded its asset purchase program while maintaining its existing policy of reinvesting principal payments from its holdings of GSE debt securities and federal agency and GSE MBS and of rolling over maturing Treasury securities at auction. During the year ended December 31, 2015, the Bank continued the reinvestments.

The Bank's allocated share of activity related to domestic open market operations was 60.031 percent and 61.376 percent at December 31, 2015 and 2014, respectively.

The Bank's allocated share of Treasury securities, GSE debt securities, and federal agency and GSE MBS, net, excluding accrued interest, held in the SOMA at December 31 was as follows (in millions):

| | 2015 | | | |
|---|---|---|---|---|
| | Par | Unamortized premiums | Unaccreted discounts | Total amortized cost |
| Treasury securities | | | | |
| Notes | $ 981,372 | $ 12,569 | $ (3,890) | $ 990,051 |
| Bonds | 496,326 | 68,445 | (5,611) | 559,160 |
| Total Treasury securities | $ 1,477,698 | $ 81,014 | $ (9,501) | $ 1,549,211 |
| GSE debt securities | $ 19,777 | $ 483 | $ - | $ 20,260 |
| Federal agency and GSE MBS | $ 1,049,022 | $ 32,255 | $ (446) | $ 1,080,831 |

| | 2014 | | | |
|---|---|---|---|---|
| | Par | Unamortized premiums | Unaccreted discounts | Total amortized cost |
| Treasury securities | | | | |
| Notes | $ 1,003,472 | $ 16,983 | $ (4,738) | $ 1,015,717 |
| Bonds | 507,223 | 76,488 | (5,950) | 577,761 |
| Total Treasury securities | $ 1,510,695 | $ 93,471 | $ (10,688) | $ 1,593,478 |
| GSE debt securities | $ 23,739 | $ 805 | $ - | $ 24,544 |
| Federal agency and GSE MBS | $ 1,066,005 | $ 32,671 | $ (602) | $ 1,098,074 |

The Bank enters into transactions for the purchase of securities under agreements to resell and transactions to sell securities under agreements to repurchase as part of its monetary policy activities. Prior to December 17, 2015, these operations were for the purpose of further assessing the appropriate structure of such operations in supporting the implementation of monetary policy during normalization. From December 17, 2015, these operations have been undertaken as necessary to maintain the federal funds rate in a target range. In addition, transactions to sell securities under agreements to repurchase are entered into as part of a service offering to foreign official and international account holders.

There were no material transactions related to securities purchased under agreements to resell during the years ended December 31, 2015 and 2014. Financial information related to securities sold under agreements to repurchase for the years ended December 31 was as follows (in millions):

| | Allocated to the Bank | | Total SOMA | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Primary Dealers and expanded counterparties: | | | | |
| Contract amount outstanding, end of year | $ 284,904 | $ 243,483 | $ 474,592 | $ 396,705 |
| Average daily amount outstanding, during the year | 76,004 | 78,586 | 125,656 | 130,281 |
| Maximum balance outstanding, during the year | 284,904 | 243,483 | 474,592 | 396,705 |
| Securities pledged (par value), end of year | 262,913 | 224,168 | 437,961 | 365,235 |
| Securities pledged (fair value), end of year | 285,402 | 244,609 | 475,422 | 398,540 |
| Foreign official and international accounts: | | | | |
| Contract amount outstanding, end of year | $ 142,759 | $ 69,436 | $ 237,809 | $ 113,132 |
| Average daily amount outstanding, during the year | 95,305 | 61,599 | 157,929 | 102,968 |
| Maximum balance outstanding, during the year | 142,759 | 75,022 | 237,809 | 122,232 |
| Securities pledged (par value), end of year | 138,272 | 66,504 | 230,333 | 108,355 |
| Securities pledged (fair value), end of year | 142,769 | 69,436 | 237,825 | 113,132 |
| Total contract amount outstanding, end of year | $ 427,663 | $ 312,919 | $ 712,401 | $ 509,837 |
| Supplemental information - interest expense: | | | | |
| Primary Dealers and expanded counterparties | $ 51 | $ 41 | $ 84 | $ 68 |
| Foreign official and international accounts | 98 | 27 | 164 | 44 |
| Total interest expense - securities sold under agreements to repurchase | $ 149 | $ 68 | $ 248 | $ 112 |

Securities pledged as collateral, at December 31, 2015 and 2014, consisted solely of Treasury securities. The contract amount outstanding as of December 31, 2015 of securities sold under agreements to repurchase that were transacted with primary dealers and expanded counterparties had a term of one business day and matured on January 4, 2016. The contract amount outstanding as of December 31, 2015 of securities sold under agreements to repurchase that were transacted with foreign official and international accounts had a term of one business day and matured on January 4, 2016.

The remaining maturity distribution of Treasury securities, GSE debt securities, federal agency and GSE MBS bought outright, and securities sold under agreements to repurchase that were allocated to the Bank at December 31, 2015 and 2014 was as follows (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 |
|---|---|---|---|---|---|---|---|
| December 31, 2015: | | | | | | | |
| Treasury securities (par value) | $ - | $ 23,183 | $ 106,553 | $ 671,358 | $ 293,688 | $ 382,916 | $ 1,477,698 |
| GSE debt securities (par value) | - | 2,213 | 7,850 | 8,305 | - | 1,409 | 19,777 |
| Federal agency and GSE MBS (par value)[1] | - | - | - | 280 | 5,411 | 1,043,331 | 1,049,022 |
| Securities sold under agreements to repurchase (contract amount) | 427,663 | - | - | - | - | - | 427,663 |
| December 31, 2014: | | | | | | | |
| Treasury securities (par value) | $ - | $ 3 | $ 2,158 | $ 683,073 | $ 421,427 | $ 404,034 | $ 1,510,695 |
| GSE debt securities (par value) | 668 | 436 | 2,414 | 18,780 | - | 1,441 | 23,739 |
| Federal agency and GSE MBS (par value)[1] | - | - | - | 8 | 3,960 | 1,062,037 | 1,066,005 |
| Securities sold under agreements to repurchase (contract amount) | 312,919 | - | - | - | - | - | 312,919 |

[1]The par amount shown for federal agency and GSE MBS is the remaining principal balance of the securities.

Federal agency and GSE MBS are reported at stated maturity in the table above. The estimated weighted average life of these securities, which differs from the stated maturity primarily because it factors in scheduled payments and prepayment assumptions, was approximately 6.5 and 5.7 years as of December 31, 2015 and 2014, respectively.

The amortized cost and par value of Treasury securities and GSE debt securities that were loaned from the SOMA under securities lending agreements, at December 31 were as follows (in millions):

| | Allocated to the Bank | | Total SOMA | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Treasury securities (amortized cost) | $ 11,382 | $ 6,840 | $ 18,960 | $ 11,144 |
| Treasury securities (par value) | 10,839 | 6,202 | 18,055 | 10,105 |
| GSE debt securities (amortized cost) | 88 | 388 | 146 | 633 |
| GSE debt securities (par value) | 82 | 378 | 137 | 616 |

Securities pledged as collateral by the counterparties in the securities lending arrangements at December 31, 2015 and 2014, consisted solely of Treasury securities. The securities lending agreements outstanding as of December 31, 2015 had a term of one business day and matured on January 4, 2016.

The Bank enters into commitments to buy and sell Treasury securities and records the related securities on a settlement-date basis. As of December 31, 2015, there were no outstanding commitments.

The Bank enters into commitments to buy and sell federal agency and GSE MBS and records the related securities on a settlement-date basis. As of December 31, 2015, the total purchase price of the federal agency and GSE MBS under outstanding purchase commitments was $22,187 million, none of which was related to dollar rolls. The total purchase price of outstanding purchase commitments allocated to the Bank was $13,319 million, none of which was related to dollar rolls. MBS commitments, which had contractual settlement dates extending through January 2016, are principally for the purchase of TBA MBS for which the number and identity of the pools that will be delivered to fulfill the commitment are unknown at the time of the trade. As of December 31, 2015, there were no outstanding sales commitments for federal agency and GSE MBS. These commitments are subject to varying degrees of off-balance-sheet market risk and counterparty credit risk that result from their future settlement. The Bank requires the posting of cash collateral for MBS commitments as part of its risk management practices used to mitigate the counterparty credit risk.

Other assets consists primarily of cash and short-term investments related to the federal agency and GSE MBS portfolio. Other liabilities, which are primarily related to federal agency and GSE MBS purchases and sales, includes the Bank's obligation to return cash margin posted by counterparties as collateral under commitments to purchase and sell federal agency and GSE MBS. In addition, other liabilities includes obligations that arise from the failure of a seller to deliver MBS to the Bank on the settlement date. Although the Bank has ownership of and records its investments in the MBS as of the contractual settlement date, it is not obligated to make payment until the securities are delivered, and the amount included in other liabilities represents the Bank's obligation to pay for the securities when delivered. The amount of other assets and other liabilities allocated to the Bank and held in the SOMA at December 31 was as follows (in millions):

| | Allocated to the Bank | | Total SOMA | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Other assets: | | | | |
| MBS portfolio related cash and short term investments | $ 9 | $ 18 | $ 13 | $ 28 |
| Other | - | - | 1 | 1 |
| Total other assets | $ 9 | $ 18 | $ 14 | $ 29 |
| Other liabilities: | | | | |
| Cash margin | $ 292 | $ 486 | $ 486 | $ 793 |
| Obligations from MBS transaction fails | 10 | 19 | 16 | 30 |
| Other | 3 | 4 | 6 | 7 |
| Total other liabilities | $ 305 | $ 509 | $ 508 | $ 830 |

Accrued interest receivable on domestic securities holdings was $25,354 million and $25,561 million as of December 31, 2015 and 2014, respectively, of which $15,220 million and $15,688 million, respectively, was allocated to the Bank. These amounts are reported as a component of "System Open Market Account: Accrued interest receivable" in the Consolidated Statements of Condition.

Information about transactions related to Treasury securities, GSE debt securities, and federal agency and GSE MBS during the years ended December 31, 2015 and 2014, is summarized as follows (in millions):

| | Allocated to the Bank | | | | |
|---|---|---|---|---|---|
| | Notes | Bonds | Total Treasury securities | GSE debt securities | Federal agency and GSE MBS |
| Balance at December 31, 2013 | $ 829,103 | $ 479,300 | $ 1,308,403 | $ 32,786 | $ 850,588 |
| Purchases[1] | 97,002 | 50,487 | 147,489 | - | 277,101 |
| Sales[1] | - | - | - | - | (16) |
| Realized gains, net[2] | - | - | - | - | - |
| Principal payments and maturities | (274) | - | (274) | (10,797) | (122,984) |
| Amortization of premiums and accretion of discounts, net | (3,315) | (6,060) | (9,375) | (352) | (4,340) |
| Inflation adjustment on inflation-indexed securities | 302 | 803 | 1,105 | - | - |
| Annual reallocation adjustment[3] | 92,899 | 53,231 | 146,130 | 2,907 | 97,725 |
| Balance at December 31, 2014 | 1,015,717 | 577,761 | 1,593,478 | 24,544 | 1,098,074 |
| Purchases[1] | 1,643 | 457 | 2,100 | - | 215,559 |
| Sales[1] | - | - | - | - | (285) |
| Realized gains, net[2] | - | - | - | - | 10 |
| Principal payments and maturities | (1,787) | (327) | (2,114) | (3,479) | (201,408) |
| Amortization of premiums and accretion of discounts, net | (3,314) | (6,195) | (9,509) | (307) | (7,079) |
| Inflation adjustment on inflation-indexed securities | 26 | 71 | 97 | - | - |
| Annual reallocation adjustment[3] | (22,234) | (12,607) | (34,841) | (498) | (24,040) |
| Balance at December 31, 2015 | $ 990,051 | $ 559,160 | $ 1,549,211 | $ 20,260 | $ 1,080,831 |
| Year-ended December 31, 2014 | | | | | |
| Supplemental information - par value of transactions: | | | | | |
| Purchases[4] | $ 98,235 | $ 49,133 | $ 147,368 | $ - | $ 267,709 |
| Sales | - | - | - | - | (16) |
| Year-ended December 31, 2015 | | | | | |
| Supplemental information - par value of transactions: | | | | | |
| Purchases[4] | $ 1,649 | $ 460 | $ 2,109 | $ - | $ 208,023 |
| Sales | - | - | - | - | (267) |

[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. 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.

[3] Reflects the annual adjustment to the Bank's allocated portion of the related SOMA securities that results from the annual settlement of the interdistrict settlement account, as discussed in Note 3j.

[4] Includes inflation compensation.

| | Total SOMA | | | | |
|---|---|---|---|---|---|
| | Notes | Bonds | Total Treasury securities | GSE debt securities | Federal agency and GSE MBS |
| Balance at December 31, 2013 | $ 1,495,115 | $ 864,319 | $ 2,359,434 | $ 59,122 | $ 1,533,860 |
| Purchases[1] | 165,306 | 85,826 | 251,132 | - | 466,384 |
| Sales[1] | - | - | - | - | (29) |
| Realized gains, net[2] | - | - | - | - | - |
| Principal payments and maturities | (475) | - | (475) | (18,544) | (203,933) |
| Amortization of premiums and accretion of discounts, net | (5,545) | (10,132) | (15,677) | (588) | (7,199) |
| Inflation adjustment on inflation-indexed securities | 500 | 1,327 | 1,827 | - | - |
| Balance at December 31, 2014 | 1,654,901 | 941,340 | 2,596,241 | 39,990 | 1,789,083 |
| Purchases[1] | 2,736 | 761 | 3,497 | - | 356,976 |
| Sales[1] | - | - | - | - | (464) |
| Realized gains, net[2] | - | - | - | - | 16 |
| Principal payments and maturities | (2,977) | (543) | (3,520) | (5,733) | (333,441) |
| Amortization of premiums and accretion of discounts, net | (5,485) | (10,253) | (15,738) | (509) | (11,721) |
| Inflation adjustment on inflation-indexed securities | 53 | 143 | 196 | - | - |
| Balance at December 31, 2015 | $ 1,649,228 | $ 931,448 | $ 2,580,676 | $ 33,748 | $ 1,800,449 |
| Year-ended December 31, 2014 | | | | | |
| Supplemental information - par value of transactions: | | | | | |
| Purchases[3] | $ 167,497 | $ 83,739 | $ 251,236 | $ - | $ 450,633 |
| Sales | - | - | - | - | (29) |
| Year-ended December 31, 2015 | | | | | |
| Supplemental information - par value of transactions: | | | | | |
| Purchases[3] | $ 2,747 | $ 766 | $ 3,513 | $ - | $ 344,505 |
| Sales | - | - | - | - | (435) |

[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. 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.

[3] Includes inflation compensation.

## b. Foreign Currency Denominated Investments

The Bank conducts foreign currency operations and, on behalf of the Reserve Banks, holds the resulting foreign currency denominated investments in the SOMA.

The Bank holds foreign currency deposits with foreign central banks and the Bank for International Settlements and invests in foreign government debt instruments of Germany, France, and Japan. These foreign government debt instruments are backed by the full faith and credit of the issuing foreign governments. In addition, the Bank may enter into transactions to purchase Euro-denominated government debt securities under agreements to resell for which the accepted collateral is the debt instruments issued by the governments of Belgium, France, Germany, Italy, the Netherlands, and Spain, which are backed by the full faith and credit of those issuing governments.

At December 31, 2015 and 2014, there were no securities purchased under agreements to resell outstanding and, consequently, no related foreign securities held as collateral.

The Bank’s allocated share of activity related to foreign currency operations was 32.226 percent and 32.156 percent at December 31, 2015 and 2014, respectively.

Information about foreign currency denominated investments valued at amortized cost and at foreign currency market exchange rates at December 31 was as follows (in millions):

| | Allocated to Bank | | Total SOMA | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Euro: | | | | |
| Foreign currency deposits | $ 2,004 | $ 2,231 | $ 6,218 | $ 6,936 |
| German government debt instruments | 729 | 802 | 2,261 | 2,494 |
| French government debt instruments | 1,071 | 1,185 | 3,325 | 3,687 |
| Japanese yen: | | | | |
| Foreign currency deposits | 828 | 828 | 2,568 | 2,576 |
| Japanese government debt instruments | 1,674 | 1,674 | 5,195 | 5,207 |
| Total | $ 6,306 | $ 6,720 | $ 19,567 | $ 20,900 |

Accrued interest receivable on foreign currency denominated investments was $64 million and $83 million as of December 31, 2015 and 2014, respectively, of which $21 million and $27 million, respectively, was allocated to the Bank. These amounts are reported as a component of “System Open Market Account: Accrued interest receivable” in the Consolidated Statements of Condition.

The remaining maturity distribution of foreign currency denominated investments that were allocated to the Bank at December 31, 2015 and 2014, was as follows (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 |
|---|---|---|---|---|---|---|
| December 31, 2015: | | | | | | |
| Euro | $ 688 | $ 1,431 | $ 339 | $ 1,232 | $ 114 | $ 3,804 |
| Japanese yen | 881 | 113 | 517 | 991 | - | 2,502 |
| Total | $ 1,569 | $ 1,544 | $ 856 | $ 2,223 | $ 114 | $ 6,306 |
| December 31, 2014: | | | | | | |
| Euro | $ 1,169 | $ 903 | $ 529 | $ 1,617 | $ - | $ 4,218 |
| Japanese yen | 886 | 126 | 495 | 995 | - | 2,502 |
| Total | $ 2,055 | $ 1,029 | $ 1,024 | $ 2,612 | $ - | $ 6,720 |

There were no foreign exchange contracts related to foreign currency operations outstanding as of December 31, 2015.

The Bank enters into commitments to buy foreign government debt instruments and records the related securities on a settlement-date basis. During 2015, there were purchases and maturities of foreign government debt instruments of $3,288 million and $3,155 million, respectively, of which $1,059 million and $1,016 million, respectively, were allocated to the Bank. There were no sales of foreign government debt instruments in 2015.

In connection with its foreign currency activities, the Bank may enter into transactions that are subject to varying degrees of off-balance-sheet market risk and counterparty credit risk that result from their future settlement. The Bank controls these risks by obtaining credit approvals, establishing transaction limits, receiving collateral in some cases, and performing monitoring procedures.

Foreign currency working balances held and foreign exchange contracts executed by the Bank to facilitate international payments and currency transactions made on behalf of foreign central banks and U.S. official institution customers were not material as of December 31, 2015 and 2014.

### c. Central Bank Liquidity Swaps

***U.S. Dollar Liquidity Swaps***

The Bank's allocated share of U.S. dollar liquidity swaps was 32.226 percent and 32.156 percent at December 31, 2015 and 2014, respectively.

The total foreign currency held under U.S. dollar liquidity swaps in the SOMA at December 31, 2015 and 2014, was $997 million and $1,528 million, respectively, of which $321 million and $491 million, respectively, was allocated to the Bank.

The remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Bank at December 31 was as follows (in millions):

| | 2015 | 2014 |
|---|---|---|
| | Within 15 days | Within 15 days |
| Euro | $ 298 | $ - |
| Japanese yen | 23 | 491 |
| Total | $ 321 | $ 491 |

***Foreign Currency Liquidity Swaps***

At December 31, 2015 and 2014, there was no balance outstanding related to foreign currency liquidity swaps.

### d. Fair Value of SOMA Assets and Liabilities

The fair value amounts below are presented solely for informational purposes and are not intended to comply with the fair value disclosures required by ASC 820. Although the fair value of SOMA security holdings can be substantially greater than or less than the recorded value at any point in time, these unrealized gains or losses have no effect on the ability of the Reserve Banks, as the central bank, to meet their financial obligations and responsibilities. Because SOMA securities are recorded at amortized cost, cumulative unrealized gains (losses) are not recognized in the Consolidated Statements of Condition and the changes in cumulative unrealized gains (losses) are not recognized in the Consolidated Statements of Income and Comprehensive Income.

The fair value of the Treasury securities, GSE debt securities, federal agency and GSE MBS, and foreign government debt instruments held in the SOMA is subject to market risk, arising from movements in market variables such as interest rates and credit risk. The fair value of federal agency and GSE MBS is also affected by the expected rate of prepayments of mortgage loans underlying the securities. The fair value of foreign government debt instruments is also affected by currency risk. Based on evaluations performed as of December 31, 2015 and 2014, there are no credit impairments of SOMA securities holdings.

The following table presents the amortized cost, fair value, and cumulative unrealized gains (losses) on the Treasury securities, GSE debt securities, and federal agency and GSE MBS held in the SOMA at December 31 (in millions):

| | Allocated to the Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| | Amortized cost | Fair value | Cumulative unrealized gains (losses) | Amortized cost | Fair value | Cumulative unrealized gains (losses) |
| Treasury securities: | | | | | | |
| Notes | $ 990,051 | $ 1,002,158 | $ 12,107 | $ 1,015,717 | $ 1,033,196 | $ 17,479 |
| Bonds | 559,160 | 604,222 | 45,062 | 577,761 | 646,241 | 68,480 |
| Total Treasury securities | 1,549,211 | 1,606,380 | 57,169 | 1,593,478 | 1,679,437 | 85,959 |
| GSE debt securities | 20,260 | 21,110 | 850 | 24,544 | 26,084 | 1,540 |
| Federal agency and GSE MBS | 1,080,831 | 1,086,718 | 5,887 | 1,098,074 | 1,117,384 | 19,310 |
| Total domestic SOMA portfolio securities holdings | $ 2,650,302 | $ 2,714,208 | $ 63,906 | $ 2,716,096 | $ 2,822,905 | $ 106,809 |
| Memorandum - Commitments for: | | | | | | |
| Purchases of Treasury securities | $ - | $ - | $ - | $ - | $ - | $ - |
| Purchases of Federal agency and GSE MBS | 13,319 | 13,309 | (10) | 17,610 | 17,678 | 68 |
| Sales of Federal agency and GSE MBS | - | - | - | - | - | - |

| | Total SOMA | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| | Amortized cost | Fair value | Cumulative unrealized gains (losses) | Amortized cost | Fair value | Cumulative unrealized gains (losses) |
| Treasury securities: | | | | | | |
| Notes | $ 1,649,228 | $ 1,669,395 | $ 20,167 | $ 1,654,901 | $ 1,683,377 | $ 28,476 |
| Bonds | 931,448 | 1,006,514 | 75,066 | 941,340 | 1,052,916 | 111,576 |
| Total Treasury securities | 2,580,676 | 2,675,909 | 95,233 | 2,596,241 | 2,736,293 | 140,052 |
| GSE debt securities | 33,748 | 35,165 | 1,417 | 39,990 | 42,499 | 2,509 |
| Federal agency and GSE MBS | 1,800,449 | 1,810,256 | 9,807 | 1,789,083 | 1,820,544 | 31,461 |
| Total domestic SOMA portfolio securities holdings | $ 4,414,873 | $ 4,521,330 | $ 106,457 | $ 4,425,314 | $ 4,599,336 | $ 174,022 |
| Memorandum - Commitments for: | | | | | | |
| Purchases of Treasury securities | $ - | $ - | $ - | $ - | $ - | $ - |
| Purchases of Federal agency and GSE MBS | 22,187 | 22,170 | (17) | 28,692 | 28,803 | 111 |
| Sales of Federal agency and GSE MBS | - | - | - | - | - | - |

The fair value of Treasury securities and GSE debt securities was determined using pricing services that provide market consensus prices based on indicative quotes from various market participants. The fair value of federal agency and GSE MBS was determined using a pricing service that utilizes a model-based approach that considers observable inputs for similar securities.

The cost bases of securities purchased under agreements to resell, securities sold under agreements to repurchase, central bank liquidity swaps and other investments held in the SOMA domestic portfolio approximate fair value. Due to the short-term nature of these agreements and the defined amount that will be received upon settlement, the cost basis is estimated to approximate fair value.

At December 31, 2015 and 2014, the fair value of foreign currency denominated investments was $19,630 million and $20,996 million, respectively, of which $6,326 million and $6,751 million, respectively, was allocated to the Bank. The fair value of foreign government debt instruments was determined using pricing services that provide market consensus prices based on indicative quotes from various market participants. The fair value of foreign currency deposits and securities purchased under agreements to resell was determined by reference to market interest rates.

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at December 31 (in millions):

| Distribution of MBS holdings by coupon rate | 2015 Amortized cost | 2015 Fair value | 2014 Amortized cost | 2014 Fair value |
|---|---|---|---|---|
| Allocated to the Bank: | | | | |
| 2.0% | $ 6,722 | $ 6,599 | $ 7,849 | $ 7,744 |
| 2.5% | 69,953 | 69,047 | 70,343 | 69,642 |
| 3.0% | 332,831 | 326,132 | 315,039 | 310,738 |
| 3.5% | 347,822 | 349,344 | 295,407 | 300,370 |
| 4.0% | 216,802 | 221,261 | 262,719 | 270,795 |
| 4.5% | 69,585 | 74,465 | 95,665 | 103,017 |
| 5.0% | 29,374 | 31,530 | 40,229 | 43,404 |
| 5.5% | 6,686 | 7,197 | 9,349 | 10,074 |
| 6.0% | 926 | 1,000 | 1,295 | 1,403 |
| 6.5% | 130 | 143 | 179 | 197 |
| Total | $ 1,080,831 | $ 1,086,718 | $ 1,098,074 | $ 1,117,384 |
| Total SOMA: | | | | |
| 2.0% | $ 11,198 | $ 10,993 | $ 12,788 | $ 12,618 |
| 2.5% | 116,527 | 115,018 | 114,609 | 113,468 |
| 3.0% | 554,430 | 543,270 | 513,289 | 506,280 |
| 3.5% | 579,403 | 581,940 | 481,305 | 489,390 |
| 4.0% | 361,149 | 368,576 | 428,047 | 441,204 |
| 4.5% | 115,914 | 124,043 | 155,867 | 167,844 |
| 5.0% | 48,931 | 52,523 | 65,544 | 70,719 |
| 5.5% | 11,138 | 11,989 | 15,232 | 16,414 |
| 6.0% | 1,542 | 1,666 | 2,110 | 2,287 |
| 6.5% | 217 | 238 | 292 | 320 |
| Total | $ 1,800,449 | $ 1,810,256 | $ 1,789,083 | $ 1,820,544 |

The following tables present the realized gains (losses) and the change in the cumulative unrealized gains (losses) related to SOMA domestic securities holdings during the years ended December 31, 2015 and 2014 (in millions):

| | Allocated to Bank | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Realized gains[1] | Change in cumulative unrealized gains (losses)[2, 3] | Realized gains[1] | Change in cumulative unrealized gains (losses)[2, 3] |
| Treasury securities | $ - | $ (26,261) | $ - | $ 93,917 |
| GSE debt securities | - | (657) | - | (366) |
| Federal agency and GSE MBS | 26 | (12,818) | 48 | 41,329 |
| Total | $ 26 | $ (39,736) | $ 48 | $ 134,880 |

| | Total SOMA | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Realized gains[1] | Change in cumulative unrealized gains (losses)[2] | Realized gains[1] | Change in cumulative unrealized gains (losses)[2] |
| Treasury securities | $ - | $ (44,819) | $ - | $ 158,150 |
| GSE debt securities | - | (1,092) | - | (605) |
| Federal agency and GSE MBS | 43 | (21,654) | 81 | 69,749 |
| Total | $ 43 | $ (67,565) | $ 81 | $ 227,294 |

[1] Realized gains (losses) are reported in “Non-interest (loss) income: System Open Market Account: Federal agency and government-sponsored enterprise mortgage-backed securities gains, net” in the Consolidated Statements of Income and Comprehensive Income.

[2] Because SOMA securities are recorded at amortized cost, the change in the cumulative unrealized gains (losses) is not reported in the Consolidated Statements of Income and Comprehensive Income.

[3] The amount reported as change in cumulative unrealized gains (losses) allocated to the Bank is affected by the annual adjustment to the Bank's allocated portion of the related SOMA securities, as discussed in Note 3f.

The amount of change in cumulative unrealized gains (losses) position, net, related to foreign currency denominated investments was a loss of $33 million and a gain of $18 million for the years ended December 31, 2015 and 2014, respectively, of which $10 million and $6 million, respectively, were allocated to the Bank.

Treasury securities, GSE debt securities, federal agency and GSE MBS, and foreign government debt instruments are classified as Level 2 within the ASC 820 hierarchy because the fair values are based on indicative quotes and other observable inputs obtained from independent pricing services. The fair value hierarchy level of SOMA financial assets is not necessarily an indication of the risk associated with those assets.

## (6) CONSOLIDATED VARIABLE INTEREST ENTITIES

### a. Description of Consolidated VIEs

***i. Maiden Lane LLC***

To facilitate the merger of The Bear Stearns Companies, Inc. (Bear Stearns) and JPMorgan Chase & Co. (JPMC), the Bank extended credit to ML in June 2008. ML is a Delaware LLC formed by the Bank to acquire certain assets of Bear Stearns and to manage those assets. The assets acquired by ML were valued at $29.9 billion as of March 14, 2008, the date that the Bank committed to the transaction, and largely consisted of federal agency and GSE MBS, non-agency residential mortgage-back securities (RMBS), commercial and residential mortgage loans, and derivatives and associated hedges.

The Bank extended a senior loan of approximately $28.8 billion and JPMC extended a subordinated loan of $1.15 billion to finance the acquisition of the assets, both of which were repaid in full plus interest in 2012. The Bank has continued and will continue to sell the remaining assets from the ML portfolio as market conditions warrant and if the sales represent good value for the public. In accordance with the ML agreements, proceeds from future asset sales will be distributed to the Bank as contingent interest after all derivative instruments in ML have been terminated and paid or sold from the portfolio.

***ii. Maiden Lane II LLC***

The Bank extended credit to ML II, a Delaware LLC formed to purchase non-agency RMBS from the reinvestment pool of the securities lending portfolios of several regulated U.S. insurance subsidiaries of American International Group, Inc. (AIG). ML II purchased from the AIG subsidiaries non-agency RMBS with an approximate fair value of $20.8 billion as of October 31, 2008. ML II financed this purchase by borrowing $19.5 billion from the Bank and through the deferral of $1.0 billion of the purchase price payable to the AIG subsidiaries. Both the loan and the fixed deferred purchase price were paid in full plus interest in 2012.

On March 19, 2012, ML II was dissolved and the Bank began the process of winding up in accordance with and as required by Delaware law and the agreements governing ML II. As part of that process, during the year ended December 31, 2014, after paying expenses, ML II distributed its remaining assets to the Bank and to AIG and its subsidiaries in accordance with the agreement. Distributions were made to the Bank in the form of contingent interest totaling $53 million and to AIG and its subsidiaries in the form of variable deferred purchase price totaling $11 million during the year ended December 31, 2014. On November 12, 2014, a certificate of cancellation was filed in the office of the Delaware Secretary of State, thereby terminating the legal existence of ML II.

***iii. Maiden Lane III LLC***

The Bank extended credit to ML III, a Delaware LLC formed to purchase ABS collateralized debt obligations (CDOs) from certain third-party counterparties of AIG Financial Products Corp (AIGFP). ML III borrowed approximately $24.3 billion from the Bank, and AIG provided an equity contribution of $5.0 billion to ML III. The proceeds were used to purchase ABS CDOs with a fair value of $29.6 billion as of October 31, 2008. The counterparties received $26.8 billion net of principal and interest received and finance charges paid on the ABS CDOs. The LLC also made a payment to AIGFP of $2.5 billion representing the over collateralization previously posted by AIGFP and retained by counterparties in respect of terminated CDS as compared to the LLC's fair value acquisition prices calculated as of October 31, 2008. The aggregate amount of principal and interest proceeds from CDOs received after the announcement date, but prior to the settlement dates, net of financing costs, amounted to approximately $0.3 billion and therefore reduced the amount of funding required at settlement by $0.3 billion, from $29.6 billion to $29.3 billion. Both the loan and the equity contribution were repaid in full plus interest in 2012.

On September 10, 2012, ML III was dissolved, and the Bank began the process of winding up in accordance with and as required by Delaware law and the agreements governing ML III. As part of that process, during the year ended December 31, 2014, after paying expenses, ML III distributed its remaining assets to the Bank and to AIG in accordance with the agreement. Distributions were made to the Bank in the form of contingent interest totaling $14 million and to AIG in the form of excess amounts totaling $7 million during the year ended December 31, 2014. On November 12, 2014, a certificate of cancellation was filed in the office of the Delaware Secretary of State, thereby terminating the legal existence of ML III.

***iv. TALF LLC***

As discussed in Note 4, TALF LLC was formed in connection with the implementation of the TALF. TALF LLC was established for the limited purpose of purchasing any ABS that might be surrendered to the Bank by borrowers under the TALF or, in certain limited circumstances, TALF loans. Funding for TALF LLC's purchases of these securities was derived first through the fees received by TALF LLC from the Bank for this commitment and any interest earned on its investments. If that funding had proved insufficient for the purchases TALF LLC had committed to make under the put agreement, the Treasury and the Bank had committed to lend to TALF LLC. On March 25, 2009, the Treasury provided initial funding to TALF LLC of $100 million. On January 15, 2013, the Treasury and the Bank agreed to eliminate their funding commitments to TALF LLC. Pursuant to this agreement on February 6, 2013, TALF LLC repaid in full the outstanding principal and accrued interest on the Treasury loan.

On October 31, 2014, TALF LLC was dissolved and the Bank began the process of winding up in accordance with and as required by Delaware law and the agreements governing TALF LLC. As part of that process, during the year ended December 31, 2014, after paying expenses, TALF LLC distributed its remaining assets to the Treasury and to the Bank in accordance with the agreement. Distributions were made in the form of contingent interest to the Treasury totaling $98 million and to the Bank totaling $11 million during the year ended December 31, 2014. On November 26, 2014, a certificate of cancellation was filed in the office of the Delaware Secretary of State, thereby terminating the legal existence of TALF LLC.

**b. Summary Information for Consolidated VIEs**

The classification of significant assets and liabilities of ML at December 31, 2015 and 2014 is summarized in the following table (in millions):

| | ML | |
|---|---|---|
| | 2015 | 2014 |
| Assets: | | |
| Short-term investments | $ 1,496 | $ 1,399 |
| Swap contracts | 56 | 124 |
| Other investments | 13 | 11 |
| Subtotal | 1,565 | 1,534 |
| Cash, cash equivalents, accrued interest receivable, and other receivables | 213 | 277 |
| Total investments held by consolidated VIEs | $ 1,778 | $ 1,811 |
| Liabilities: | | |
| Swap contracts | $ 21 | $ 41 |
| Cash collateral on swap contracts | 36 | 85 |
| Other liabilities | - | 1 |
| Total liabilities of consolidated VIEs | $ 57 | $ 127 |

There were no assets and liabilities remaining in the ML II, ML III, and TALF LLC at December 31, 2015 and 2014.

The Bank's approximate maximum exposure to loss at December 31, 2015 and 2014, was $1,565 million and $1,534 million, respectively. These estimates incorporate potential losses associated with the investments recorded on the Bank's balance sheet. Additionally, information concerning the notional exposure on swap contracts is contained in the derivatives credit risk section of this Note.

The net income attributable to ML for the year ended December 31, 2015 and 2014, was as follows (in millions):

| | ML | |
|---|---|---|
| | 2015 | 2014 |
| Interest income: Investments held by consolidated VIEs | $ 4 | $ 77 |
| Non-interest income: | | |
| Realized portfolio holdings gains, net | 32 | 1 |
| Unrealized portfolio holdings gains, net | 3 | 36 |
| Non-interest income: Consolidated VIEs gains, net | 35 | 37 |
| Total net interest income and non-interest income | 39 | 114 |
| Less: Professional fees | 3 | 4 |
| Net income attributable to consolidated VIEs | $ 36 | $ 110 |

***i. Debt Securities***

ML has investments in short-term instruments with maturities of greater than three months and less than one year when acquired. As of December 31, 2015 and 2014, ML's short-term instruments consisted of U.S. Treasury bills.

Other investments primarily consist of non-agency RMBS and commercial mortgage-backed securities (CMBS).

***ii. Derivative Instruments***

Derivative contracts are instruments, such as swap contracts, that derive their value from underlying assets, indexes, reference rates, or a combination of these factors. The ML portfolio is composed of derivative financial instruments included in a total return swap (TRS) agreement with JPMC. ML and JPMC entered into the TRS with reference obligations representing CDS primarily on CMBS and RMBS, with various market participants, including JPMC.

On an ongoing basis, ML pledges collateral for credit or liquidity related shortfalls. Separately, ML and JPMC engage in bilateral posting of collateral to cover the net mark-to-market (MTM) variations in the swap portfolio. ML only nets the collateral received from JPMC from the bilateral MTM posting for the reference obligations for which JPMC is the counterparty.

The values of ML's cash and cash equivalents include cash collateral associated with the TRS of $72 million and $128 million as of December 31, 2015 and 2014, respectively. In addition, ML has pledged $52 million and $87 million of U.S. Treasury bills to JPMC as of December 31, 2015 and 2014, respectively.

ML has entered into an International Swaps and Derivatives Association, Inc. master netting agreement with JPMC in connection with the TRS. This agreement provides ML with the right to liquidate securities held as collateral and to offset receivables and payables with JPMC in the event of default. This agreement also establishes the method for determining the net amount of receivables and payables that ML is entitled to receive from or owes to each counterparty to the swaps that underlie the TRS based upon the fair value of the relevant CDS.

For the derivative balances reported in the Consolidated Statements of Condition, ML offsets its asset and liability positions held with the same counterparty. In addition, ML offsets the cash collateral held with JPMC against any net liabilities of JPMC with ML under the TRS. As of December 31, 2015 and 2014, there were no amounts subject to an enforceable master netting agreement that were not offset in the Consolidated Statements of Condition.

The maximum potential amount of future payments the seller of credit protection could be required to make to the buyer of credit protection under a CDS is equal to the notional amount of the contract. For ML, the maximum potential payout (notional) associated with credit protection sold was $162 million and $219 million as of December 31, 2015 and 2014, respectively, and the maximum potential recovery (notional) associated with credit protection bought was $195 million and $413 million as of December 31, 2015 and 2014, respectively. The change in notional amounts is representative of the volume of activity for the year ended December 31, 2015.

There were 128 and 210 CDS contracts outstanding in the ML portfolio as of December 31, 2015 and 2014, respectively. The majority of the CDS held by ML had remaining maturities of greater than five years and reference obligations with non-investment grade (BB+ or lower) credit ratings as of December 31, 2015 and 2014.

### c. Fair Value Measurement

ML has adopted ASC 820 and ASC 825 and has elected the fair value option for all holdings.

The accounting and classification of these investments appropriately reflect the ML's and the Bank's intent with respect to the purpose of the investments and most closely reflect the amount of the assets available to liquidate the entity's obligations.

***Determination of Fair Value***

ML values its investments and cash equivalents on the basis of last available bid prices or current market quotations provided by dealers or pricing services selected under the supervision of the Bank's designated investment manager. To determine the value of a particular investment, pricing services may use certain information with respect to market transactions in such investments or comparable investments, various relationships observed in the market between investments, quotations from dealers, and pricing metrics and calculated yield measures based on valuation methodologies commonly employed in the market for such investments. The fair value of swap contracts is provided by JPMC as calculation agent and is reviewed by the investment manager.

Market quotations may not represent fair value in certain instances in which the investment manager and the VIEs believe that facts and circumstances applicable to an issuer, a seller, a purchaser, or the market for a particular investment cause such market quotations to not reflect the fair value of an investment. In such cases or when market quotations are unavailable, the investment manager applies proprietary valuation models that use collateral performance scenarios and pricing metrics derived from the reported performance of investments with similar characteristics as well as available market data to determine fair value.

Due to the uncertainty inherent in determining the fair value of investments that do not have a readily available fair value, the fair value of these investments may differ from the values that may ultimately be realized and paid.

The following tables present the financial instruments recorded in VIEs at fair value as of December 31, 2015 by ASC 820 hierarchy (in millions):

| | Level 1[1] | Level 2[1] | Level 3 | Netting[2] | Total fair value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Short-term investments | $ 1,496 | $ - | $ - | $ - | $ 1,496 |
| Cash equivalents[3] | 213 | - | - | - | 213 |
| Swap contracts | - | - | 130 | (74) | 56 |
| Other investments | - | 12 | 1 | - | 13 |
| Total assets | $ 1,709 | $ 12 | $ 131 | $ (74) | $ 1,778 |
| Liabilities: | | | | | |
| Swap contracts | $ - | $ - | $ 59 | $ (38) | $ 21 |

[1] There were no transfers between Level 1 and Level 2 and no material transfers between Levels 2 and 3 during the year ended December 31, 2015.
[2] Derivative receivables and payables and the related cash collateral received and paid are shown net when a master netting agreement exists.
[3] Cash equivalents consist primarily of money market funds.

The following tables present the financial instruments recorded in VIEs at fair value as of December 31, 2014 by ASC 820 hierarchy (in millions):

| | Level 1[1] | Level 2[1] | Level 3 | Netting[2] | Total fair value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Short-term investments | $ 1,399 | $ - | $ - | $ - | $ 1,399 |
| Cash equivalents[3] | 274 | - | - | - | 274 |
| Swap contracts | - | - | 240 | (116) | 124 |
| Other investments | - | 6 | 5 | - | 11 |
| Total assets | $ 1,673 | $ 6 | $ 245 | $ (116) | $ 1,808 |
| Liabilities: | | | | | |
| Swap contracts | $ - | $ - | $ 115 | $ (74) | $ 41 |

[1] There were no transfers between Level 1 and Level 2 during the year ended December 31, 2014.
[2] Derivative receivables and payables and the related cash collateral received and paid are shown net when a master netting agreement exists.
[3] Cash equivalents consist primarily of money market funds.

As of December 31, 2015, both the Level 3 assets and liabilities held in the Consolidated Statements of Condition as "Investments held by consolidated variable interest entities" and "Liabilities of consolidated variable interest entities," respectively, and the associated unrealized gains and losses related to those assets and liabilities are immaterial.

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2014 (in millions). Unrealized gains and losses related to those assets and liabilities still held at December 31, 2014 are reported as a component of "Investments held by consolidated variable interest entities" and "Liabilities of consolidated variable interest entities," respectively, in the Consolidated Statements of Condition.

| | Fair value December 31, 2013 | Purchases, sales, issuances, and settlements, net | Net realized/ unrealized gains (losses) | Gross transfers in[1,2] | Gross transfers out[1,2] | Fair value December 31, 2014 | Change in unrealized gains (losses) related to financial instruments held at December 31, 2014 |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| Commercial mortgage loans | $ 507 | $ (523) | $ 16 | $ - | $ - | $ - | $ - |
| Other investments | 8 | 4 | (4) | - | (3) | 5 | (4) |
| Total assets | $ 515 | $ (519) | $ 12 | $ - | $ (3) | $ 5 | $ (4) |
| Swap contracts, net | $ 152 | $ (48) | $ 21 | $ - | $ - | $ 125 | $ 13 |

[1] The amount of transfers is based on the fair values of the transferred assets at the beginning of the reporting period.

[2] Other investments, with a December 31, 2013 fair value of $3 million, were transferred from Level 2 to Level 3 because they are valued at December 31, 2014 based on non-observable inputs (Level 3). These investments were valued in the prior year based on quoted prices for identical or similar assets in non-active markets or model-based techniques for which all significant inputs are observable (Level 2).

The following table presents the gross components of purchases, sales, issuances, and settlements, net, shown for the year ended December 31, 2014 (in millions):

| | Purchases | Sales | Issuances | Settlements[1] | Purchases, sales, issuances, and settlements, net |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Commercial mortgage loans | $ - | $ - | $ - | $ (523) | $ (523) |
| Other investments | 1 | - | - | 3 | 4 |
| Total assets | $ 1 | $ - | $ - | $ (520) | $ (519) |
| Swap contracts, net | $ - | $ (24) | $ - | $ (24) | $ (48) |

[1] Includes paydowns.

As of December 31, 2014, the only material Level 3 assets or liabilities for the VIEs were the swap contracts held by ML. For the swap contracts, there are various valuation methodologies, but in each case, the fair value of the instrument underlying the swap is a significant input used to derive the fair value of the swap. The key unobservable inputs used to value those underlying instruments are credit spreads when the underlying instrument is a market index or performance data (i.e. discount rates, prepayment rates, default rates, and loss severity) when the underlying instrument is a debt security.

## (7) BANK PREMISES, EQUIPMENT, AND SOFTWARE

Bank premises and equipment at December 31 were as follows (in millions):

| | 2015 | 2014 |
|---|---|---|
| Bank premises and equipment: | | |
| Land and land improvements | $ 68 | $ 68 |
| Buildings | 546 | 526 |
| Building machinery and equipment | 106 | 104 |
| Construction in progress | 5 | 4 |
| Furniture and equipment | 98 | 95 |
| Subtotal | 823 | 797 |
| Accumulated depreciation | (344) | (322) |
| Bank premises and equipment, net | 479 | 475 |
| Depreciation expense, for the years ended December 31 | $ 34 | $ 32 |

The Bank leases space to outside tenants with remaining lease terms ranging from two to nine years. Rental income from such leases was $6.4 million for the years ended December 31, 2015 and 2014, respectively, and is reported as a component of “Non-interest income: Other” in the Consolidated Statements of Income and Comprehensive Income. Future minimum lease payments that the Bank will receive under non-cancelable lease agreements in existence at December 31, 2015, are as follows (in millions):

| | |
|---|---|
| 2016 | $ 6 |
| 2017 | 5 |
| 2018 | 5 |
| 2019 | 3 |
| 2020 | 3 |
| Thereafter | 7 |
| Total | $ 29 |

The Bank had capitalized software assets, net of amortization, of $133 million and $119 million at December 31, 2015 and 2014, respectively. Amortization expense was $22 million and $20 million for the years ended December 31, 2015 and 2014, respectively. Capitalized software assets are reported as a component of “Other assets” in the Consolidated Statements of Condition and the related amortization is reported as a component of “Operating expenses: Other” in the Consolidated Statements of Income and Comprehensive Income.

## (8) COMMITMENTS AND CONTINGENCIES

In conducting its operations, the Bank enters into contractual commitments, normally with fixed expiration dates or termination provisions, at specific rates and for specific purposes.

At December 31, 2015, the Bank was obligated under a non-cancelable lease for premises and equipment with a remaining term of approximately three years. The lease provides for increased lease payments based upon increases in real estate taxes, operating costs, or selected price indexes.

Rental expense under operating leases for certain operating facilities, warehouses, and data processing and office equipment (including taxes, insurance, and maintenance when included in rent), net of sublease rentals, was $4 million for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under noncancelable operating leases, net of sublease rentals, with terms of one year or more, at December 31, 2015, were not material.

At December 31, 2015, there were no material unrecorded unconditional purchase commitments or obligations in excess of one year.

Under the Insurance Agreement of the Reserve Banks, each of the Reserve Banks has agreed to bear, on a per-incident basis, a share of certain losses in excess of 1 percent of the capital paid-in of the claiming Reserve Bank, up to 50 percent of the total capital paid-in of all Reserve Banks. Losses are borne in the ratio of a Reserve Bank's capital paid-in to the total capital paid-in of all Reserve Banks at the beginning of the calendar year in which the loss is shared. No claims were outstanding under the agreement at December 31, 2015 and 2014.

The Bank is involved in certain legal actions and claims arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these actions, in management's opinion, based on discussions with counsel, the legal actions and claims will be resolved without material adverse effect on the financial position or results of operations of the Bank.

## (9) RETIREMENT AND THRIFT PLANS

### Retirement Plans

The Bank currently offers three defined benefit retirement plans to its employees, based on length of service and level of compensation. Substantially all of the employees of the Reserve Banks, Board of Governors, and Office of Employee Benefits of the Federal Reserve System (OEB) participate in the Retirement Plan for Employees of the Federal Reserve System (System Plan).[1] Under the Dodd-Frank Act, newly hired Bureau employees are eligible to participate in the System Plan and, during the years ended December 31, 2015 and 2014, certain costs associated with the System Plan were reimbursed by the Bureau. In addition, employees at certain compensation levels participate in the Benefit Equalization Retirement Plan (BEP) and certain Reserve Bank officers participate in the Supplemental Retirement Plan for Select Officers of the Federal Reserve Banks (SERP).

[1] The OEB was established by the System to administer selected System benefit plans.

The Bank, on behalf of the System, recognizes the net asset or net liability and costs associated with the System Plan in its consolidated financial statements. The Bank reports the net costs related to the System Plan, as well as the costs related to the BEP and SERP, as a component of "Operating expenses: Net periodic pension expense" in its Statements of Income and Comprehensive Income. Accrued pension benefit costs are reported as a component of "Prepaid pension benefit costs" if the funded status is a net asset or "Accrued benefit costs" if the funded status is a net liability in the Consolidated Statements of Condition.

Following is a reconciliation of the beginning and ending balances of the System Plan benefit obligation (in millions):

| | 2015 | 2014 |
|---|---|---|
| Estimated actuarial present value of projected benefit obligation at January 1 | $ 13,641 | $ 10,476 |
| Service cost-benefits earned during the period | 487 | 355 |
| Interest cost on projected benefit obligation | 571 | 530 |
| Actuarial (gain) loss | (1,044) | 2,630 |
| Contributions by plan participants | 5 | 5 |
| Special termination benefits | 6 | 15 |
| Benefits paid | (396) | (370) |
| Estimated actuarial present value of projected benefit obligation at December 31 | $ 13,270 | $ 13,641 |

In October 2014, the Society of Actuaries released new mortality tables (RP-2014) and in October 2015 and 2014 new mortality projection scales (MP-2015 and MP 2014, respectively) for use in the valuation of benefits liabilities. The adoption of these new mortality tables and new mortality projection scales, adjusted for the System's recent mortality experience and the retirement rates of System retirees, resulted in an estimated net decrease of the System Plan projected benefit obligation of approximately $471 million and an increase of $935 million in 2015 and 2014, respectively.

Following is a reconciliation showing the beginning and ending balance of the System Plan assets, the funded status, and the accrued pension benefit costs (in millions):

| | 2015 | 2014 |
|---|---|---|
| Estimated plan assets at January 1 (of which $12,608 and $10,687 is measured at fair value as of January 1, 2015 and 2014, respectively) | $ 12,669 | $ 10,808 |
| Actual return on plan assets | (258) | 1,734 |
| Contributions by the employers | 480 | 492 |
| Contributions by plan participants | 5 | 5 |
| Benefits paid | (396) | (370) |
| Estimated plan assets at December 31 (of which $12,477 and $12,608 is measured at fair value as of December 31, 2015 and 2014, respectively) | $ 12,500 | $ 12,669 |
| Funded status and accrued pension benefit costs | $ (770) | $ (972) |
| Amounts included in accumulated other comprehensive loss are shown below: | | |
| Prior service cost | $ (263) | $ (356) |
| Net actuarial loss | (3,333) | (3,484) |
| Total accumulated other comprehensive loss | $ (3,596) | $ (3,840) |

The Bank, on behalf of the System, funded $480 million during the years ended December 31, 2015 and 2014, respectively. The Bureau is required by the Dodd-Frank Act to fund the System plan for each Bureau employee based on an established formula. During the year ended December 31, 2015, the Bank provided for contributions from the Bureau of $26 million, which was received by the Bank in February 2016. During the year ended December 31, 2014, the Bank provided for and received contributions of $12.4 million.

The accumulated benefit obligation for the System Plan, which differs from the estimated actuarial present value of projected benefit obligation because it is based on current rather than future compensation levels, was $11,727 million and $11,985 million at December 31, 2015 and 2014, respectively.

The weighted-average assumptions used in developing the accumulated pension benefit obligation for the System Plan as of December 31 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rate | 4.42% | 4.05% |
| Rate of compensation increase | 4.00% | 4.00% |

Net periodic benefit expenses for the years ended December 31, 2015 and 2014, were actuarially determined using a January 1 measurement date. The weighted-average assumptions used in developing net periodic benefit expenses for the System Plan for the years were as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rate | 4.05% | 4.92% |
| Expected asset return | 6.75% | 7.00% |
| Rate of compensation increase | 4.00% | 4.50% |

Discount rates reflect yields available on high-quality corporate bonds that would generate the cash flows necessary to pay the System Plan's benefits when due. The expected long-term rate of return on assets is an estimate that is based on a combination of factors, including the System Plan's asset allocation strategy and historical returns; surveys of expected rates of return for other entities' plans and for various asset classes; a projected return for equities and fixed income investments based on real interest rates, inflation expectations, and equity risk premiums; and surveys of expected returns in equity and fixed income markets.

The components of net periodic pension benefit expense (credit) for the System Plan for the years ended December 31 are shown below (in millions):

| | 2015 | 2014 |
|---|---|---|
| Service cost - benefits earned during the period | $ 487 | $ 355 |
| Interest cost on projected benefit obligation | 571 | 530 |
| Amortization of prior service cost | 93 | 100 |
| Amortization of net loss | 223 | 101 |
| Expected return on plan assets | (857) | (759) |
| Net periodic pension benefit expense | 517 | 327 |
| Special termination benefits | 6 | 15 |
| Bureau of Consumer Financial Protection contributions | - | (12) |
| Total periodic pension benefit expense | $ 523 | $ 330 |

Estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic pension benefit expense in 2016 are shown below (in millions):

| | |
|---|---|
| Prior service cost | $ 93 |
| Net actuarial loss | 200 |
| Total | $ 293 |

Following is a summary of expected benefit payments, excluding enhanced retirement benefits (in millions):

| | |
|---|---|
| 2016 | $ 444 |
| 2017 | 475 |
| 2018 | 508 |
| 2019 | 540 |
| 2020 | 574 |
| 2021 - 2025 | 3,395 |
| Total | $ 5,936 |

The System's Committee on Plan Administration is responsible for oversight of the operations of the Retirement Plan, which includes the Retirement Plan trust and for determining the amounts necessary to maintain the Retirement Plan on an actuarially sound basis and the amounts that employers must contribute to pay the expenses of OEB and the Retirement Plan.

The System's Committee on Investment Performance (CIP) is responsible for establishing investment policies, selecting investment managers, and monitoring the investment managers' compliance with its policies. At December 31, 2015, the System Plan's assets were held in 14 investment vehicles: 3 actively-managed long-duration fixed income portfolios, a passively-managed long-duration fixed income portfolio, an indexed U.S. equity fund, an indexed non-U.S. developed-markets equity fund, an indexed emerging-markets equity fund, 2 private equity limited partnerships, a private equity separate account, 2 core real estate funds, a real estate limited partnership, and a money market fund.

The diversification of the System Plan's investments is designed to limit concentration of risk and the risk of loss related to an individual asset class. The three actively-managed long-duration fixed income portfolios are separate accounts benchmarked to a custom benchmark of 55 percent Barclays Long Credit Index and 45 percent Citigroup 15+ years U.S. Treasury STRIPS Index. This custom benchmark was selected as a proxy to match the liabilities of the Plan and the guidelines for these portfolios are designed to limit portfolio deviations from the benchmark. The passively-managed long-duration fixed-income portfolio is invested in 2 commingled funds and is benchmarked to 55 percent Barclays Long Credit Index and 45 percent Barclays 20+ STRIPS Index. The indexed U.S. equity fund is intended to track the overall U.S. equity market across market capitalizations and is benchmarked to the Dow Jones U.S. Total Stock Market Index. The indexed non-U.S. developed-markets equity fund is intended to track the Morgan Stanley Capital International (MSCI) World ex-US Investible Markets Index (IMI), which includes stocks from 23 markets deemed by MSCI to be "developed markets." The indexed emerging-markets equity fund is intended to track the MSCI Emerging Markets IMI Index, which includes stocks from 21 markets deemed by MSCI to be "emerging markets." The 3 indexed equity funds include stocks from across the market capitalization spectrum (i.e., large-, mid- and small-cap stocks). The 2 private equity limited partnerships invest globally across various private equity strategies and the private equity separate account invests in various private equity investments globally across various strategies. The private equity separate account invests in various private equity funds and coinvestment opportunities globally in private companies and targets returns in excess of public markets over a complete market cycle. The two U.S. core real estate funds invest in high quality, well leased, low leverage commercial real estate throughout the U.S. The Real estate limited partnership invests in non-core U.S. commercial real estate including development and repositioning of assets. Finally, the money market fund, which invests in short term Treasury and agency debt and repurchase agreements backed by Treasury and agency debt, is the repository for cash balances and adheres to a constant dollar methodology.

Permitted and prohibited investments, including the use of derivatives, are defined in either the trust agreement (for the passively-managed long-duration fixed income portfolio) or the investment guidelines (for the remaining investments). The CIP reviews the trust agreement and approves all investment guidelines as part of the selection of each investment to ensure that they are consistent with the CIP's investment objectives for the System Plan's assets.

The System Plan's policy weight and actual asset allocations at December 31, by asset category, are as follows:

| | 2015 | Actual asset allocations | |
|---|---|---|---|
| | Policy weight | 2015 | 2014 |
| Fixed income | 50.0% | 48.6% | 51.2% |
| U.S. equities | 24.7% | 25.4% | 25.8% |
| International equities | 17.4% | 17.8% | 17.6% |
| Emerging markets equities | 4.5% | 4.5% | 4.9% |
| Private equity | 1.7% | 1.3% | 0.0% |
| Real estate | 1.7% | 1.7% | 0.0% |
| Cash | 0.0% | 0.7% | 0.5% |
| Total | 100.0% | 100.0% | 100.0% |

Employer contributions to the System Plan may be determined using different assumptions than those required for financial reporting. The System Plan's anticipated funding level for 2016 is $480 million. In 2016, the Bank plans to make monthly contributions of $40 million and will reevaluate the monthly contributions upon completion of the 2016 actuarial valuation. The Bank's projected benefit obligation, funded status, and net pension expenses for the BEP and the SERP at December 31, 2015 and 2014, and for the years then ended, were not material.

### Determination of Fair Value

The System Plan's publicly available investments are valued on the basis of the last available bid prices or current market quotations provided by dealers, or pricing services. To determine the value of a particular investment, pricing services may use information on transactions in such investments, quotations from dealers, pricing metrics, market transactions in comparable investments, relationships observed in the market between investments, and calculated yield measures based on valuation methodologies commonly employed in the market for such investments.

Commingled funds are valued using the net asset value as a practical expedient, as determined by the respective issuer of the fund based on the fair value of the underlying investments. Private equity and real estate investments are valued using the net asset value, as a practical expedient, which is based on the fair value of the underlying investments. The net asset value is adjusted for contributions, distributions, and both realized and unrealized gains and losses incurred during the period. The realized and unrealized gains and losses are based on reported valuation changes.

Because of the uncertainty inherent in determining the fair value of investments that do not have a readily available fair value, the fair value of these investments may differ significantly from the values that would have been reported if a readily available fair value had existed for these investments and may differ materially from the values that may ultimately be realized.

The following tables present the financial instruments recorded at fair value as of December 31 by ASC 820 hierarchy (in millions):

| Description | 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1[1] | | Level 2[1] | | Level 3 | | Total | |
| Short-term investments[2] | $ | 34 | $ | 118 | $ | - | $ | 152 |
| Treasury and Federal agency securities | | 64 | | 2,182 | | - | | 2,246 |
| Corporate bonds | | - | | 2,130 | | - | | 2,130 |
| Other fixed income securities | | - | | 373 | | - | | 373 |
| Collective trust funds | | - | | 7,205 | | - | | 7,205 |
| Private equity | | - | | - | | 157 | | 157 |
| Real estate | | - | | - | | 214 | | 214 |
| Total | $ | 98 | $ | 12,008 | $ | 371 | $ | 12,477 |

[1] There were no transfers between Level 1 and Level 2 during the year.
[2] Short-term investments include cash equivalents of $88 million.

| Description | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1[1] | | Level 2[1] | | Level 3 | | Total | |
| Short-term investments[2] | $ | 27 | $ | 94 | $ | - | $ | 121 |
| Treasury and Federal agency securities | | 111 | | 2,179 | | - | | 2,290 |
| Corporate bonds | | - | | 2,109 | | - | | 2,109 |
| Other fixed income securities | | - | | 443 | | - | | 443 |
| Collective trust funds | | - | | 7,598 | | - | | 7,598 |
| Private equity | | - | | - | | 47 | | 47 |
| Real estate | | - | | - | | - | | - |
| Total | $ | 138 | $ | 12,423 | $ | 47 | $ | 12,608 |

[1] There were no transfers between Level 1 and Level 2 during the year.
[2] Short-term investments includes cash equivalents of $63 million.

The System Plan enters into futures contracts, traded on regulated exchanges, to manage certain risks and to maintain appropriate market exposure in meeting the investment objectives of the System Plan. The System Plan bears the market risk that arises from any unfavorable changes in the value of the securities or indexes underlying these futures contracts. The use of futures contracts involves, to varying degrees, elements of market risk in excess of the amount recorded in the Consolidated Statements of Condition. The guidelines established by the CIP further reduce risk by limiting the net futures positions, for most fund managers, to 15 percent of the market value of the advisor's portfolio.

At December 31, 2015 and 2014, a portion of short-term investments was available for futures trading. There were $3 million and $1 million of Treasury securities pledged as collateral for the years ended December 31, 2015 and 2014, respectively.

### Thrift Plan

Employees of the Bank participate in the defined contribution Thrift Plan for Employees of the Federal Reserve System (Thrift Plan). The Bank matches 100 percent of the first 6 percent of employee contributions from the date of hire and provides an automatic employer contribution of 1 percent of eligible pay. The Bank's Thrift Plan contributions totaled $28 million and $27 million for the years ended December 31, 2015 and 2014, respectively, and are reported as a component of "Operating expenses: Salaries and benefits" in the Consolidated Statements of Income and Comprehensive Income.

## (10) POSTRETIREMENT BENEFITS OTHER THAN RETIREMENT PLANS AND POSTEMPLOYMENT BENEFITS

### Postretirement Benefits Other Than Retirement Plans

In addition to the Bank's retirement plans, employees who have met certain age and length-of-service requirements are eligible for both medical and life insurance benefits during retirement.

The Bank and plan participants fund benefits payable under the medical and life insurance plans as due and the plans have no assets.

Following is a reconciliation of the beginning and ending balances of the benefit obligation (in millions):

| | 2015 | 2014 |
|---|---|---|
| Accumulated postretirement benefit obligation at January 1 | $ 394 | $ 343 |
| Service cost benefits earned during the period | 17 | 15 |
| Interest cost on accumulated benefit obligation | 16 | 17 |
| Net actuarial loss (gain) | (12) | 35 |
| Contributions by plan participants | 3 | 3 |
| Benefits paid | (18) | (20) |
| Medicare Part D subsidies | 1 | 1 |
| Accumulated postretirement benefit obligation at December 31 | $ 401 | $ 394 |

At December 31, 2015 and 2014, the weighted-average discount rate assumptions used in developing the postretirement benefit obligation were 4.31 percent and 3.96 percent, respectively.

Discount rates reflect yields available on high-quality corporate bonds that would generate the cash flows necessary to pay the plan's benefits when due. The System Plan discount rate assumption setting convention uses an unrounded rate.

Following is a reconciliation of the beginning and ending balance of the plan assets, and the unfunded postretirement benefit obligation and accrued postretirement benefit costs (in millions):

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Fair value of plan assets at January 1 | $ | - | $ | - |
| Contributions by the employer | | 14 | | 16 |
| Contributions by plan participants | | 3 | | 3 |
| Benefits paid | | (18) | | (20) |
| Medicare Part D subsidies | | 1 | | 1 |
| Fair value of plan assets at December 31 | $ | - | $ | - |
| Unfunded obligation and accrued postretirement benefit cost | $ | 401 | $ | 394 |

Amounts included in accumulated other comprehensive loss are shown below:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Prior service cost | $ | 1 | $ | 1 |
| Net actuarial (loss) | | (79) | | (99) |
| Total accumulated other comprehensive loss | $ | (78) | $ | (98) |

Accrued postretirement benefit costs are reported as a component of "Accrued benefit costs" in the Consolidated Statements of Condition.

For measurement purposes, the assumed health-care cost trend rates at December 31 are provided in the table below. The current health-care cost trend rate for next year is expected to decline ratably each year until achieving the ultimate trend rate in 2022:

| | 2015 | 2014 |
|---|---|---|
| Health-care cost trend rate assumed for next year | 7.00% | 6.60% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 4.75% | 4.75% |
| Year that the rate reaches the ultimate trend rate | 2022 | 2019 |

Assumed health-care cost trend rates have a significant effect on the amounts reported for health-care plans. A one percentage point change in assumed health-care cost trend rates would have the following effects for the year ended December 31, 2015 (in millions):

| | One percentage point increase | | One percentage point decrease | |
|---|---|---|---|---|
| Effect on aggregate of service and interest cost components of net periodic postretirement benefit costs | $ | 7 | $ | (6) |
| Effect on accumulated postretirement benefit obligation | | 57 | | (47) |

The following is a summary of the components of net periodic postretirement benefit expense for the years ended December 31 (in millions):

| | 2015 | 2014 |
|---|---|---|
| Service cost-benefits earned during the period | $ 17 | $ 15 |
| Interest cost on accumulated benefit obligation | 16 | 17 |
| Amortization of net actuarial loss | 8 | 5 |
| Net periodic postretirement benefit expense | $ 41 | $ 37 |

Estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic postretirement benefit expense in 2016 are shown below:

| | |
|---|---|
| Prior service cost | $ - |
| Net actuarial loss | 5 |
| Total | $ 5 |

Net postretirement benefit costs are actuarially determined using a January 1 measurement date. At January 1, 2015 and 2014, the weighted-average discount rate assumptions used to determine net periodic postretirement benefit costs were 3.96 percent and 4.79 percent, respectively.

Net periodic postretirement benefit expense is reported as a component of “Operating expenses: Salaries and benefits” in the Consolidated Statements of Income and Comprehensive Income.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to sponsors of retiree health-care benefit plans that provide benefits that are at least actuarially equivalent to Medicare Part D. The benefits provided under the Bank’s plan to certain participants are at least actuarially equivalent to the Medicare Part D prescription drug benefit. The estimated effects of the subsidy are reflected in actuarial loss in the accumulated postretirement benefit obligation and net periodic postretirement benefit expense.

Federal Medicare Part D subsidy receipts were $0.8 million and $1.0 million in the years ended December 31, 2015 and 2014, respectively. Expected receipts in 2016, related to benefits paid in the years ended December 31, 2015 and 2014, are $0.3 million, respectively.

Following is a summary of expected postretirement benefit payments (in millions):

| | Without subsidy | | With subsidy | |
|---|---|---|---|---|
| 2016 | $ | 19 | $ | 18 |
| 2017 | | 19 | | 18 |
| 2018 | | 20 | | 19 |
| 2019 | | 21 | | 20 |
| 2020 | | 22 | | 21 |
| 2021 - 2025 | | 131 | | 123 |
| Total | $ | 232 | $ | 219 |

## Postemployment Benefits

The Bank offers benefits to former qualifying or inactive employees. Postemployment benefit costs are actuarially determined using a December 31 measurement date and include the cost of providing disability; medical, dental, and vision insurance; and survivor income benefits. The accrued postemployment benefit costs recognized by the Bank was $41 million for each of the years ended December 31, 2015 and 2014, respectively. This cost is included as a component of “Accrued benefit costs” in the Consolidated Statements of Condition. Net periodic postemployment benefit expense (credit) included in 2015 and 2014 operating expenses were $6 million and $10 million, respectively, and are recorded as a component of “Operating expenses: Salaries and benefits” in the Consolidated Statements of Income and Comprehensive Income.

## (11) ACCUMULATED OTHER COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

Following is a reconciliation of beginning and ending balances of accumulated other comprehensive income (loss) as of December 31 (in millions):

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Amount related to defined benefit retirement plan | Amount related to postretirement benefits other than retirement plans | Total accumulated other comprehensive income (loss) | Amount related to defined benefit retirement plan | Amount related to postretirement benefits other than retirement plans | Total accumulated other comprehensive loss |
| Balance at January 1 | $ (3,840) | $ (98) | $ (3,938) | $ (2,384) | $ (68) | $ (2,452) |
| Change in funded status of benefit plans: | | | | | | |
| Prior service costs arising during the year | - | - | - | - | - | - |
| Amortization of prior service cost | 93 [1] | - [2] | 93 | 100 [1] | - [2] | 100 |
| Change in prior service costs related to benefit plans | 93 | - | 93 | 100 | - | 100 |
| Net actuarial gain (loss) arising during the year | (72) | 12 | (60) | (1,657) | (35) | (1,692) |
| Amortization of net actuarial loss | 223 [1] | 8 [2] | 231 | 101 [1] | 5 [2] | 106 |
| Change in actuarial gain (losses) related to benefit plans | 151 | 20 | 171 | (1,556) | (30) | (1,586) |
| Change in funded status of benefit plans - other comprehensive income (loss) | 244 | 20 | 264 | (1,456) | (30) | (1,486) |
| Balance at December 31 | $ (3,596) | $ (78) | $ (3,674) | $ (3,840) | $ (98) | $ (3,938) |

[1] Reclassification is reported as a component of "Operating Expenses: Net periodic pension expense" in the Consolidated Statements of Income and Comprehensive Income.

[2] Reclassification is reported as a component of "Operating Expenses: Salaries and benefits" in the Consolidated Statements of Income and Comprehensive Income.

Additional detail regarding the classification of accumulated other comprehensive loss is included in Note 9 and 10.

## (12) BUSINESS RESTRUCTURING CHARGES

In 2014, the Treasury announced a plan to consolidate the number of Reserve Banks providing fiscal agent services to the Treasury from ten to four. As a result of this initiative, the International Treasury Services operations performed by the Bank will be transitioned to the Federal Reserve Bank of Kansas City.

The Bank had no material business restructuring charges in 2015 or 2014.

## (13) DISTRIBUTION OF COMPREHENSIVE INCOME

The following table presents the distribution of the Bank's comprehensive income for the years ended December 31 (in millions):

| | 2015 | 2014 |
|---|---|---|
| Dividends on capital stock | $ 569 | $ 549 |
| Transfer to (from) surplus | (5,909) | 363 |
| Earnings remittances to the Treasury | | |
| Interest on Federal Reserve notes | 56,985 | 59,625 |
| Required by the Federal Reserve Act, as amended by the FAST Act | 10,316 | - |
| Total distribution | $ 61,961 | $ 60,537 |

Before the enactment of the FAST Act, the amount reported as transfer to (from) surplus represented the amount necessary to equate surplus with capital paid-in, in accordance with the Board of Governor's policy. Subsequent to the enactment of the FAST Act, the amount reported as transfer to (from) surplus represents the amount necessary to maintain surplus at an amount equal to the Bank's allocated portion of the aggregate surplus limitation.

On December 28, 2015, the Reserve Banks reduced the aggregate surplus to the $10 billion limit in the FAST Act by remitting $19.3 billion to the Treasury. The Bank's share of this remittance was $6,420 million, which is reported as a component of "Earnings remittances to the Treasury: Required by the Federal Reserve Act, as amended by the FAST Act" in the Bank's Consolidated Statements of Income and Comprehensive Income, and in the table above.

## (14) SUBSEQUENT EVENTS

The FAST Act includes provisions that, effective on January 1, 2016, will change the rate of dividends paid to member banks by the Bank. See Note 3n for additional information on these FAST Act provisions.

There were no other subsequent events that require adjustments to or disclosures in the consolidated financial statements as of December 31, 2015. Subsequent events were evaluated through March 8, 2016, which is the date that the consolidated financial statements were available to be issued.

# DIRECTORS OF THE FEDERAL RESERVE BANK OF NEW YORK

# CHANGES IN DIRECTORS 2016

Member banks in this District have elected JAMES P. GORMAN, President and Chief Executive Officer, Morgan Stanley, New York, N.Y., a class A director for a three-year term beginning January 2016.

Member banks in this District have reelected GLENN H. HUTCHINS a class B director for a three-year term beginning January 2016. Mr. Hutchins, who is a Co-Founder of Silver Lake, New York, N.Y., has been serving as a class B director since August 2011.

The Board of Governors has reappointed SARA HOROWITZ, Executive Director, Freelancers Union, Brooklyn, N.Y., a class C director for a three-year term beginning January 2016, and redesignated her Deputy Chair for the year 2016. Ms. Horowitz has been serving as a class C director since January 2013.

The Board of Governors has redesignated EMILY K. RAFFERTY, President Emerita, The Metropolitan Museum of Art, New York, N.Y., as Chair of the Board and Federal Reserve Agent for the year 2016. Ms. Rafferty has been serving as a class C director since January 2011.

# DIRECTORS OF THE FEDERAL RESERVE BANK OF NEW YORK

| DIRECTORS | TERM EXPIRES DEC. 31 | CLASS |
|---|---|---|
| RICHARD L. CARRIÓN<br>*Chairman and Chief Executive Officer*<br>Popular, Inc., San Juan, Puerto Rico | 2015 | A |
| GERALD H. LIPKIN<br>*Chairman, President, and Chief Executive Officer*<br>Valley National Bank., Wayne, N.J. | 2016 | A |
| PAUL P. MELLO<br>*President and Chief Executive Officer*<br>Solvay Bank, Solvay, N.Y. | 2017 | A |
| GLENN H. HUTCHINS<br>*Co-Founder*<br>Silver Lake, New York, N.Y. | 2015 | B |
| DAVID M. COTE<br>*Chairman and Chief Executive Officer*<br>Honeywell International Inc., Morristown, N.J. | 2016 | B |
| TERRY J. LUNDGREN<br>*Chairman and Chief Executive Officer*<br>Macy's Inc., New York, N.Y. | 2017 | B |
| SARA HOROWITZ<br>*Executive Director*<br>Freelancers Union, Brooklyn, N.Y. | 2015 | C |
| MARC TESSIER-LAVIGNE<br>*President*<br>The Rockefeller University, New York, N.Y. | 2016 | C |
| EMILY K. RAFFERTY, Chair and Federal Reserve Agent<br>*President Emerita*<br>The Metropolitan Museum of Art, New York, N.Y. | 2017 | C |

# ADVISORY GROUPS

# ADVISORY GROUPS

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# OFFICERS OF THE FEDERAL RESERVE BANK OF NEW YORK

# OFFICERS OF THE FEDERAL RESERVE BANK OF NEW YORK

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Wholesale Product Office Group

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Communications and Outreach Group

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Research and Statistics Group

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Financial Institution Supervision Group

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ANDREW GIANNELLI
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DEBORAH FROM
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JOHN D. MILUSICH
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MICHAEL WALSH
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BARBARA J. YELCICH
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*First-Level Officer*

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*First-Level Officer*

SEAN M. SULLIVAN
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*Vice President*

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WARREN HRUNG
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ERNEST NIZHNER
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REGINA A. STONE
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JOHNATHON J. B. KIM
*First-Level Officer*

ANNE M. MACEWEN
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RALPH T. SANTASIERO
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SHIVAJI C. VOHRA
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*Assistant Vice President*

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SUSAN F. FALBE
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DANIELLE N. LEVITT
*Assistant Vice President*

KAREN P. LYNCH
*Assistant Vice President*

MARGARET M. MULLINS
*Assistant Vice President*

JENNIFER C. ROTH
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CIRA ROM
*First-Level Officer*

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JIYOUNG YUN BARK
*First-Level Officer*

CHARLES M. BLUM
*First-Level Officer*

LORI SWAN
*First-Level Officer*

### Talent Management

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*Senior Vice President*

NICHOLAS C. MARLIN
*Assistant Vice President*

TIMOTHY O'KEEFE
*Assistant Vice President*

STEVEN E. WALKER
*Assistant Vice President*

### Total Rewards, Health and Wellness

GERALD L. STAGG, M.D
*Senior Vice President and Medical Director*

DAN DIAZ
*First-Level Officer*

## INTEGRATED POLICY ANALYSIS GROUP

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*Executive Vice President*

JENNIFER S. CRYSTAL
*Vice President and Chief of Staff*

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*Senior Vice President*

BRIAN J. BEGALLE
*Assistant Vice President*

ERNST SCHAUMBURG
*Assistant Vice President*

### Core Analysis

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*Senior Vice President*

B. GERARD DAGES
*Senior Vice President*

LINDA S. GOLDBERG
*Vice President*

MATTHEW D. HIGGINS
*Vice President*

MATTHEW S. LIEBER
*Vice President*

WENDY NG
*Vice President*

HUNTER L. CLARK
*Assistant Vice President*

MICHAEL E. HOLSCHER
*Assistant Vice President*

ASANI SARKAR
*Assistant Vice President*

SETH E. SEARLS
*Assistant Vice President*

AFSHIN TABER
*Assistant Vice President*

MARI E. BACA
*First-Level Officer*

ELIZABETH CAVINESS
*First-Level Officer*

JEFFREY B. DAWSON
*First-Level Officer*

JORDAN POLLINGER
*First-Level Officer*

### Infrastructure and Operations

STACY L. MANUEL
*Assistant Vice President*

### International Affairs and Strategy

MICHAEL SCHETZEL
*Senior Vice President*

HOWARD J. HOWE
*Assistant Vice President*

## LEGAL GROUP

THOMAS C. BAXTER, JR.
*Executive Vice President and General Counsel*

JAMES P. BERGIN
*Vice President and Special Advisor to the General Counsel*

### Bank Applications

IVAN J. HURWITZ
*Vice President*

BRIAN S. STEFFEY
*First-Level Officer*

### Compliance

MARTIN C. GRANT
*Senior Vice President, and Chief Compliance and Ethics Officer*

ROBERT P. ALLER
*Vice President and Compliance Operations Officer*

DAVID K. CLUNE
*Vice President, and Compliance and Ethics Officer*

BARRY M. SCHINDLER
*Vice President, and Compliance and Ethics Officer*

MARINA I. ADAMS
*Assistant Vice President and Compliance Officer*

DAVID L. CARANGELO
*Assistant Vice President and Compliance Officer*

EDWARD E. SILVA
*Assistant Vice President and Compliance Officer*

TINA M. STINSON-DACRUZ
*Assistant Vice President and Compliance Learning Officer*

## LEGAL GROUP (CONTINUED)

AJAY BADYAL
*Compliance Officer*

PINCHAS J. BECKER
*Compliance Officer*

NEIL BERSON
*Compliance Officer*

ELIZABETH MULLINS BORKIN
*Ethics Officer*

KEVIN L. WHITE
*Compliance Officer*

### Corporate Secretary's Office

RONA B. STEIN
*Vice President and Assistant Corporate Secretary*

### Federal Reserve Law Enforcement

NICHOLAS L. PROTO
*Senior Vice President, Chief Investigator, and National Security Officer*

ROBERT N. SAMA
*Vice President*

KATHLEEN ELLIS
*Investigator Manager*

DELAYNE HURLEY
*Director of Uniform Operations*

### Legal

YOONHI GREENE
*Senior Vice President and Assistant General Counsel*

DAVID L. GROSS
*Senior Vice President and Assistant General Counsel*

JOYCE M. HANSEN
*Senior Vice President and Deputy General Counsel*

MICHAEL A. HELD
*Senior Vice President, Deputy General Counsel, and Corporate Secretary*

STEPHANIE A. HELLER
*Senior Vice President and Deputy General Counsel*

HAERAN KIM
*Senior Vice President and Assistant General Counsel*

SHARI D. LEVENTHAL
*Senior Vice President and Deputy General Counsel*

MICHAEL S. NELSON
*Senior Vice President and Assistant General Counsel*

NICHOLAS L. PROTO
*Senior Vice President, Chief Investigator, and National Security Officer*

GREGORY CAVANAGH
*Vice President and Counsel*

RICHARD E. CHARLTON
*Vice President and Counsel*

RAYMOND B. CHECK
*Vice President and Counsel*

CANDACE M. JONES
*Vice President and Counsel*

MICHELE H. KALSTEIN
*Vice President and Counsel*

SEAN O'MALLEY
*Vice President and Deputy Chief Investigator*

BRETT S. PHILLIPS
*Vice President and Counsel*

MICHAEL SCHUSSLER
*Vice President and Counsel*

DEBRA F. STONE
*Vice President and Counsel*

JANINE M. TRAMONTANA
*Vice President and Counsel*

VALERIE K. WILDE
*Vice President and Counsel*

JENNIFER A. WOLGEMUTH
*Vice President and Counsel*

ROBERTO G. AMENTA
*Assistant Vice President and Senior Special Investigator*

JORDAN AVNI
*Assistant Vice President*

MARY L. COLON
*Assistant Vice President and Chief Legal Administrative Officer*

SHAWN E. DELMHORST
*Assistant Vice President and Counsel*

MEGHANN E. DONAHUE
*Assistant Vice President and Counsel*

TODD R. GREENBERG
*Assistant Vice President and Contracts Manager*

ERIN P. KELLY
*Assistant Vice President and Counsel*

## LEGAL GROUP (CONTINUED)

ELIZABETH KESSENIDES
*Assistant Vice President and Counsel*

CATHERINE KUNG
*Assistant Vice President and Counsel*

KATHERINE S. LANDY
*Assistant Vice President and Counsel*

MEGHAN MCCURDY
*Assistant Vice President and Counsel*

ROSANNE NOTARO
*Assistant Vice President and Counsel*

SHRILAXMI S. SATYANARAYANA
*Assistant Vice President and Counsel*

SHAWEI WANG SO
*Assistant Vice President and Counsel*

JOSEPH H. SOMMER
*Assistant Vice President and Counsel*

JOSEPH R. TORREGROSSA
*Assistant Vice President and Counsel*

SOPHIA R. VICKSMAN
*Assistant Vice President and Counsel*

MARK GOLD
*First-Level Officer and Senior Special Investigator*

SARAH STERKEN JACKSON
*First-Level Officer and Counsel*

KENNETH H. JONES
*First-Level Officer, and Finance and Risk Analysis Officer*

NEIL S. NATALE
*First-Level Officer and Counsel*

THOMAS M. NOONE
*First-Level Officer and Counsel*

YVONNE SOLOMON
*First-Level Officer Legal Administration*

TRACY UDELL
*First-Level Officer and Counsel*

ERIK C. WALSH
*First-Level Officer and Counsel*

### Records Management

ROSE PATRUNO
*Assistant Vice President*

## MARKETS GROUP

SIMON M. POTTER
*Executive Vice President*

RAYMOND T. TESTA
*Senior Vice President and Chief Operating Officer*

SUZANNE BENVENUTO
*Vice President and Chief of Staff*

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MICHAEL J. RECUPERO
*Senior Vice President*

PAUL R. KOWALENKO
*Vice President*

THOMAS I. PIDERIT
*Vice President*

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*Vice President*

DEBRA M. YOUNG
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LARISSA EZRA
*Assistant Vice President*

RYAN L. HIRSCHEY
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MAX HRABROV
*Assistant Vice President*

OLEG KOZHUKHOV
*Assistant Vice President*

SCOTT NEWMAN
*Assistant Vice President*

PETER J. SEIGEL
*Assistant Vice President*

## MARKETS GROUP (CONTINUED)

DIANNE BUONINCONTRI
*First-Level Officer*

JANNIFER JONES
*First-Level Officer*

ANTHONY J. LIGUORI
*First-Level Officer*

SHA LIU
*First-Level Officer*

KEN R. RUFF
*First-Level Officer*

AMANDEEP SINGH
*First-Level Officer*

### Central Bank and International Account Services

TIMOTHY J. FOGARTY
*Senior Vice President*

AMELIA R. MONCAYO
*Vice President*

ANNMARIE S. ROWE-STRAKER
*Vice President*

MATTHEW NEMETH
*Assistant Vice President*

PETER ROETHEL
*Assistant Vice President*

ROSE M. UGARTE-GEE
*Assistant Vice President*

ANGELA C. DESOUZA
*First-Level Officer*

ORSON F. KEEYS
*First-Level Officer*

RASHID NASEEM
*First-Level Officer*

GEZA SARDI
*First-Level Officer*

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*Vice President*

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*Assistant Vice President*

KRISTINA A. RYAN
*First-Level Officer*

JON ZUCKER
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*Vice President*

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*Assistant Vice President*

DENLEY Y. S. CHEW
*Assistant Vice President*

MICHAEL SCOTT CIACCIARELLI
*Assistant Vice President*

KEVIN D. KRUEGER
*Assistant Vice President*

GERALD M. MCCRINK
*Assistant Vice President*

THOMAS R. BREEN
*First-Level Officer*

JOSEPH M. BURKE
*First-Level Officer*

MARY FLEISCH
*First-Level Officer*

DAVID A. JONES
*First-Level Officer*

JOHN C. PARR
*First-Level Officer*

ROBERT P. VOGEL
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LORIE K. LOGAN
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SUSAN E. MCLAUGHLIN
*Senior Vice President and Senior Policy Advisor*

JULIE A. REMACHE
*Senior Vice President*

NATHANIEL J. N. WUERFFEL
*Senior Vice President*

CHERYL A. GLEASON
*Vice President*

## MARKETS GROUP (CONTINUED)

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*Vice President*

JANET S. RESELE-TIDEN
*Vice President*

PATRICIA A. ZOBEL
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OLIVER A. GIANNOTTI
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ROBERT H. LERMAN
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MICHAEL B. MCMORROW
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*Assistant Vice President*

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JAMES M. EGELHOF
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WILLIAM E. RIORDAN
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*First-Level Officer*

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## RESEARCH AND STATISTICS GROUP

JAMES J. MCANDREWS
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### Capital Markets

MICHAEL J. FLEMING
*Vice President*

RICHARD K. CRUMP
*Assistant Vice President*

DAVID O. LUCCA
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### Data and Statistics

LINDA WOLFF AVERY
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*Senior Vice President*

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JEFFREY SIDELL
*Vice President*

ELENA RODELLA FERRI
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SCOTT J. SMENTEK
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SANDRA Y. GALVAN
*First-Level Officer*

LESSA J. GOMEZ
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## RESEARCH AND STATISTICS GROUP (CONTINUED)

WILLIAM D. HUNTER
*First-Level Officer*

ALEX SANTANA
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BEVERLY J. HIRTLE
*Senior Vice President*

JOAO A. C. SANTOS
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NICOLA CETORELLI
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ANNA R. KOVNER
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HAMID MEHRAN
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DONALD P. MORGAN
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STAVROS C. PERISTIANI
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JAMES I. VICKERY
*Assistant Vice President*

GARA AFONSO
*First-Level Officer*

### International Research

MARY AMITI
*Assistant Vice President*

JOHANNES J. J. GROEN
*First-Level Officer*

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RICHARD W. PEACH
*Senior Vice President*

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MARCO DEL NEGRO
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MARC P. GIANNONI
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### Microeconomic Studies

ANDREW F. HAUGHWOUT
*Senior Vice President*

HENDRIKUS W. VAN DER KLAAUW
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DONGHOON LEE
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BASIT ZAFAR
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### Money and Payments Studies

KENNETH D. GARBADE
*Senior Vice President*

ANTOINE MARTIN
*Vice President*

MARCO CIPRIANI
*First-Level Officer*

ADAM M. COPELAND
*First-Level Officer*

### Office of the Director

TOBIAS ADRIAN
*Senior Vice President*

PAOLO A. PESENTI
*Senior Vice President*

THOMAS KLITGAARD
*Vice President*

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*Vice President*

STEPHEN PANEK
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## RESEARCH AND STATISTICS GROUP (CONTINUED)

### Regional Analysis

JAMES A. ORR
*Vice President*

RICHARD M. DEITZ
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JAISON R. ABEL
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JASON BRAM
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WILLIAM G. SELICK
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MARC J. RABIN
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VALERIE D. LAPORTE
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## RISK GROUP

JOSHUA ROSENBERG
*Executive Vice President*

### Collateral Credit Risk Management

PATRICK J. COYNE
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RITA J. CSEJTEY
*Assistant Vice President*

MICHAEL L. MASCARENHAS
*First-Level Officer*

### Credit Risk Management Operations

ADAM B. ASHCRAFT
*Senior Vice President*

STEVEN SCHOEN
*Vice President*

DONALD V. DAVIS
*Assistant Vice President*

### Credit Risk Management Technology Support

MELANIE L. HEINTZ
*Senior Vice President*

DAVID L. STEIN
*First-Level Officer*

### Enterprise Risk Management

F. BARD STERMASI
*First-Level Officer*

### Group Support

JOSEPH P. HEANEY
*Assistant Vice President*

### Central Operational Risk

DEBRA L. GRUBER
*Vice President*

### Risk Analytics

RACHEL LU
*Assistant Vice President*

NISSO BUCAY
*First-Level Officer*

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LEE ALEXANDER
*Executive Vice President and Chief Information Officer*

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*Vice President*

PANKAJ LUTHRA
*Vice President*

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LEON FISCHER
*Assistant Vice President*

TAMARA GOLDBURT
*Assistant Vice President*

ROBERT GOODMAN
*Assistant Vice President*

DANIEL ZIEGLER
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JONATHAN RUSSELL DEROSE
*First-Level Officer*

ADRIAN I. HODOR
*First-Level Officer*

MUKUND M. KULKARNI
*First-Level Officer*

SHARONA NOE
*First-Level Officer*

BERNADETTE M. RUSSELL
*First-Level Officer*

LEONID M. TROFIMCHUK
*First-Level Officer*

HUALONG WANG
*First-Level Officer*

### Governance

ANAT GOURJI
*Senior Vice President*

IRA KAHNER
*Vice President*

STEPHEN SILVERMAN
*Vice President*

DAVID CAPPS
*Assistant Vice President*

JOHN J. MOSQUERA
*Assistant Vice President*

JOHN G. BARRA
*First-Level Officer*

MARY F. KENNY-FURINO
*First-Level Officer*

MICHAEL S. RUBIN
*First-Level Officer*

### Information Security

NICOLAE STANESCU
*Senior Vice President and Information Security Officer*

DAVID B. DROSSMAN
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JEFFREY KLEIN
*Vice President*

JIA Y. YE
*Assistant Vice President*

JAMIE BERNSTEIN
*First-Level Officer*

### Program Management Office

JOSE L. RODRIGUEZ
*Senior Vice President*

RICHARD I. BARRETT
*Vice President*

JEAN M. STOLOFF
*Vice President*

SALVATORE TIDONA
*Vice President*

RONALD J. ZOLDY
*Vice President*

NELL M. COTE
*Assistant Vice President*

AMY C. LIU
*Assistant Vice President*

SREEDEVI MANDALAPU
*Assistant Vice President*

DIANE PILINKO
*Assistant Vice President*

PERRY SANTACECILIA
*Assistant Vice President*

## TECHNOLOGY SERVICES GROUP (CONTINUED)

SUSIE Y. LEE
*First-Level Officer*

TERRY MISQUITH
*First-Level Officer*

KENNETH T. NORCROSS
*First-Level Officer*

SRIKANTH OJILI
*First-Level Officer*

ROMAN REVZIN
*First-Level Officer*

### Technology Strategy

JEFFREY P. WEINSTEIN
*Senior Vice President*

ANDREW E. CHANG
*Vice President*

THOMAS KLEIN
*Vice President*

BENNY E. NISSAN
*Vice President*

JORGE L. VIDAL
*Vice President*

IRVING MYONES
*Assistant Vice President*

JILL SASSO
*Assistant Vice President*

TRACEY A. TERRY
*Assistant Vice President*

### Technology Engineering and Computing Services

CHERISA L. BURK
*First-Level Officer*

LEIGH CHAN
*First-Level Officer*

STEPHEN W. COSPOLICH
*First-Level Officer*

THOMAS S. GREENE
*First-Level Officer*

CHRISTOPHER B. HARRIS
*First-Level Officer*

ANGELA JORDAN
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RITA MILMEYSTER
*First-Level Officer*

HOWARD MORGASEN
*First-Level Officer*

SHLOMO ORBACH
*First-Level Officer*

REN SHEN
*First-Level Officer*

AMBROSE M. STAFYLERAS
*First-Level Officer*

SEAN G. MAHON
*Senior Vice President*

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PAUL R. SANS
*Vice President*

RAFAEL KOSCIALKOWSKI
*Assistant Vice President*

JOSEPH D. LEONARD
*Assistant Vice President*

PETER SCHWAB
*Assistant Vice President*

## WHOLESALE PRODUCT OFFICE GROUP

RICHARD P. DZINA
*Executive Vice President*

ROBYN A. BRANDOW
*Senior Vice President*

KENNETH S. ISAACSON
*Senior Vice President*

SARINA PANG
*Senior Vice President*

CHRISTOPHER BURKE
*Vice President*

CARLOS FUENTES
*Vice President*

ANDREW B. GERSON
*Vice President*

PEGGY AU
*First-Level Officer*

LISA R. PACHECO
*First-Level Officer*

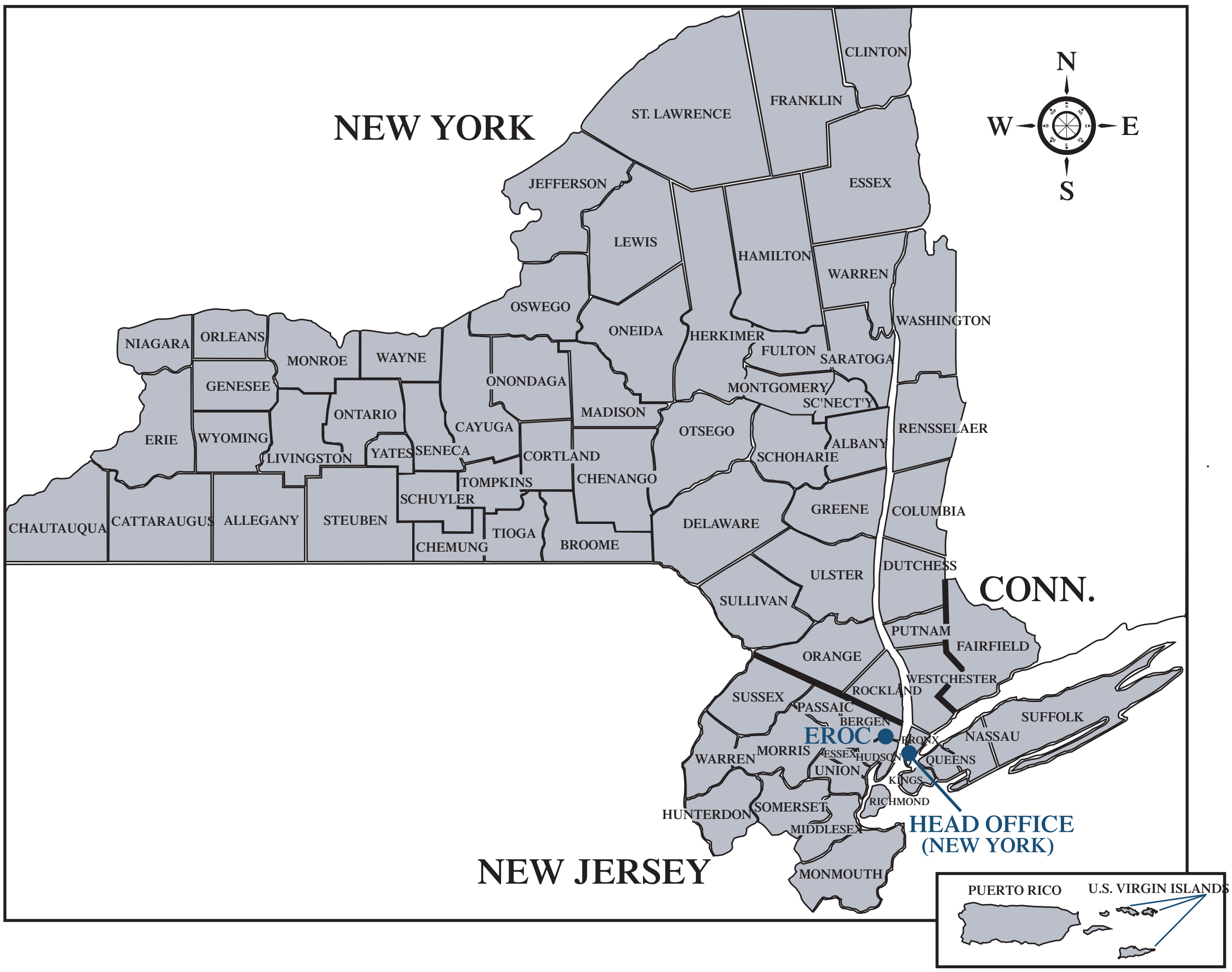
GINA S. RUSSO
*First-Level Officer*

JOANNA WISNIECKA
*First-Level Officer*

WENDY WONG
*First-Level Officer*

# MAP OF THE SECOND FEDERAL RESERVE DISTRICT

# THE SECOND FEDERAL RESERVE DISTRICT



**Federal Reserve Bank of New York**
**33 Liberty Street**
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