

---

PRESIDENT'S  
LETTER

---

## *Letter from the President*

I am pleased to present the Federal Reserve Bank of New York's *2016 Annual Report*, which provides an overview of our accounting policies and detailed information on our audited consolidated financial statements.

The New York Fed's balance sheet continues to reflect measures taken by the Federal Reserve to support the nation's economic recovery following the 2008 financial crisis. While our balance sheet reflects Federal Open Market Committee (FOMC) policy directives and market conditions, it was largely stable over the course of 2016.

The share of assets in the System Open Market Account (SOMA) allocated to the New York Fed stood at \$2.51 trillion as of December 31, 2016, a decline of \$157.4 billion from year-end 2015. Treasury securities and agency mortgage-backed securities (MBS) continue to account for the vast majority of assets, at \$2.48 trillion, down from \$2.63 trillion at year-end 2015. The New York Fed's allocated share of the SOMA central bank liquidity swaps rose to \$1.8 billion, up from \$321 million a year earlier. Foreign-currency-denominated investments increased by \$107 million, to \$6.4 billion.


System SOMA holdings remained relatively steady throughout the year, at \$4.4 trillion, owing to the ongoing reinvestment of principal payments on agency debt and agency MBS, and the rollover of maturing Treasury securities.

In December 2016, the FOMC noted improvement in economic conditions and raised the target for the federal funds rate to a range of 50 to 75 basis points. Interest on reserves increased to 75 basis points, and reverse repurchase agreement program rates increased to 50 basis points.

The Fixing America's Surface Transportation Act (FAST Act), enacted in December 2015, amended the section of the Federal Reserve Act related to Reserve Bank capital surplus and the payment of dividends. Effective in 2015, the FAST Act limited the New York Fed's surplus to slightly more than \$3 billion, a reduction of \$6.4 billion. For 2016, the FAST Act changed the dividend rate for member banks with more than \$10 billion of consolidated assets from 6 percent to the lesser of 6 percent and the yield of the ten-year Treasury note.

Total earnings remittances to the U.S. Treasury declined 20 percent, or \$13.7 billion, to \$53.6 billion. The change largely reflected the absence of the initial FAST Act capital surplus payment of \$6.4 billion, which brought the New York Fed's capital surplus to its FAST Act defined limit. Other contributing factors were a \$4.4 billion decline in SOMA interest income and a \$3.7 billion increase in interest expense.

The New York Fed works in support of the Federal Reserve System's mission to promote financial stability, formulate and implement monetary policy, and provide safe and efficient financial services. This annual report attests to the strength of our controls and the capacity of our institution to continue to deliver on its commitments on behalf of the System.



William C. Dudley  
April 13, 2017