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PRESIDENT'S  
LETTER

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## *Letter from the President*

I am pleased to present the Federal Reserve Bank of New York's 2017 Annual Report, which provides an overview of our accounting policies and detailed information on our audited consolidated financial statements.

The New York Fed's financial condition is largely influenced by Federal Open Market Committee (FOMC) policy directives, which over the course of 2017 reflected the FOMC's continued commitment to policy normalization, and by market conditions.

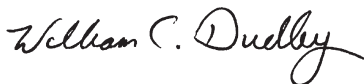
The New York Fed holds a share of the securities in the System Open Market Account (SOMA). These securities, which are allocated to each Reserve Bank within the Federal Reserve System, represent the vast majority of the assets on the New York Fed's balance sheet and are used to implement monetary policy. Treasury securities and agency mortgage-backed securities (MBS) allocated from SOMA accounted for \$2.46 trillion, down from \$2.48 trillion at year-end 2016. The New York Fed's total assets as of December 31, 2017, stood at \$2.49 trillion, a decline of \$30.5 billion from year-end 2016.

As the economy strengthened in 2017, the FOMC gradually increased the target range for the federal funds rate, raising it three times to reach 1.25 to 1.50 percent in December, up from 0.50 to 0.75 percent at the end of 2016. Similarly, the rate of interest paid on reserves increased to 1.50 percent and the offering rate on overnight reverse repurchase agreement operations increased to 1.25 percent by the end of the year.

In addition, at the September 2017 meeting, the FOMC voted to initiate balance sheet normalization plans to reduce the Federal Reserve's SOMA holdings starting in October 2017. The program will gradually and predictably reduce the Federal Reserve's Treasury and agency securities holdings by decreasing the reinvestment of principal payments it receives from securities held in the SOMA.

The New York Fed's earnings remittances to the U.S. Treasury declined by 17 percent, or \$9 billion, to \$44.6 billion. The change largely reflected the \$9.2 billion increase in interest paid to depository institutions as a result of the rise in the rate of interest on reserves.

The New York Fed works to advance the Federal Reserve System's mission of promoting financial stability, formulating and implementing monetary policy, and providing safe and efficient financial services. This annual report attests to the strength of our institution's operations, which support the structure, responsibilities, and aims of the Federal Reserve System.



William C. Dudley  
April 5, 2018