OPEN MARKET OPERATIONS

DURING 2025

A Report Prepared for the Federal Open Market Committee by the Markets Group of the Federal Reserve Bank of New York

CONTENTS

This report is presented to the Federal Open Market Committee by Roberto Perli and Julie Remache, Manager and Deputy Manager of the System Open Market Account. It describes open market operations of the Federal Reserve System for the calendar year 2025. Christian Cabanilla, Linmei Amaya, Jonathan Berk, Kathryn Chen, Dayna Goodwin, Gabriel Herman, Radhika Mithal, Linsey Molloy, and Rachel Wilson were primarily responsible for preparation of the report.

OVERVIEW

KEY DEVELOPMENTS IN 2025

During 2025, the economy grew at a moderate pace, while the labor market cooled further and inflation remained somewhat elevated. The Federal Open Market Committee (FOMC or Committee) decreased the target range for the federal funds rate by a quarter percentage point at each of its final three meetings of the year, ending the year in a range of 3 ½ to 3 ¾ percent.

The Federal Reserve's monetary policy implementation framework continued to operate as expected and the effective federal funds rate (EFFR) remained in the target range throughout the year. The System Open Market Account (SOMA) portfolio continued to run off through the end of November. The cumulative effects of runoff coupled with significant U.S. Treasury issuance resulted in spreads of U.S. Treasury repo rates to interest paid on reserve balances (IORB) increasing sharply into the latter part of 2025. Spikes in these spreads were more pronounced around financial reporting and Treasury settlement dates. As a result of persistently higher secured money market rates, the EFFR began to increase relative to the IORB rate beginning in late September and ended the year at a spread of 1 basis point under the IORB rate, compared to 7 basis points under the IORB rate at the beginning of the year (see Box 1, "Drivers of the EFFR to IORB Spread During 2025," on page 14).

Consistent with these shifts in the EFFR-IORB spread, a broad set of indicators suggested that total reserves had moved close to levels the FOMC considered to be ample. As a result, the FOMC decided at its October meeting to end balance sheet runoff effective December 1, in line with its Plans for Reducing the Size of the Federal Reserve's Balance Sheet.[1] Then, at its December meeting, the Committee decided that reserves had reached ample levels and directed the Open Market Trading Desk at the Federal Reserve Bank of New York (the Desk) to increase SOMA holdings of Treasury bills and, if needed, coupons up to three years to maintain ample levels of reserves going forward. An ample supply of reserves enables the Federal Reserve to influence the level of the federal funds rate and other short-term interest rates primarily through its administered rates, rather than by actively managing the supply of reserves.

During the year, total assets of the Federal Reserve decreased by $184.8 billion, largely due to the runoff of SOMA securities. The FOMC slowed the cap on monthly runoff of Treasury securities in April, while leaving the cap on agency securities unchanged through November, resulting in agency securities making up most of the SOMA runoff during the year. Federal Reserve assets as a percentage of nominal GDP declined to 22 percent by year-end, compared to 24 percent at year-end 2024. The balance sheet reduction process that began in mid-2022 reduced SOMA securities holdings by a cumulative amount of over $2 trillion.

Federal Reserve liabilities declined during the year in line with assets, while their composition changed due to significant shifts in usage of overnight reverse repurchase agreement (ON RRP) operations and the Treasury General Account (TGA). ON RRP usage dropped to near-zero levels by the second half of the year, as investments outside the ON RRP became more attractive. The TGA saw significant variations due to dynamics around the debt ceiling episode, with usage significantly decreasing in the first half of the year, followed by a sharp rebuild thereafter. These trends, along with the cumulative impact of the SOMA runoff, resulted in the level of reserves beginning to drop in August. Average reserve levels in December were

$322.3 billion lower compared to 2024, reaching $2.85 trillion at the end of 2025.

As reserves declined nearer to ample levels heading into the latter half of the year and U.S. Treasury issuance remained robust, broader secured funding rates trended higher and were more volatile, especially around period-end and Treasury settlement dates. This volatility resulted in wider SOFR-IORB spreads and drove more material usage of standing repurchase agreement (SRP) operations.

Higher SRP usage in the second half of 2025 highlighted the SRP's role in dampening upward pressure on overnight money market rates, supporting smooth market functioning, and promoting effective policy implementation in an ample reserves environment. To strengthen the effectiveness of SRP operations, two modifications were implemented in 2025. In June, following several technical exercises, the Desk added an additional morning SRP operation on an ongoing basis, allowing participants to receive funds earlier in the day, when repo trading is most active. In December, the Federal Reserve removed the aggregate operational cap on standing overnight repo operations, effectively moving the SRP to a full-allotment format.

Global U.S. dollar funding markets remained stable during 2025 amid ample dollar liquidity, and usage of U.S. dollar central bank liquidity swap lines was modest. In addition, usage of the standing overnight repurchase agreement facility for foreign and international monetary authorities (commonly referred to as the FIMA repo facility) was limited throughout the year. The Desk did not conduct any foreign exchange intervention activity for the SOMA during 2025 and continued to manage the SOMA foreign currency reserve holdings in line with the portfolio's investment objectives of liquidity, safety, and return.

During 2025, SOMA net income was negative $10.8 billion, compared to negative $74.7 billion in 2024. This change was driven by reduced interest expense due to lower administered rates and decreases in interest-bearing liabilities. The Federal Reserve's deferred asset ended the year at $243.5 billion, compared to $216.0 billion in 2024, reflecting the cumulative negative net income of the Federal Reserve.[2] The deferred asset is expected to decrease in the future as net income becomes positive. (See the "Projections" section of this report for further detail.) The deferred asset has no implications for how the Federal Reserve implements monetary policy and does not constrain its ability to meet its financial obligations.

The market value of the SOMA securities portfolio fluctuates with changes in the level of interest rates and ended the year with an unrealized loss position of $844.2 billion, compared to $1.06 trillion at end-2024. Unrealized gains or losses have no effect on net income or remittances to the Treasury or on the ability of the Federal Reserve to conduct monetary policy.

In coming years, the size and composition of the balance sheet will continue to evolve. A projections exercise shows the evolution of the balance sheet under a set of simplifying assumptions around the growth of Federal Reserve liabilities, based on the Desk's January 2026 Survey of Market Expectations. Under these projections, the portfolio expands through reserve management purchases to accommodate the growth in Federal Reserve liabilities. Portfolio holdings shift toward Treasury securities over time, consistent with the FOMC's stated intention to return to a portfolio composed primarily of Treasury securities. Using survey-based assumptions about the path of interest rates, total SOMA net income remains positive over the projection horizon.

Operational resilience remains an important priority, and during 2025, the New York Fed continued to maintain its operational flexibility, along with its geographic resilience. The Desk continued its practice of undertaking small-value exercises with counterparties to maintain readiness for a range of potential FOMC directives.

A GUIDE TO THIS REPORT

This report is divided into five main sections:

1. The Federal Reserve's Framework for Monetary Policy Implementation: This section provides an overview of the Federal Reserve's framework for monetary policy implementation, including the purpose and usage of the various tools employed by the Desk. (pp. 7–9)

2. Open Market Operations: This section describes the steps taken by the Desk within the framework to implement the FOMC's operating directives in money markets and securities markets during 2025. The Desk's operations to manage the Federal Reserve's portfolio of foreign currency–denominated assets are also included in this section. (pp. 11–20)

3. Selected Balance Sheet Developments: This section examines the composition of the Federal Reserve's balance sheet, reviews developments related to the domestic SOMA portfolio, and discusses the purposes and recent trends in the Federal Reserve's liabilities. It also presents an illustrative projection of the balance sheet and SOMA net income under a set of simplifying assumptions. (pp. 22–39)

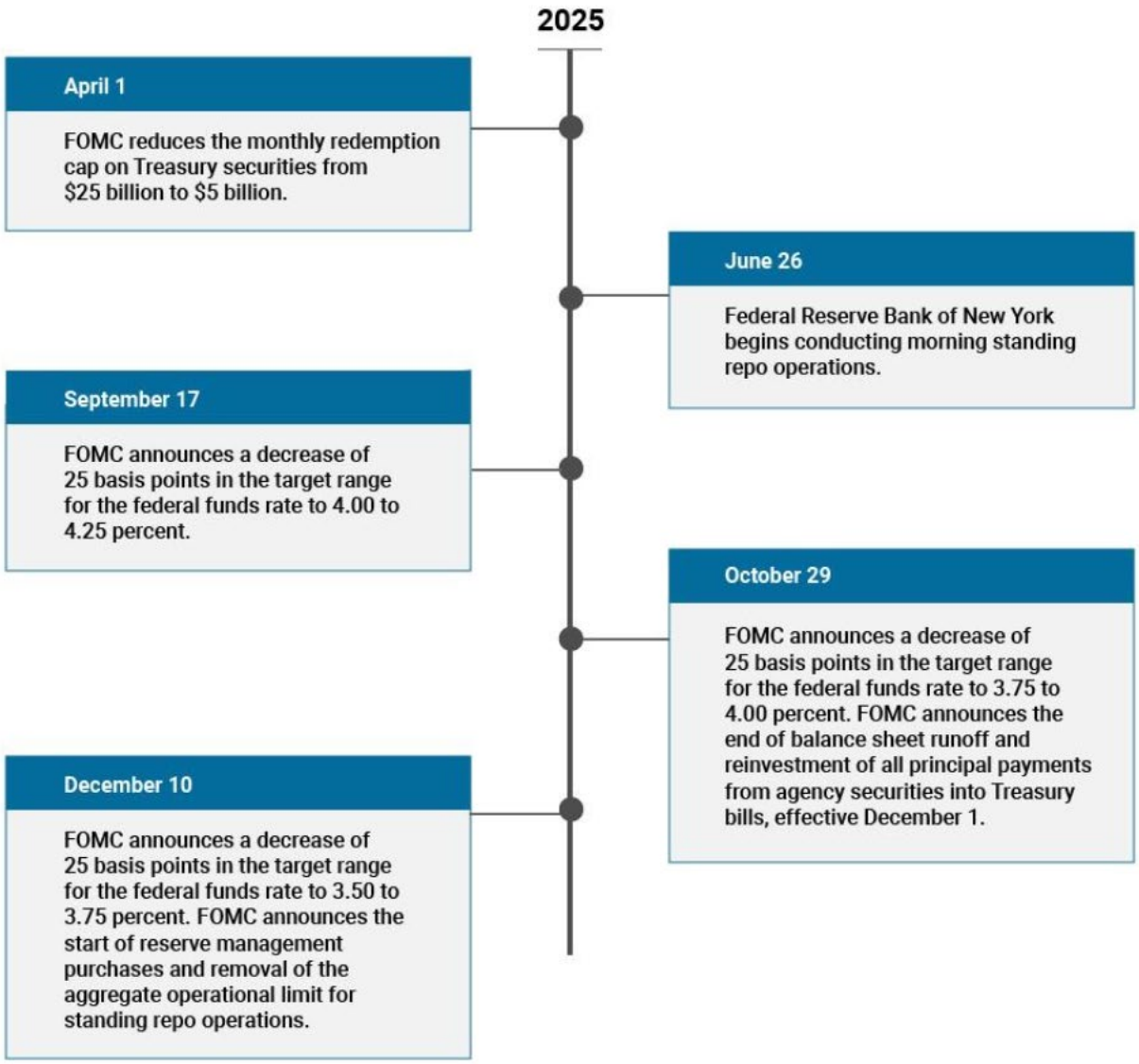
4. Counterparties: This section reviews the trading counterparties to the Desk's domestic and foreign open market operations. (pp. 41–42)

5. Operational Flexibility and Resiliency: This section describes operational readiness exercises undertaken during the year. (pp. 44–45)

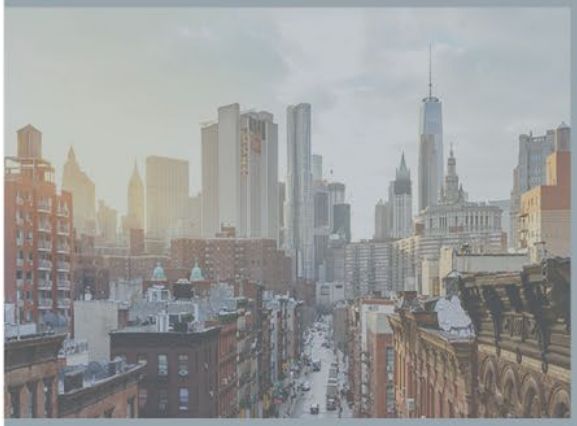
Appendix 1 provides summaries of the key terms for each of the Desk's operations. Appendix 2 highlights links to the FOMC documents governing Desk operations. Appendix 3 summarizes the Desk's public disclosures about its operations. Appendix 4 presents assumptions underlying the scenarios for the SOMA portfolio and the SOMA net income projections. Appendix 5 provides links to web pages for further source material.

Underlying data for the projections charts shown in this report are provided on the New York Fed's website. Additional questions regarding this report and the underlying data can be addressed to ny.mkt.soma.annualreport@ny.frb.org.

TIMELINE OF SELECTED EVENTS




FEDERAL RESERVE



THE FEDERAL RESERVE'S FRAMEWORK FOR MONETARY POLICY IMPLEMENTATION

The Federal Reserve implements monetary policy in a framework that includes a target range for the federal funds rate to communicate the FOMC's policy stance, administered rates set by the Federal Reserve, and market operations directed by the FOMC and conducted by the Desk to promote money market conditions consistent with the FOMC's target range for the policy rate. The FOMC can also employ forward guidance for the target range of the policy rate and alter the size and composition of the Federal Reserve's balance sheet to help achieve its objectives. The framework supports the FOMC's pursuit of its maximum employment and price stability objectives, mandated by Congress and articulated in the Committee's Statement on Longer-Run Goals and Monetary Policy Strategy, which was amended in August 2025 and reaffirmed in January 2026.[3]

The Federal Reserve has several tools that are designed to maintain control over short-term interest rates in an environment of ample reserves in the banking system. The FOMC's policy rate is the federal funds rate, which is maintained within a target range set by the Committee.[4] Control over the level of the federal funds rate and other short-term interest rates is exercised primarily through the setting of the IORB rate, which is the rate paid to banks on their Federal Reserve account balances and the minimum rate that banks would generally expect when lending reserves. Given the safety and convenience of holding reserves, banks have little incentive to lend their reserves to private-sector counterparties at rates lower than the IORB rate.

In addition to the IORB rate, the FOMC sets the rates for the overnight reverse repo (ON RRP) and standing repo (SRP) operations—daily standing operations that also help to support trading within the federal funds target range and are essential for monetary policy implementation and smooth market functioning. ON RRP operations offer a broad range of money market participants, most of whom are ineligible to earn IORB, an alternative risk-free investment option that enhances their bargaining power on short-term private investment transactions. In doing so, ON RRP operations limit downward pressure and help provide a floor on overnight money market rates.[5]

Conversely, SRP operations offer eligible counterparties, which include primary dealers and depository institutions, an alternative, risk-free financing option that enhances their bargaining power on short-term financing transactions. In this way, SRP operations limit upward pressure and help provide a ceiling on overnight money market rates to support monetary policy implementation and smooth market functioning. The SRP is expected to be actively used by eligible counterparties when economically sensible.[6] Amid significant shifts in reserve levels in recent years, the Federal Reserve has been able to maintain control of the federal funds rate through the use of its administered rates and open market operations.[7] (See the "Open Market Operations" section of this report.)

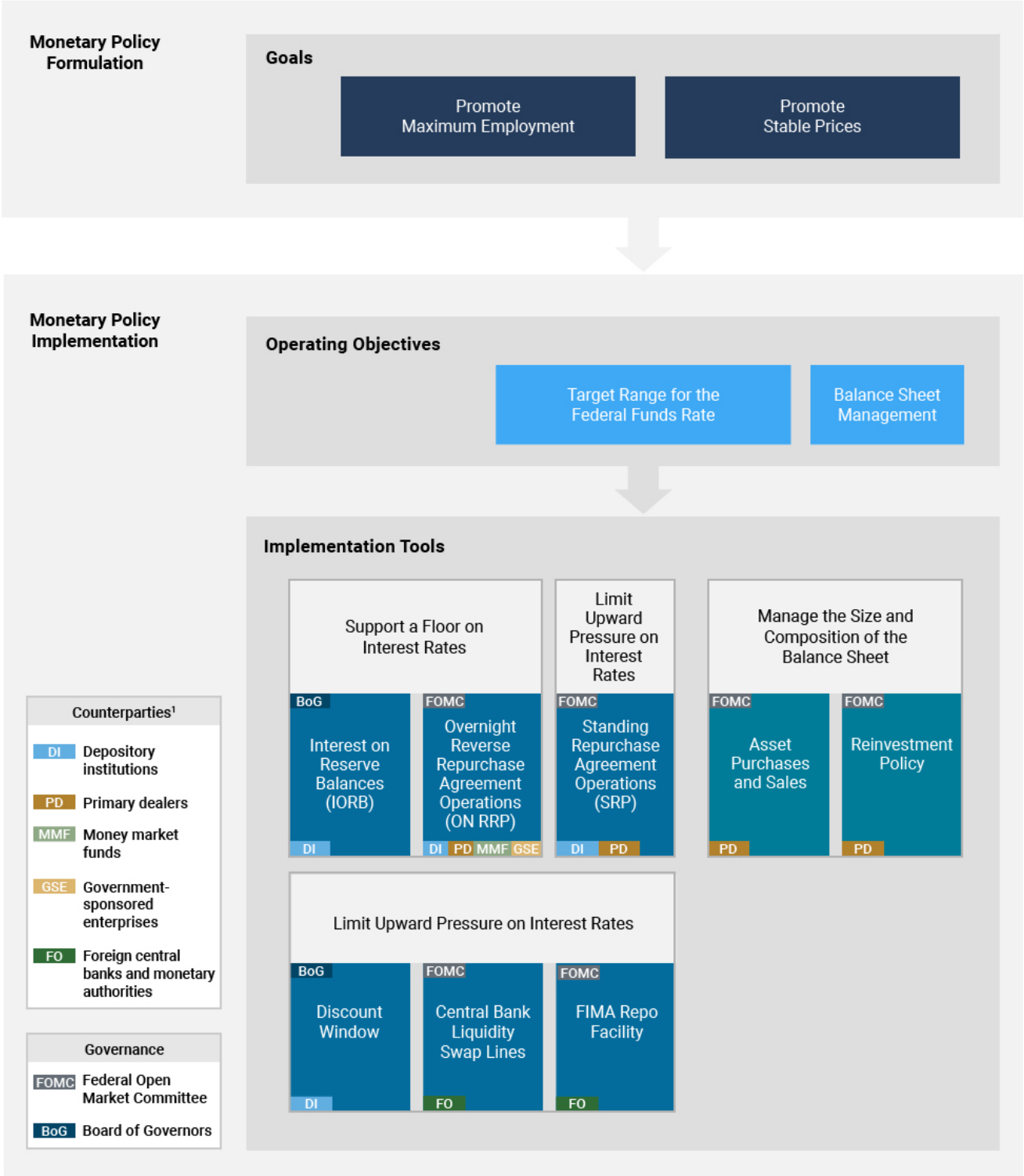
The Federal Reserve also operates other liquidity tools that support the effective implementation of monetary policy by limiting the potential for pressures in overnight funding markets to push the EFFR above the FOMC's target range. The discount window provides depository institutions with access to temporary funding to support the flow of credit to households and businesses. The discount window's primary credit program is available to banks in generally sound financial condition and with eligible collateral pledged to a Reserve Bank. In addition, central bank standing U.S. dollar and foreign currency liquidity swap lines with other major central banks can improve liquidity

conditions in the U.S. and abroad during times of stress, which may mitigate adverse effects on the supply of credit to U.S. households and businesses. Lastly, the FIMA repo facility provides central banks and other monetary authorities access to temporary U.S. dollar liquidity against their holdings of Treasury securities held in custody at the New York Fed, which helps address pressures in offshore dollar funding markets that could otherwise affect U.S. financial conditions. In this respect, the FIMA repo facility complements the U.S. dollar liquidity swap lines as a backstop for global dollar markets.

Changes in the size or composition of the Federal Reserve's balance sheet are also an important part of the monetary policy implementation framework. At the direction of the FOMC and on behalf of the SOMA, the Desk may at times purchase securities in the open market. These purchases may be conducted for different reasons. First, asset purchases may be conducted to ensure there is a sufficient supply of reserves in the banking system to support interest rate control. Second, they can be used to directly influence financial conditions, including further easing financial conditions when the policy rate is near zero. Such asset purchases put downward pressure on longer-term interest rates by reducing the stock of privately held debt. Lastly, asset purchases can be used to address severe disruptions to market functioning by easing balance sheet constraints of private market participants to restore two-way trading and more normal market functioning.

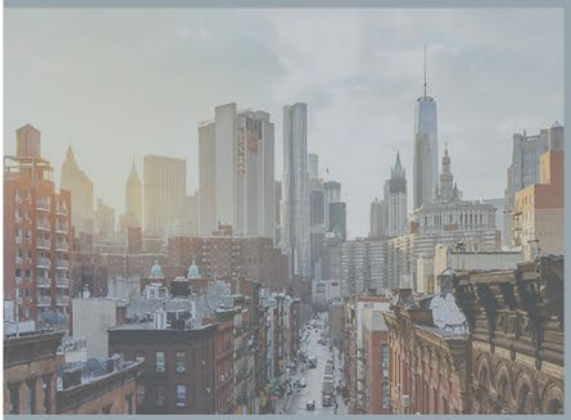
The FOMC may also direct the Desk to reduce the size of the balance sheet when policy accommodation through asset purchases is no longer needed. This may include limiting reinvestment of proceeds from maturing securities or selling securities.

How the Federal Reserve Implements Monetary Policy



[1] Counterparty types listed are for informational purposes only. Not all individual counterparties within a specific category necessarily have access to a given operation. For more detailed information, see https://www.newyorkfed.org/markets/counterparties.


FEDERAL RESERVE



OPEN MARKET OPERATIONS

To implement monetary policy, the Desk conducts open market operations as directed by the FOMC. Domestic open market operations in 2025 included repurchase and reverse repurchase agreements, reinvestments of agency mortgage-backed securities (MBS) principal payments into Treasury bills, and reserve management purchases of shorter-dated Treasury securities in the secondary market. Operations also included the securities lending program to support smooth functioning of Treasury markets. In addition, the Desk maintained swap arrangements with certain foreign central banks to provide dollar liquidity to global funding markets and managed the SOMA foreign reserves portfolio.

MONEY MARKET DEVELOPMENTS AND RELATED POLICY MEASURES

During 2025, the FOMC decreased the target range for the federal funds rate from 4 ¼ to 4 ½ percent to 3 ½ to 3 ¾ percent, with 25 basis point cuts at each of its final three meetings (Table 1 and Chart 1). Beginning in late September, persistently higher secured money market rates led to a gradual increase in the EFFR within the federal funds target range—with the EFFR moving from 7 basis points below the IORB rate to 1 basis point below by year-end (Chart 2).

Table 1

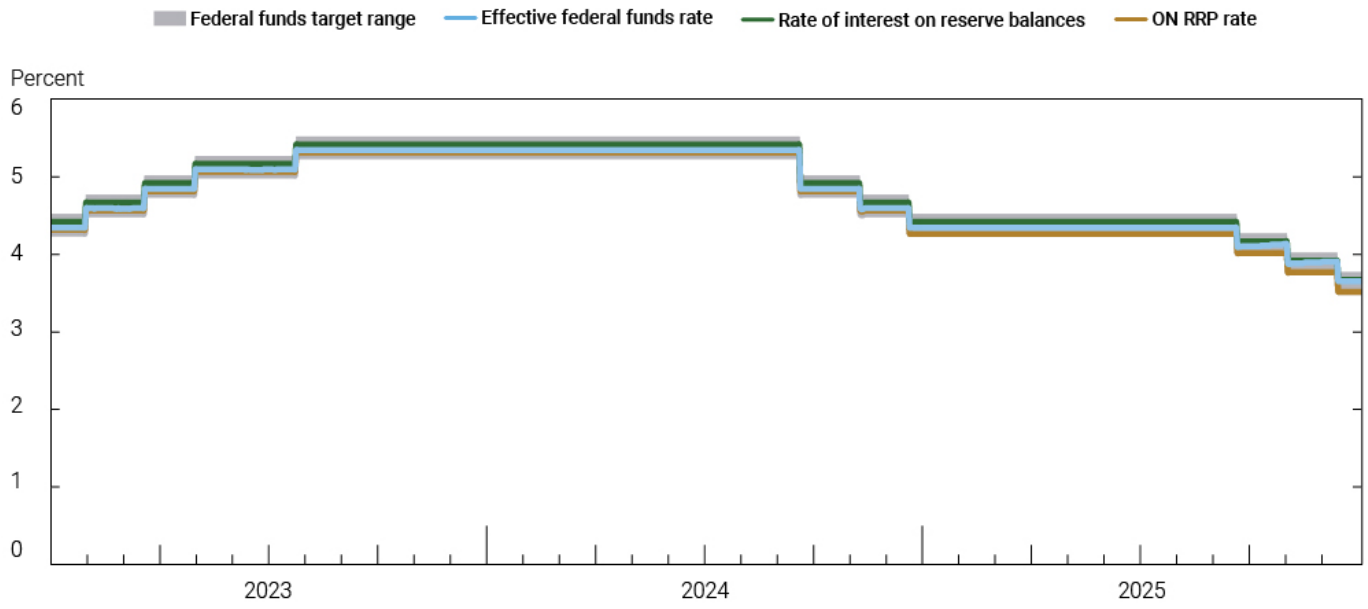
Changes to Key Policy Rates in 2025

FOMC Meeting Announcing Policy Rate Changes	Effective Date Range for Policy Rates During 2025	Federal Funds Target Range		IORB Rate		ON RRP Rate		SRP Rate	
		Rate (Percent)	Change (Basis Points)	Rate (Percent)	Change (Basis Points)	Rate (Percent)	Change (Basis Points)	Rate (Percent)	Change (Basis Points)
September 2025	September 18 to October 29	4 to 4¼	-25	4.15	-25	4.00	-25	4.25	-25
October 2025	October 30 to December 10	3¾ to 4	-25	3.90	-25	3.75	-25	4.00	-25
December 2025	December 11 to December 31	3½ to 3¾	-25	3.65	-25	3.50	-25	3.75	-25

Sources: Federal Open Market Committee; Board of Governors of the Federal Reserve System.

Chart 1

Federal Funds Target Range, Effective Federal Funds Rate, Interest on Excess Reserves, and ON RRP Rate

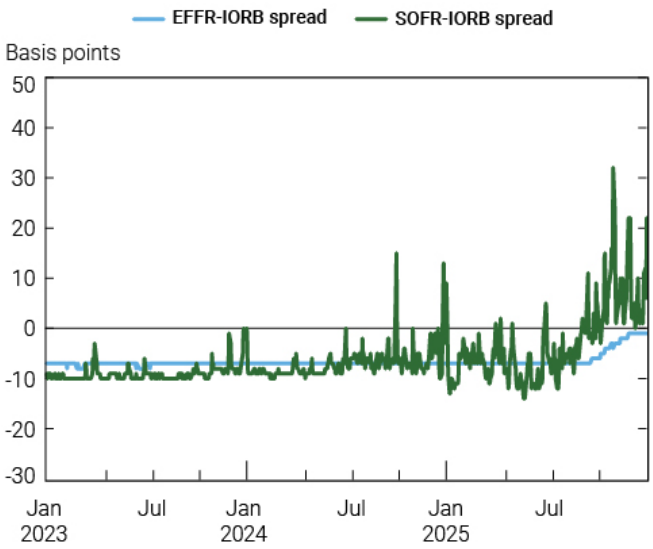


Source: Federal Reserve Bank of New York.
Note: Figures are daily.

The decrease in reserves due to SOMA portfolio runoff, coupled with robust Treasury issuance, drove significant shifts in money market rates during the second half of the year. Specifically, Treasury repo rates moved sharply higher and remained persistently above the IORB rate in the second half of the year. In addition, the resolution of the debt ceiling in July sharply increased U.S. Treasury issuance in the second half of the year, most notably in Treasury bills. In response to the increased issuance as well as the cumulative impacts of SOMA runoff, money market funds (MMFs) shifted investments toward more attractive alternatives such as Treasury bills and repo. This resulted in ON RRP usage declining to near-zero levels by September. With ON RRP balances reaching structurally low levels, ongoing balance sheet runoff led to a drawdown in system reserves to under $3 trillion. Against the backdrop of a depleted ON RRP, ongoing balance sheet runoff, declining reserves, and rising debt issuance, upward pressure on repo rates started to build and become more sustained, particularly around reporting periods and Treasury settlement dates. This resulted in counterparties making greater use of SRP operations,

Chart 2

Effective Federal Funds Rate and Secured Overnight Financing Rate Spreads to IORB



Source: Federal Reserve Bank of New York.
Note: Figures are daily.

which helped to limit upward pressures in overnight money market rates and support trading in the federal funds market at rates within the target range.

In unsecured markets, persistently higher secured money market rates led to a significant increase in the EFFR relative to the IORB rate beginning in late September. As the primary lenders in the federal funds market, Federal Home Loan Banks (FHLBs) drove much of this trend, as they were able to obtain higher rates in the repo market and increasingly chose to reallocate some federal funds lending activity toward that market. Higher repo rates also supported the ability of FHLBs to negotiate higher rates on federal funds transactions, driving the increase in EFFR relative to the IORB rate (see Box 1, "Drivers of the EFFR to IORB Spread During 2025"). These moves also led to a decline in federal funds volumes as some borrowers, such as foreign banks, saw decreased activity.[8]

The decision by the FOMC at its October meeting to end balance sheet runoff and at the December meeting to begin reserve management purchases helped to contain upward pressures in rates and eased volatility across money markets.

Box 1

DRIVERS OF THE EFFR TO IORB SPREAD DURING 2025

Volumes and rates in the federal funds market are influenced by the behavior of market participants, broader money market rates, and the overall level of central bank liquidity in the system. The effective federal funds rate (EFFR), which had traded at 7 basis points below the rate of interest paid on reserve balances (IORB) since mid-2023, steadily increased between September and December 2025 to 1 basis point below the IORB rate. Additionally, average daily federal funds volume declined from around $110 billion to around $90 billion within the same period. This box describes the main drivers of these shifts.

To understand changes in the EFFR, it is helpful to understand the structure of the key lenders and borrowers in the federal funds market. The Federal Home Loan Banks (FHLBs) are the predominant lenders of federal funds and provide key linkages between the federal funds market and other money markets.[a] FHLBs invest portions of their liquidity portfolios in federal funds and reverse repos and may adjust their allocations based on relative returns in these markets. Both domestic banks and U.S. branches and agencies of foreign banking organizations (FBOs) can borrow federal funds, but FBOs are the predominant borrowers, comprising 80-90 percent of federal funds volume in recent years. Both domestic banks and FBOs borrow to meet U.S. dollar funding needs for business operations. However, unlike their domestic counterparts, many FBOs also borrow federal funds when reserves are abundant to earn the spread between their borrowing rate and the IORB rate by retaining the borrowed funds in their accounts at the Federal Reserve.

Amid declines in reserves and increases in net Treasury issuance, rates in the repo market began to rise in September 2025. These higher repo rates directly influenced conditions in the federal funds market through the investment choices of the FHLBs. Unlike some previous short-lived episodes of repo rate spikes above the EFFR, the persistently elevated level of repo rates in September resulted in more significant shifts in FHLBs' portfolio strategies. Several FHLBs reallocated some lending from federal funds to reverse repo and simultaneously increased the rates negotiated on their remaining federal funds lending. As a result of these trends, the underlying rate distribution for federal funds shifted materially higher relative to the IORB rate from September to December 2025, with the EFFR-IORB spread increasing on days when repo rates were materially above the EFFR. In response, some FBOs reduced borrowing activity, leading to lower daily average volumes in the federal funds market.

Since the Federal Reserve transitioned to maintaining an ample level of reserves in December, reserve management purchases (RMPs) have prevented further declines in system liquidity, and repo rates have trended lower relative to the IORB rate. The steady rise in federal funds rates and decline in volumes stopped, and the EFFR has since remained stable. The Open Market Trading Desk at the New York Fed (the Desk) will continue to monitor the elasticity of the federal funds rate to changes in reserve levels and the share of domestic banks in the federal funds market, along with other indicators of reserves conditions, to inform monetary policy implementation.

[a] See Box 3 in the 2023 SOMA Annual Report for more detail, https://www.newyorkfed.org/medialibrary/media/markets/omo/omo2023-pdf.

REVERSE REPURCHASE AGREEMENTS

To limit downward pressure and help provide a floor under overnight money market rates, the FOMC continued to direct the Desk to offer daily overnight reverse repo operations. ON RRP operations are available to a broad range of counterparties, including money market funds, depository institutions, and government-sponsored enterprises (GSEs), with a per counterparty limit of $160 billion per day. The ON RRP rate remained at the bottom of the federal funds target range throughout 2025.

Operational Results

Following a sharp decline in prior years, ON RRP balances generally remained between $50 billion and $300 billion (excluding month-ends) during the first half of 2025. MMFs and GSEs accounted for 94 percent and 6 percent of the daily average participation in the ON RRP, respectively (Chart 3). In response to increases in money market rates following the resolution of the debt ceiling, ON RRP usage began to significantly decline in July as MMFs reallocated to more attractive investments in the private market. The ON RRP reached near-zero levels beginning in September.

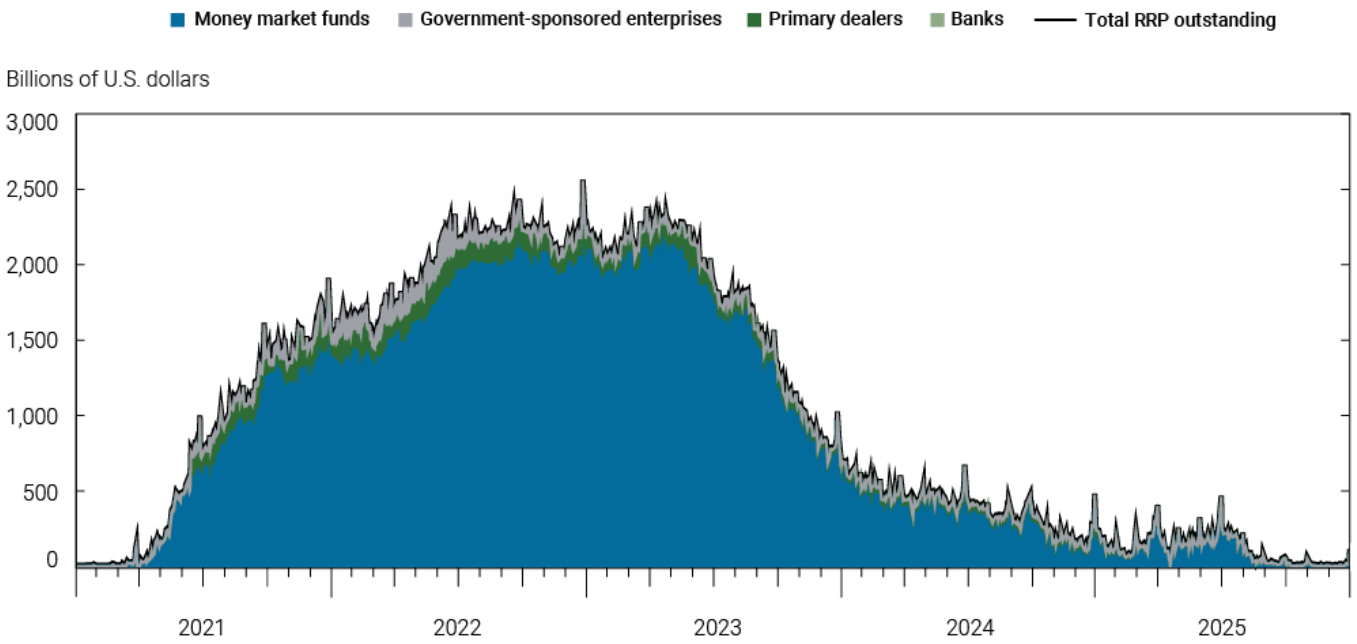
REPURCHASE AGREEMENTS

Standing Repo Operations

To limit upward pressure and help provide a ceiling on overnight money market rates, the FOMC continued to direct the Desk to offer daily standing repo (SRP) operations against Treasury securities, agency debt securities, and agency MBS. The overnight SRP rate continued to be set in line with the top of the federal funds target range in 2025. Following a series of technical exercises from December 2024 through January 2025 and from March through April 2025, the Desk began standing morning operations with early settlement on June 26 to further enhance the effectiveness of SRP operations in their ability to support effective implementation of monetary policy and smooth market functioning. Emphasizing the key role of SRP operations in the implementation of monetary policy, the FOMC eliminated the aggregate $500 billion daily limit in December. SRP operations are designed to be used by counterparties when economically sensible to help maintain the federal funds rate within its target range.

Chart 3

SOMA Reverse Repo Amounts Outstanding by Counterparty Type



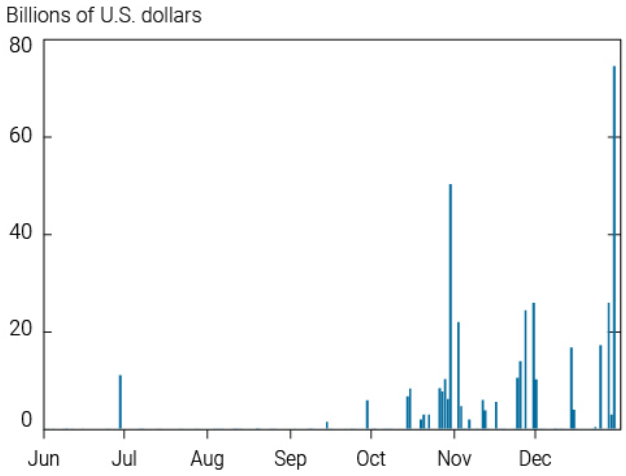
Source: Federal Reserve Bank of New York.
Note: Figures are daily and include overnight term operations.

Operational Results

Beginning in September, usage of SRP operations started to occur more often and in larger sizes on reporting dates and on days when repo rates were trading well above the SRP rate (Chart 4). Throughout the fourth quarter, SRP usage was more frequent and reached its highest level of the year of approximately $75 billion on December 31.

Chart 4

SOMA Standing Repo Amounts Outstanding (June to December)



Source: Federal Reserve Bank of New York.
Note: Figures are daily.

Foreign and International Monetary Authority (FIMA) Repo Facility

In 2025, the FOMC continued to direct the Desk to offer repurchase agreement transactions to approved FIMA account holders under the standing FIMA repo facility. The overnight FIMA repo offering rate remained equal to the rate on standing repo operations, while the seven-day FIMA repo offering rate remained equal to the rate on overnight index swaps of a weekly maturity plus 25 basis points.

The standing FIMA repo facility enables approved FIMA account holders to enter overnight or seven-day term repo transactions with the Federal Reserve against Treasury securities held in custody at the New York Fed. The facility provides a temporary source of U.S. dollar liquidity to approved FIMA accounts. The facility complements the Federal Reserve's U.S. dollar liquidity swap lines by providing dollar liquidity to a broad range of foreign official institutions, helping to address pressures in global dollar funding markets that could otherwise affect financial market conditions in the United States.[9] Its role as a liquidity backstop also helps to support the smooth functioning of financial markets.

Operational Results

The FIMA repo facility saw limited use in 2025. Transactions were infrequent and included tests to support operational readiness.

CENTRAL BANK LIQUIDITY SWAPS

In 2025, the FOMC continued to direct the Desk to maintain standing U.S. dollar and foreign currency liquidity swap lines with a network of five other major central banks—the Bank of Canada (BoC), Bank of England (BoE), Bank of Japan (BoJ), European Central Bank (ECB), and Swiss National Bank (SNB). The U.S. dollar liquidity swap lines provide a liquidity backstop to ease strains in global funding markets during times of stress, helping to support credit supply to households and businesses in the United States and abroad. Foreign central banks that draw on dollar swap lines lend these dollars to local banks through their U.S. dollar operations. U.S. dollar swap operations were offered weekly at a one-week tenor during the year, which is typical practice when dollar funding conditions are smooth.

Operational Results

Usage of the U.S. dollar liquidity swap lines was modest in 2025, as global dollar funding markets functioned well against a backdrop of ample dollar liquidity. The average aggregate outstanding balance of U.S. dollar swap lines during the year was approximately $99 million. Four of the five central banks with standing swap line arrangements drew on their lines in 2025 (BoE, BoJ, ECB, and SNB).

Box 2

UNDERSTANDING THE EVOLUTION OF RESERVE DEMAND

The Federal Reserve carefully monitors demand for reserves to ensure ample reserve levels and the effective implementation of monetary policy.[a] However, reserve demand is highly uncertain and may change over time. This box provides insight into how the Federal Reserve understands and monitors changes in reserve demand using a range of market- and survey-based measures, model-based approaches and via regular outreach to market participants conducted by the Open Market Trading Desk at the New York Fed (the Desk).

With regard to market-based measures, the Desk regularly monitors a wide variety of money market indicators to approximate demand for reserves embedded in prices and quantities. The spread between the effective federal funds rate and the interest rate on reserve balances is one of several indicators that the Desk uses in gauging shifts across money markets. Wider spreads in this indicator suggest greater reserves abundance, whereas a narrower spread suggests more ample conditions. In the latter part of 2025, this indicator narrowed significantly, which was directionally consistent with other indicators at the time.[b]

Apart from market indicators, the Federal Reserve also uses a range of surveys to help inform understanding of changes in reserve demand. One of these, the Senior Financial Officer Survey (SFOS), is conducted twice a year with bank treasurers to understand the underlying drivers of reserve demand, as well as asset and liability management across surveyed banks.

The SFOS has highlighted several factors that determine how many reserves banks want to hold. First, banks hold reserves to meet intraday payment and settlement needs, ensuring that they can bridge gaps in time between when payments flow in and out during the day. Second, banks often hold reserves for regulatory purposes, such as liquidity requirements. Third, many banks report that they hold precautionary buffers to accommodate potential shifts in broader market conditions and changes in approaches to risk management. These primary factors will tend to increase reserve demand as the banking system grows but also imply that reserve demand can increase or decrease with changes in regulation.

Beyond these key factors, results of the SFOS and discussions with market participants suggest bank reserve demand can also fluctuate over time as the economic incentive to hold reserves changes. For example, preferences for holding reserves may change along with changes in the spread between overnight borrowing rates and the interest rate on reserve balances, as well as changes in the risk-adjusted rate of return on reserves versus the return on other high-quality liquid assets. Events such as the September 2019 repo market episode and the March 2023 regional banking stress episode can also cause shifts in bank reserve demand, with many banks increasing their precautionary buffers during these episodes.

The Federal Reserve also utilizes a range of other indicators to estimate bank reserve demand apart from the SFOS, including bank-level data on actual reserve management, and economic models. Research on the range of ample reserves has helped to provide estimates on the sensitivity of the effective federal funds rate with respect to reserve levels and bank liquidity needs in relation to deposit levels.[c] These additional models complement the SFOS in providing a more holistic view of reserve demand. Apart from these indicators, changes in the usage of the Federal Reserve's ON RRP and SRP operations can yield important signals about the variation in the demand for reserves and their distribution across the banking system.[d]

The Desk will continue to monitor a range of indicators, conduct outreach, and use other methods to enable further understanding of the drivers of reserve demand and bank behaviors. These efforts help support the Desk's effective implementation of monetary policy.

[a] https://www.newyorkfed.org/newsevents/speeches/2026/rem260212.

[b] https://www.newyorkfed.org/newsevents/speeches/2026/per260326.

[c] https://www.newyorkfed.org/research/staff_reports/sr1019 and https://www.ecb.europa.eu/press/conferences/shared/pdf/20231004_mon_pol_conference/Lopez_Salido_paper.pdf.

[d] https://www.newyorkfed.org/newsevents/speeches/2026/per260326.

TREASURY SECURITIES OPERATIONS

During most of 2025, the FOMC continued to direct the Desk to reinvest principal payments from the Federal Reserve's Treasury securities holdings only to the extent that they exceeded the monthly cap on redemptions—in line with the Plans for Reducing the Size of the Federal Reserve's Balance Sheet. Effective in April, the FOMC further slowed the pace of Treasury runoff by decreasing the cap on Treasury redemptions from $25 billion to $5 billion per month (Chart 5).

At its October meeting, the FOMC announced the end of balance sheet runoff as of December 1. The FOMC directed the Desk to reinvest all maturing Treasury securities into newly issued Treasury securities and reinvest all principal payments from the Federal Reserve's holdings of agency debt, agency MBS, and agency commercial mortgage-backed securities (CMBS) into Treasury bills through secondary market purchases.

At its December meeting, the FOMC announced the start of reserve management purchases to increase SOMA holdings of securities to maintain an ample supply of reserves going forward. To achieve this, the FOMC directed the Desk to increase SOMA securities holdings through purchases of Treasury bills and, if needed, other Treasury securities with remaining maturities of three years or less.

Reinvestments of Treasury Security Principal Payments

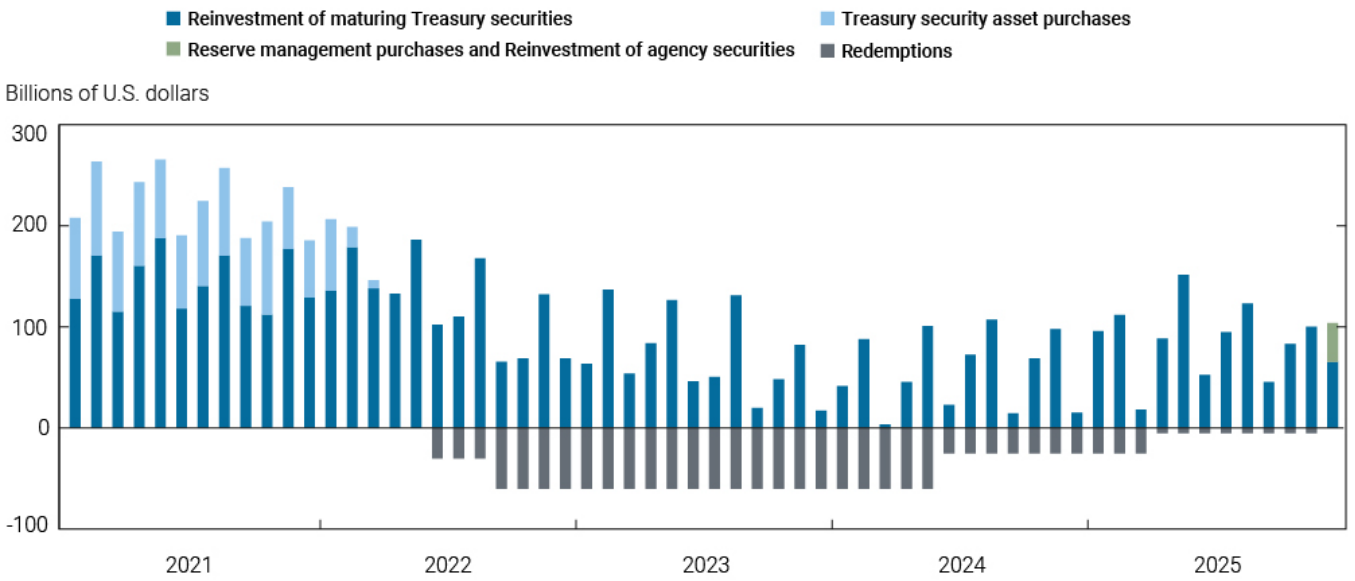
Until December 2025, the Desk reinvested the portion of maturing Treasury securities that exceeded the monthly redemption cap. Beginning December 1, the Desk rolled over all maturing Treasury securities at auction. In line with long-standing practice, the Desk conducted Treasury reinvestments by placing noncompetitive bids at Treasury auctions as add-ons to announced auction sizes. These reinvestments at auction were distributed on a pro rata basis according to the Treasury issuance amounts that were settled on the matching maturity date. Treasury bills were reinvested into newly issued bills, and coupons into newly issued coupons.

Operational Results

The Desk rolled over $1.03 trillion of maturing Treasury securities holdings at auction in 2025, up from $678.5 billion in 2024 (Chart 6). Reinvestments during the year consisted of $601.1 billion in Treasury bills and $430.2 billion in Treasury coupons. A total of $115.0 billion

Chart 5

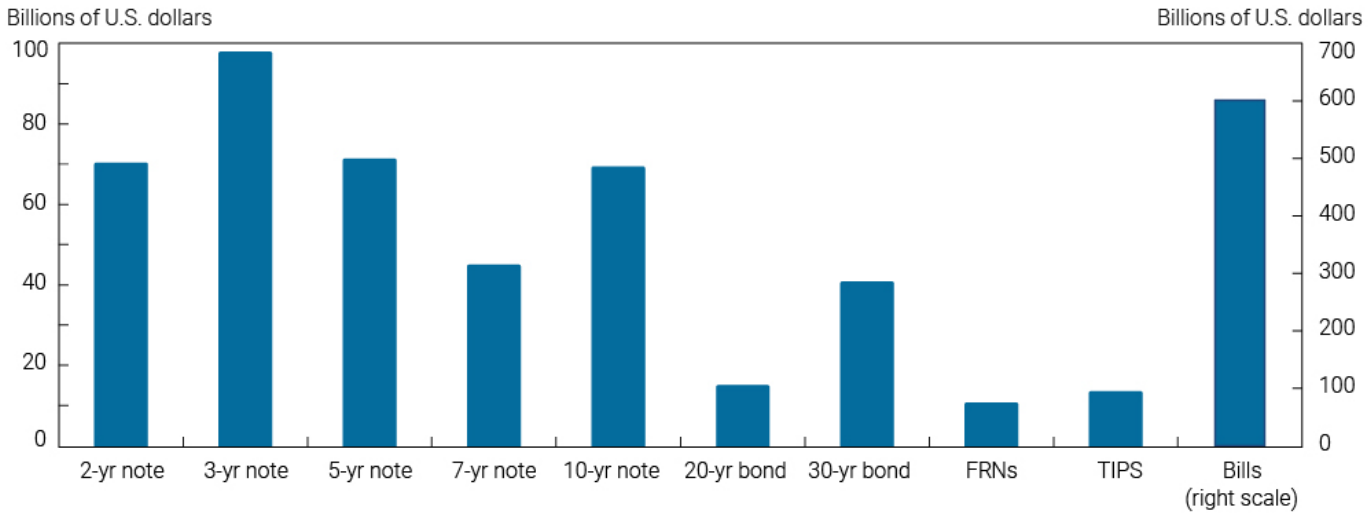
SOMA Treasury Transactions



Source: Federal Reserve Bank of New York.

Chart 6

Distribution of SOMA Reinvestments at Treasury Auctions in 2025



Source: Federal Reserve Bank of New York.
Note: Bars show the cumulative amount of Treasury securities acquired through reinvestments in 2025.

in Treasury securities were redeemed, made up entirely of Treasury coupons, as principal payments of coupons exceeded the monthly redemption caps.

Reinvestments of Agency Security Principal Payments and Reserve Management Purchases

In line with FOMC directives, starting in December the Desk reinvested all principal payments received from holdings of agency securities into secondary market purchases of Treasury bills. Reinvestment purchases were split across two sectors, one to four months and four to twelve months to maturity. Purchase amounts in these two sectors were based on the proportional par amount of bills outstanding in each sector, based on the twelve-month average as of September 2025. As a result, 75 percent of purchases were in the one-to-four month sector and 25 percent in the four-to-twelve month sector. These sector weights will be re-evaluated periodically.

Reserve management purchases (RMPs) to increase SOMA securities holdings started in mid-December and were conducted in the same manner as the reinvestment of agency securities into Treasury securities. The monthly amount of RMPs was sized to accommodate projected trend growth in the demand of Federal Reserve liabilities as well as seasonal fluctuations, such as those driven by tax payment dates.

Operational Results

The Desk purchased a total of $38.1 billion of Treasury bills for the purposes of reserve management purchases and reinvestment purchases during December. These purchases were part of the $54.4 billion in combined RMP and agency reinvestments for the purchase period.[10] During December 2025, the Desk purchased $24.5 billion in Treasury bills in the one-to-four month sector and $13.6 billion in Treasury bills in the four-to-twelve month sector.

AGENCY MBS OPERATIONS

In line with the FOMC's Plans for Reducing the Size of the Federal Reserve's Balance Sheet, from January through November the Desk was directed to reinvest any principal payments exceeding the monthly redemption cap of $35 billion per month of agency debt and MBS into Treasury securities to roughly match the maturity composition of Treasury securities outstanding. As agency MBS principal payments remained well under the $35 billion redemption cap throughout the year, there were no agency MBS reinvestment operations through November. At its October meeting, the FOMC directed the

Desk to reinvest all agency security principal payments into Treasury bills beginning on December 1. This allows for the continued runoff of agency securities going forward, in line with the FOMC's stated principle to return to a SOMA portfolio consisting primarily of Treasury securities in the longer run.[11]

SECURITIES LENDING

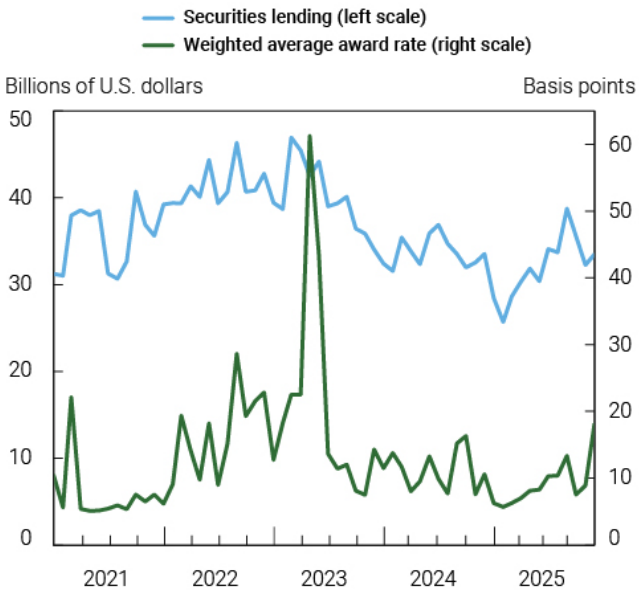
The FOMC continued to direct the Desk to lend eligible SOMA Treasury and agency debt securities to primary dealers on an overnight basis to provide a secondary and temporary source of securities to the market. To the extent that the SOMA holds specific securities that are in demand, such as when individual issues experience elevated short positioning or settlement fails, securities lending can help alleviate scarcity of those securities.

Operational Results

During 2025, monthly lending volume in Treasury securities averaged $32 billion and ranged between $25 billion and $38 billion (Chart 7). The weighted average award rates and weighted average fees dropped to 9 basis points in 2025 from 12 basis points in 2024 and remained within the range seen during the prior year. The modest, temporary increases in the weighted average fee during the year were driven by specialness related to normal auction cycle dynamics.

Chart 7

SOMA Securities Lending in Treasuries



Source: Federal Reserve Bank of New York.
Note: Figures are monthly.

FOREIGN RESERVES MANAGEMENT

The Federal Reserve holds a portfolio of euro- and yen-denominated assets, which could be used to fund a potential foreign exchange intervention.[12] The size and currency composition of foreign reserve holdings are largely a result of past intervention activity in foreign exchange markets. In 2025, the Desk was not directed to undertake any foreign exchange intervention activity for the SOMA.

Investment Approach

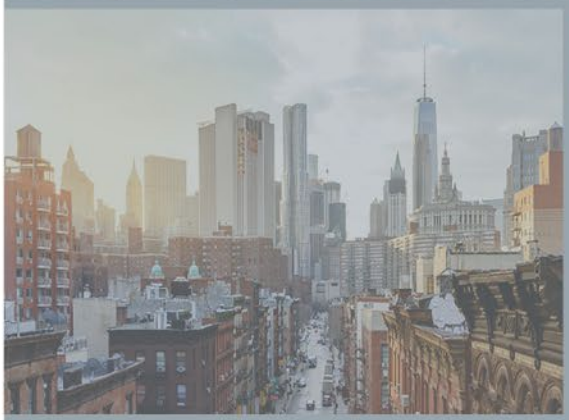
The FOMC directs the Desk to manage the SOMA's foreign currency holdings to ensure sufficient liquidity, maintain a high degree of safety, and, once these objectives have been met, provide the highest rate of return in each currency.

The Desk passively manages its foreign currency reserve holdings, with purchases and sales conducted to meet an internal asset allocation target that is based on the FOMC's stated objectives, which are updated on an annual basis. The SOMA's foreign currency reserves may be invested on an outright basis in Dutch, French, German, and Japanese government securities, as well as in deposits at the Bank for International Settlements and foreign central banks such as the Deutsche Bundesbank, Banque de France, De Nederlandsche Bank, and Bank of Japan. The Desk may also invest in Dutch, French, and German government securities under agreements for repurchase of such securities.

Investment Activity

In 2025, the Desk transacted in euro- and Japanese yen–denominated sovereign debt securities in the secondary market consistent with the internal asset allocation target. The Desk continued to hold foreign currency reserves in deposits at various official institutions.[13] (Foreign currency–denominated holdings are described further in the "Selected Balance Sheet Developments" section of this report.)


FEDERAL RESERVE



SELECTED BALANCE SHEET DEVELOPMENTS

During the year, the FOMC slowed and later stopped balance sheet reduction, before initiating reserve management purchases in December to ensure that reserves remained within the ample range. Beginning in April 2025, the FOMC lowered the cap on redemptions of Treasury securities, further slowing the pace of balance sheet decline.[14] In response to the tightening of money market conditions which suggested that reserves were approaching an ample level, the FOMC announced at its October meeting the end of balance sheet reduction, effective December 1. With reserves then reaching an ample level, the FOMC announced at its December meeting the start of reserve management purchases to maintain this ample level (see Box 3, "Maintaining Ample Reserves: The Role of Reserve Management Purchases in Monetary Policy Implementation," for more detail). SOMA securities runoff was the main driver of the $184.8 billion decline in total assets during the year, a smaller decrease than the $766.8 billion decline during 2024. Total assets reached a level of $6.88 trillion at year-end, with Federal Reserve assets as a share of nominal GDP declining to 22 percent from 24 percent in 2024 (Table 2).

The composition of Federal Reserve liabilities shifted over the course of the year in response to declines in overall liabilities associated with balance sheet runoff, changes in broader money market conditions, and factors unrelated to Federal Reserve policy. Dynamics related to the debt ceiling resulted in shifts in Treasury General Account balances during the year, with significant increases after the resolution of the debt ceiling in July. As the Treasury rebuilt its cash balance with robust issuance of bills, money market funds rotated their investments to Treasury bills, driving the volume of overnight reverse repo operations down to near-zero in September. Average reserve levels in December were $322.3 billion lower compared to 2024, and reached a year end level of $2.85 trillion.

During 2025, SOMA net income was negative $10.8 billion, up from negative $74.7 billion in 2024. The change in net income reflected lower interest expenses related to the ON RRP and IORB, while interest income was similar to 2024. The Federal Reserve System's deferred asset ended the year at $243.5 billion, compared to $216.0 billion in 2024. The deferred asset reflects the cumulative negative net income of the Federal Reserve and will decline gradually in line with future positive net income.

SELECTED ASSETS

The Federal Reserve's assets can be divided into SOMA and non-SOMA assets. SOMA assets make up around 93 percent of the Federal Reserve's assets and are primarily composed of domestic securities holdings, with smaller proportions of foreign reserve holdings, repurchase agreements, and U.S. dollar liquidity swaps. Non-SOMA assets include loans made through the discount window and credit extensions from emergency liquidity facilities.

SOMA Domestic Securities Holdings

PORTFOLIO SIZE AND COMPOSITION

In line with the FOMC's Plans for Reducing the Size of the Federal Reserve's Balance Sheet, the size of the SOMA portfolio continued to decrease through November as securities were allowed to mature or pay down without reinvestment up to the monthly redemption caps (Chart 8). The SOMA portfolio declined by $181.1 billion during 2025 to reach $6.39 trillion, primarily driven by decreases in agency MBS holdings.

Table 2

Changes in Selected Federal Reserve Assets and Liabilities

Billions of U.S. Dollars

	Assets							
	U.S. Treasury Securities	Agency MBS, Agency Debt, and Agency CMBS	Repo	Central Bank Liquidity Swaps	Primary Credit Program	Emergency Credit and Liquidity Facilities	Other Assets	Total Assets
Outstanding as of:								
December 31, 2024	4,291.1	2,235.6	0.0	1.1	3.2	9.9	527.8	7,068.7
December 31, 2025	4,227.8	2,041.4	74.6	0.5	9.7	0.6	529.4	6,883.9
Changes in the period:								
Dec 31, 2024 to Dec 31, 2025	(63.3)	(194.2)	74.6	(0.6)	6.4	(9.3)	1.6	(184.8)

	Liabilities and Capital							
	Reserves	Federal Reserve Notes	Treasury General Account	ON RRP	FIMA Reverse Repo Pool	Other Liabilities and Capital	Subtotal of Non-Reserve Liabilities	Total Liabilities and Capital
Outstanding as of:								
December 31, 2024	2,892.4	2,322.5	721.9	473.5	414.9	243.5	4,176.4	7,068.7
December 31, 2025	2,853.4	2,394.5	872.9	106.0	356.2	300.9	4,030.5	6,883.9
Changes in the period:								
Dec 31, 2024 to Dec 31, 2025	(38.9)	71.9	151.0	(367.5)	(58.7)	57.4	(145.9)	(184.8)

Sources: Federal Reserve Bank of New York; Board of Governors of the Federal Reserve System.
Notes: Securities balances are listed at par value and exclude unsettled MBS. The emergency credit and liquidity facilities category includes loan balances of the Bank Term Funding Program and of the COVID-19–related facilities. Other assets include primarily unamortized net premiums and accrued interest receivable on securities, foreign currency–denominated holdings, limited liability company investments of U.S. Treasury equity in nonmarketable Treasury securities, and the deferred asset. Other liabilities and capital primarily include deposits from international and multilateral organizations, government-sponsored enterprises, designated financial utilities, and capital. Changes in the period may not align with balances due to rounding.

Box 3

MAINTAINING AMPLE RESERVES: THE ROLE OF RESERVE MANAGEMENT PURCHASES IN MONETARY POLICY IMPLEMENTATION

In December 2025, the Federal Open Market Committee (FOMC) concluded the multi-year reduction of its securities holdings, transitioning its balance sheet management to a phase aimed at ensuring an ample level of reserves.[a] In an ample reserves environment, interest rate control is achieved primarily through administered rates, rather than by conducting frequent market intervention to fine-tune the supply of reserves in order to achieve a desired level of interest rates.[b] Reaching this milestone fulfilled the Plans for Reducing the Size of the Federal Reserve's Balance Sheet communicated by the Committee in 2022.[c]

To maintain ample reserves over time, the FOMC has directed the New York Fed's Open Market Trading Desk (the Desk) to conduct Reserve Management Purchases (RMPs) in Treasury bills and, if needed, other shorter-term Treasury securities. These operations are required because several Federal Reserve liabilities—such as physical currency and the Treasury's account at the Fed—tend to grow over time along with growth in the broader economy. If this growth is not accommodated, eventually it would drain reserves from the banking system. As a result, without RMPs to keep Federal Reserve assets in line with increases in demand for liabilities, including reserves, reserves would eventually fall below the range that the Committee deems ample.[d]

The size of the RMPs that the Desk needs to conduct to maintain reserves within an ample range is thus determined by changes in the demand for the Federal Reserve's liabilities, market conditions, and how these components are expected to evolve. For example, ahead of periods of substantial expected growth in currency or the Treasury General Account (TGA), the Desk may increase the pace of purchases.[e] When slower growth or declines in the size of Federal Reserve liabilities is anticipated, the pace of purchases can slow. Additionally, in order to avoid concentrated purchases within a short time period, the Desk seeks to smooth RMPs over several months during periods in which non-reserve liabilities are expected to increase materially due to seasonal factors. The Desk determines its purchase plans by looking at money market conditions and its projections for Fed liabilities, including reserves. There is significant uncertainty around how demand for Federal Reserve liabilities will evolve. The Desk's objective is to ensure reserves fluctuate within the ample range over time.

Additionally, the Federal Reserve's standing open market operations help ensure effective rate control across different market environments. When reserves move to higher levels in the ample range, overnight reverse repurchase (ON RRP) operations are designed to absorb excess liquidity and help limit downward pressure in money market rates. At lower levels of reserves within the ample range, when money market rates increase relative to administered rates, standing repo (SRP) usage may increase to provide additional reserves, if needed. In this way, SRP and ON RRP operations complement RMPs to ensure monetary policy implementation remains effective in the face of marginal decreases or increases in the supply of reserves.[f]

The Desk publishes its tentative schedule for purchases on its website each month (around the ninth business day) and purchases are ratified by the FOMC at each meeting.[g] Details on the results of purchases from the prior monthly cycle are also available. Over time, purchase sizes may vary by month, but such fluctuations do not represent a change in the stance of monetary policy.

[a] https://www.newyorkfed.org/newsevents/speeches/2025/wil251215

[b] https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20251210.pdf and https://www.federalreserve.gov/newsevents/pressreleases/monetary20190130c.htm

[c] https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm

[d] https://www.newyorkfed.org/markets/opolicy/operating_policy_251210a

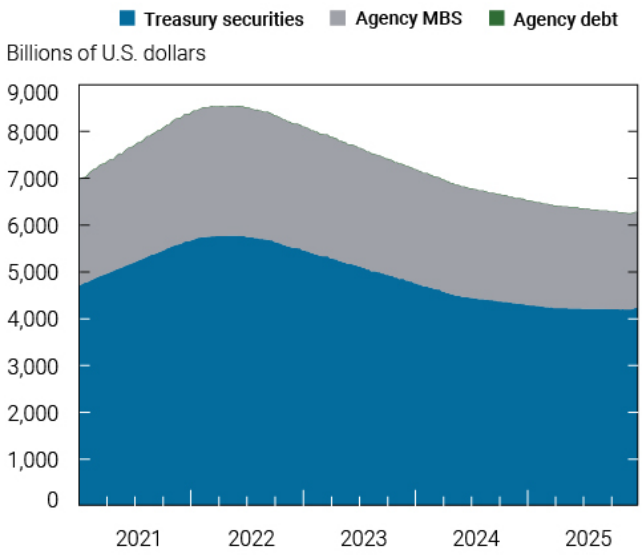
[e] For example, the TGA rises during tax season, while currency often has seasonal fluctuations, such as during December, when currency growth increases.

[f] https://www.newyorkfed.org/newsevents/speeches/2025/wil251112

[g] The Desk's monthly aggregate purchase amounts note the amounts of both reinvestment of agency securities, as well as RMPs for the following monthly purchase cycle. https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details

Chart 8

Composition of SOMA Domestic Securities Holdings

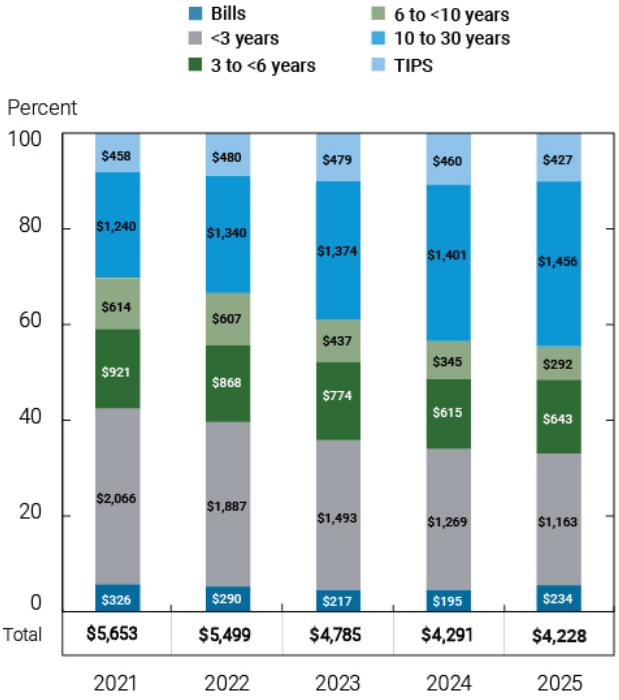


Source: Board of Governors of the Federal Reserve System.
Notes: Figures are weekly and include unsettled holdings. Agency CMBS are included in the agency MBS amount.

Chart 9

Distribution of SOMA Treasury Holdings

Percentage Share and Billions of U.S. Dollars



Sources: Federal Reserve Bank of New York; U.S. Treasury Department.
Note: Figures are as of year-end and may be rounded. Floating Rate Notes made up less than 1 percent of total Treasury securities holdings in 2021 ($28 billion), 2022 ($27 billion), 2023 ($12 billion), 2024 ($6 billion), and 2025 ($14 billion).

Treasury Holdings

Reflecting the slower pace of Treasury runoff in 2025, SOMA Treasury securities holdings declined from $4.29 trillion to $4.23 trillion, as Treasury coupon holdings decreased by $101.6 billion. The weighted average maturity (WAM) of the Treasury portfolio remained roughly unchanged at 8.8 years as decreases due to the aging of existing holdings and larger purchases of Treasury bills were offset by increases due to Treasury rollovers and maturities during the year (Chart 9). Holdings of Treasury Inflation-Protected Securities (TIPS) declined over the year, while holdings of Treasury Bills and Floating Rate Notes (FRNs) increased modestly.

The share of total marketable Treasury securities outstanding that is held in the SOMA portfolio decreased from 15 percent in 2024 to 14 percent in 2025, with declines occurring across all sectors except Treasury bills and FRNs (Chart 10). The overall decline reflected the ongoing runoff of Treasury securities, along with an increase of about $1.99 trillion in marketable Treasury debt outstanding. The WAM of the SOMA Treasury portfolio (8.8 years) remained significantly above that of the outstanding Treasury universe (5.9 years), reflecting the larger proportion of longer-term Treasury securities from past purchases that are still in the SOMA portfolio.[15]

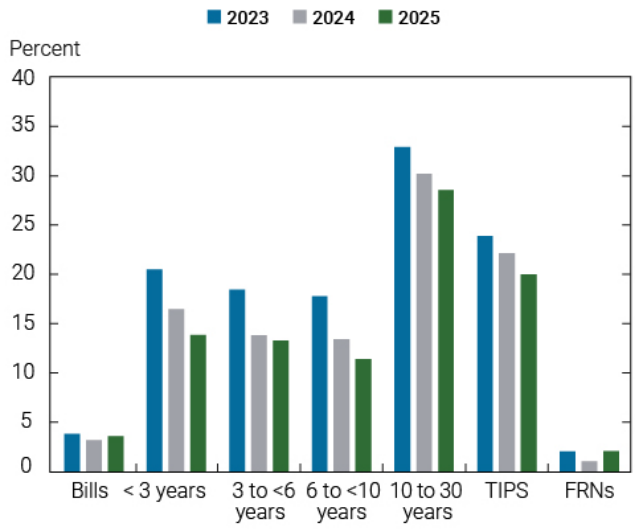
Agency MBS Holdings

SOMA holdings of agency MBS decreased by $194.2 billion to $2.04 trillion in 2025, due to principal payments and no reinvestments by the Desk. The average principal payment per month in the SOMA portfolio was $16.2 billion, similar to the 2024 average. The low level of monthly principal payments reflected continued low mortgage refinancing rates by homeowners. The weighted average life of the agency MBS portfolio modestly declined from 8.2 years to 7.9 years.

Reflecting low principal payments in the agency MBS portfolio, the composition of the SOMA agency MBS

Chart 10

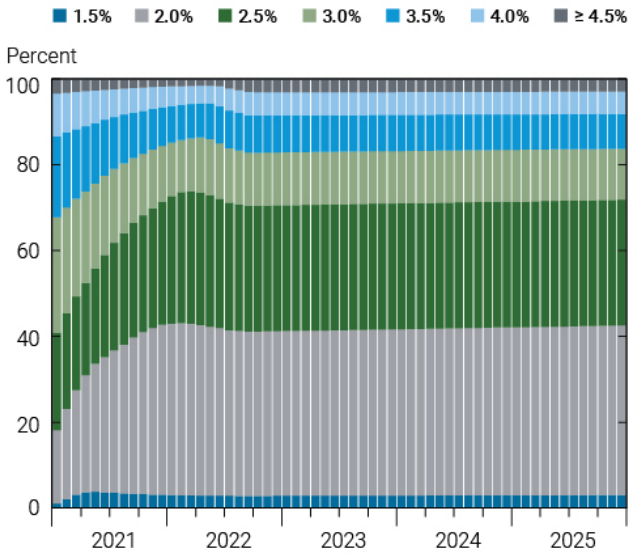
SOMA Treasury Holdings as a Share of Outstanding Treasury Supply



Sources: Federal Reserve Bank of New York; U.S. Treasury Department.
Note: Figures are as of year-end.

Chart 11

Distribution of SOMA Holdings of Thirty-Year Agency MBS by Coupon



Source: Federal Reserve Bank of New York.

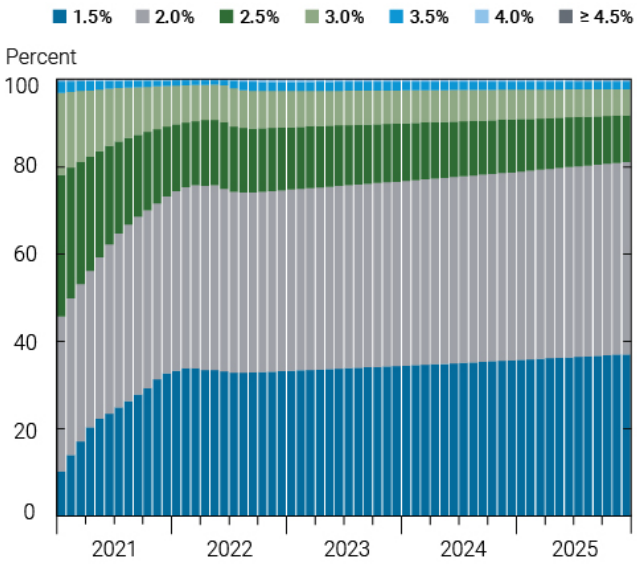
portfolio remained similar to recent years (Charts 11 and 12). Agency MBS holdings are mainly thirty-year securities originated during 2020-22, with associated coupon levels reflecting the historically low mortgage rates prevailing at that time (Chart 13). The weighted average coupon rate on SOMA holdings of agency MBS at year-end 2025 was 2.5 percent, below the outstanding market's weighted average coupon rate of 3.6 percent. The breakdown by issuer was little changed—with 41 percent issued by Fannie Mae, 39 percent by Freddie Mac, and 20 percent issued by Ginnie Mae.[16] SOMA holdings of agency MBS as a share of outstanding fixed-rate agency MBS decreased from 27 percent to 24 percent during the year.

CUSIP Aggregation

On January 22, 2025, the Desk concluded a round of CUSIP aggregation, a process launched in July 2023. In total, 20,448 agency MBS CUSIPs were aggregated to 471 CUSIPs, with 805 CUSIPs aggregated in 2025 specifically. CUSIP aggregation is a process by which individual agency MBS in the SOMA portfolio with similar characteristics are grouped into larger-value securities. This lowers operational risk, simplifies back-office portfolio

Chart 12

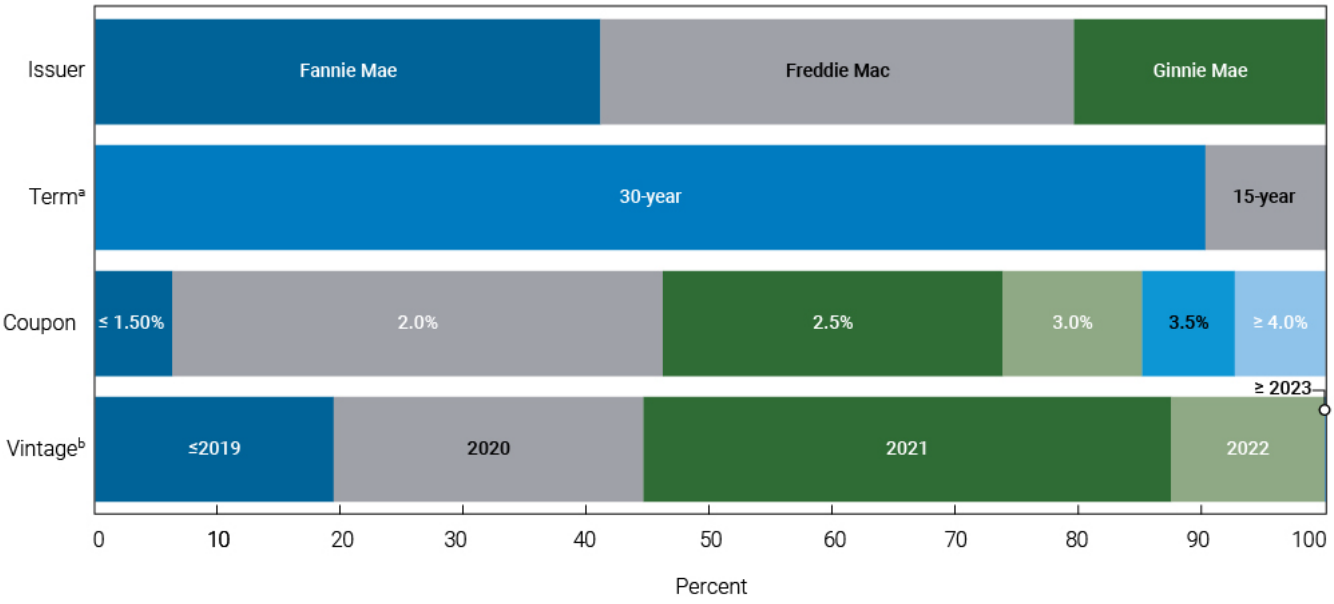
Distribution of SOMA Holdings of Fifteen-Year Agency MBS by Coupon



Source: Federal Reserve Bank of New York.

Chart 13

Distribution of SOMA Agency MBS Holdings



Source: Federal Reserve Bank of New York.
Notes: Figures are as of December 31, 2025. Holdings consist of settled holdings only.
[a]Less than 1 percent of holdings are ten- and twenty-year agency MBS, which may be delivered into fifteen- and thirty-year TBA contracts, respectively.
[b]Agency MBS securities that originated after 2022 reflect small-value exercises.

administration, and reduces custodial costs that are assessed on an individual CUSIP basis. At 2025 year-end, 8,447 CUSIPs remained in the SOMA portfolio.[17]

Agency Debt Holdings

SOMA agency debt holdings were unchanged at $2.3 billion during 2025. These holdings include securities issued by Fannie Mae and Freddie Mac and represent the remaining balances of the $172 billion of agency debt purchased by the Federal Reserve between 2008 and 2010. These holdings are scheduled to mature between 2029 and 2032.

Agency CMBS Holdings

During the year, SOMA agency CMBS holdings decreased by $295 million to $7.8 billion. The Desk did not purchase any new agency CMBS during 2025 and there were no reinvestments of agency CMBS portfolio principal payments. However, consistent with the FOMC directive to reinvest all principal payments from agency securities as of December 1, CMBS principal payments received during December will be reinvested beginning in January 2026. The composition of agency CMBS holdings was approximately 79 percent Fannie Mae securities, 8 percent Ginnie Mae securities, and 13 percent Freddie Mac securities at the end of 2025.

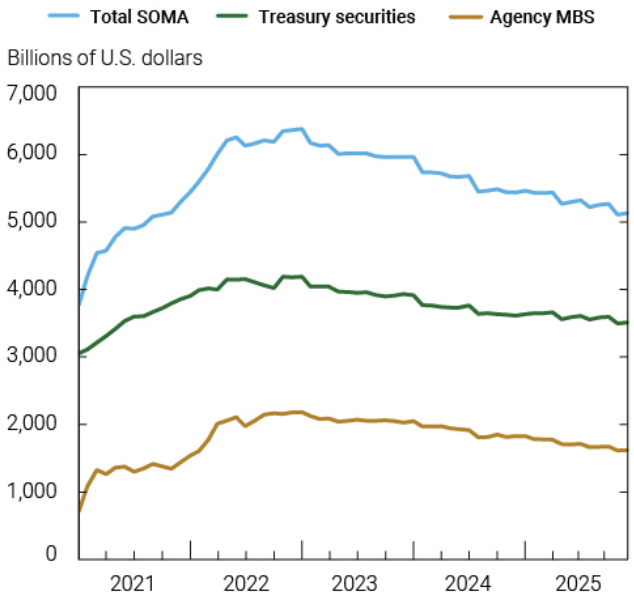
PORTFOLIO RISK METRICS

Duration measures the sensitivity of a security's price to changes in interest rates and reflects the present value–weighted average time to maturity of cash flows from the security. Duration is greater for longer-maturity and lower-coupon securities, and the prices of longer-duration securities are more sensitive to changes in interest rates.

During 2025, the dollar value of duration risk held in the SOMA portfolio moved modestly lower. One method of measuring dollar duration is in terms of ten-year equivalents—that is, the amount of ten-year Treasury securities that would be needed to match the duration risk in the portfolio.[18] By this metric, the SOMA portfolio's ten-year equivalent measure decreased from $5.44 trillion at the end of 2024 to $5.13 trillion at the end of 2025, driven by the decline in portfolio size (Chart 14).

Chart 14

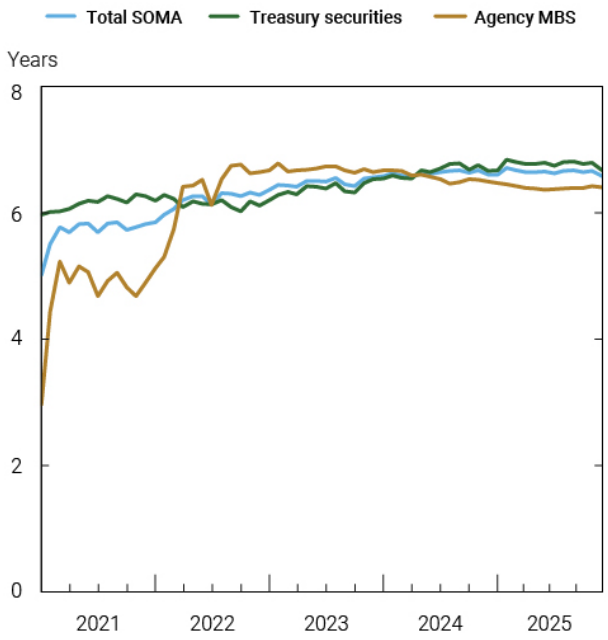
SOMA Domestic Securities Holdings in Ten-Year Equivalents



Source: Federal Reserve Bank of New York.
Notes: Figures are as of month-end and include unsettled MBS. Calculations are par-weighted. Total SOMA and agency MBS do not include agency CMBS. Agency debt is not shown given the small balance of holdings.

Chart 15

Average Duration of SOMA Domestic Securities Holdings



Source: Federal Reserve Bank of New York.
Notes: Figures are as of month-end and include unsettled MBS. Calculations are par-weighted. Total SOMA and agency MBS do not include agency CMBS. Agency debt is not shown given the small balance of holdings.

Over the year, the par-weighted average duration of total SOMA domestic securities holdings was unchanged at 6.6 years (Chart 15).[19] The Treasury portfolio duration was unchanged at 6.7 years, as the impacts of lower rates and SOMA Treasury reinvestments were roughly offset by the aging of securities holdings and purchases of bills.[20] The duration of the agency MBS portfolio decreased by 0.1 years to 6.4 years.[21] The duration of agency debt declined by 0.7 years, but this had minimal impact on the average duration of the total portfolio, given the limited amount of agency debt holdings.

SOMA Repurchase Agreements

At year-end, $74.6 billion in standing repo operations were outstanding and there were no outstanding repurchase agreements under the FIMA repo facility. Usage of SRP operations was larger and more frequent in 2025 compared to prior years, highlighting the SRP's core role in dampening upward pressure in rates and supporting smooth market functioning in an ample reserves regime. SRP usage increased during the second half of the year as broader repo rates rose, especially around periodic reporting, tax payment, and Treasury settlement dates. The FIMA repo facility saw limited use, resulting from occasional idiosyncratic transactions and test operations. (For more information on repurchase agreement operations, see the "Open Market Operations" section of this report.)

Central Bank Liquidity Swaps

Global dollar funding markets functioned well in 2025, resulting in low swap line usage. The average outstanding balance across all U.S. dollar swap lines over the year was approximately $99 million, down from $201 million in 2024. Total outstanding swaps temporarily rose to around $480 million at year-end, less than the $1.1 billion seen at the end of 2024. This year-end increase typically reverses fully by early January. (For more information on central bank swaps, see the "Open Market Operations" section of this report.)

SOMA Foreign Currency–Denominated Holdings

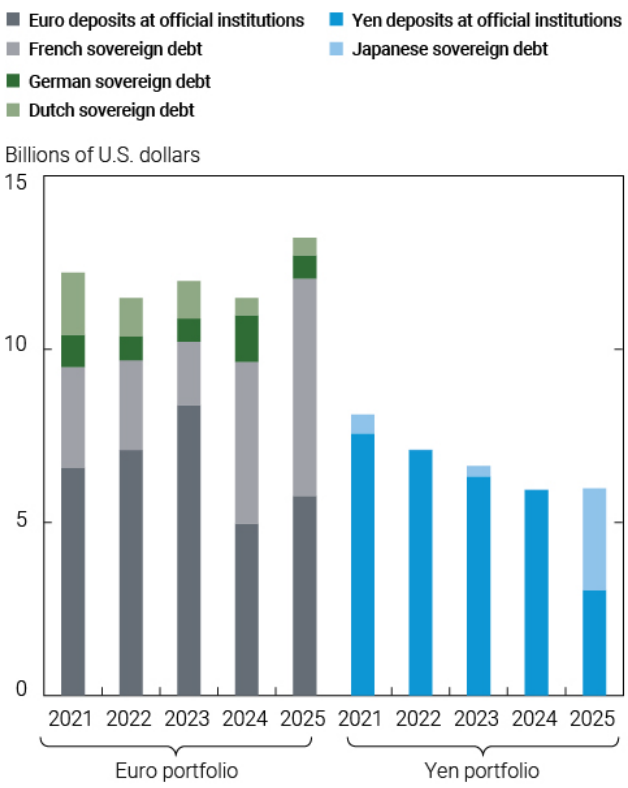
The Federal Reserve holds foreign currency–denominated assets, which are invested to ensure adequate liquidity to meet potential foreign exchange intervention needs. As of year-end 2025, the SOMA foreign currency portfolio totaled $19.2 billion, composed of $13.2 billion of euro-denominated assets and $6.0 billion of yen-denominated assets.

The total value of the portfolio in U.S. dollar terms increased on net over the year due primarily to the appreciation of the euro against the dollar. Income for the euro portfolio totaled $260 million in 2025, a decline of $65 million from 2024, while yen portfolio income increased $28 million to $32 million, reflecting a decline in interest rates in the euro area and higher average policy interest rates in Japan.[22]

At year-end, the euro portfolio held about 55 percent in euro-denominated government debt obligations and about 45 percent in deposits at official institutions. During the year, the Macaulay duration of the euro-denominated portfolio significantly increased, rising from eleven months to twenty-three months, as government debt holdings increased as a share of the euro portfolio.[23] The share of the yen-denominated portfolio invested in Japanese government debt obligations significantly increased during the year from very low levels in 2024 (Chart 16). Due to this increase in government debt holdings, the Macaulay duration of the yen-denominated portfolio increased from less than one day to six months. (For more information on the foreign currency–denominated portfolio, see the "Open Market Operations" section of this report.)

Chart 16

Distribution of SOMA Foreign Currency Portfolio Holdings



Source: Federal Reserve Bank of New York.
Note: Figures reflect amortized cost.

Primary Credit and Bank Term Funding Programs

PRIMARY CREDIT PROGRAM

The Federal Reserve's discount window plays a key role in supporting the effective implementation of monetary policy and the stability of the banking system. By providing ready access to funding, the discount window programs help depository institutions manage their liquidity risks efficiently and support the smooth flow of credit to households and businesses during times of market stress. In 2025, the primary credit rate was lowered from 4.50 percent to 3.75 percent, decreasing in line with the federal funds target range throughout the year.

Primary credit is the main discount window program for healthy depository institutions and usage increased modestly during 2025, with outstanding balances averaging $4.8 billion over the year, up from $3.7 billion in 2024. Small domestic banks with total assets of less than $50 billion continued to account for the majority of the total loan originations under primary credit in 2025.

BANK TERM FUNDING PROGRAM AND EMERGENCY LIQUIDITY FACILITIES

The total loan balances of the remaining emergency credit and liquidity facilities that were set up in response to the COVID-19 pandemic and the 2023 banking stress declined by $9.3 billion in 2025 to reach a level of $555 million, primarily due to maturities or prepayments by borrowers. The last loan under the Bank Term Funding Program rolled off in March 2025. The loan balances of the Main Street

Lending Program (MSLP) decreased by $3.0 billion in 2025 to a level of $492 million at year-end, with the remaining amount rolling off on January 5, 2026. The Paycheck Protection Program Liquidity Facility (PPPLF) balance decreased by $1.9 billion in 2025 to reach $63 million at year-end. The final maturity dates for the PPPLF loans are scheduled for July 2026. The Federal Reserve Board continues to provide periodic reports to Congress on the facilities.[24]

SELECTED LIABILITIES

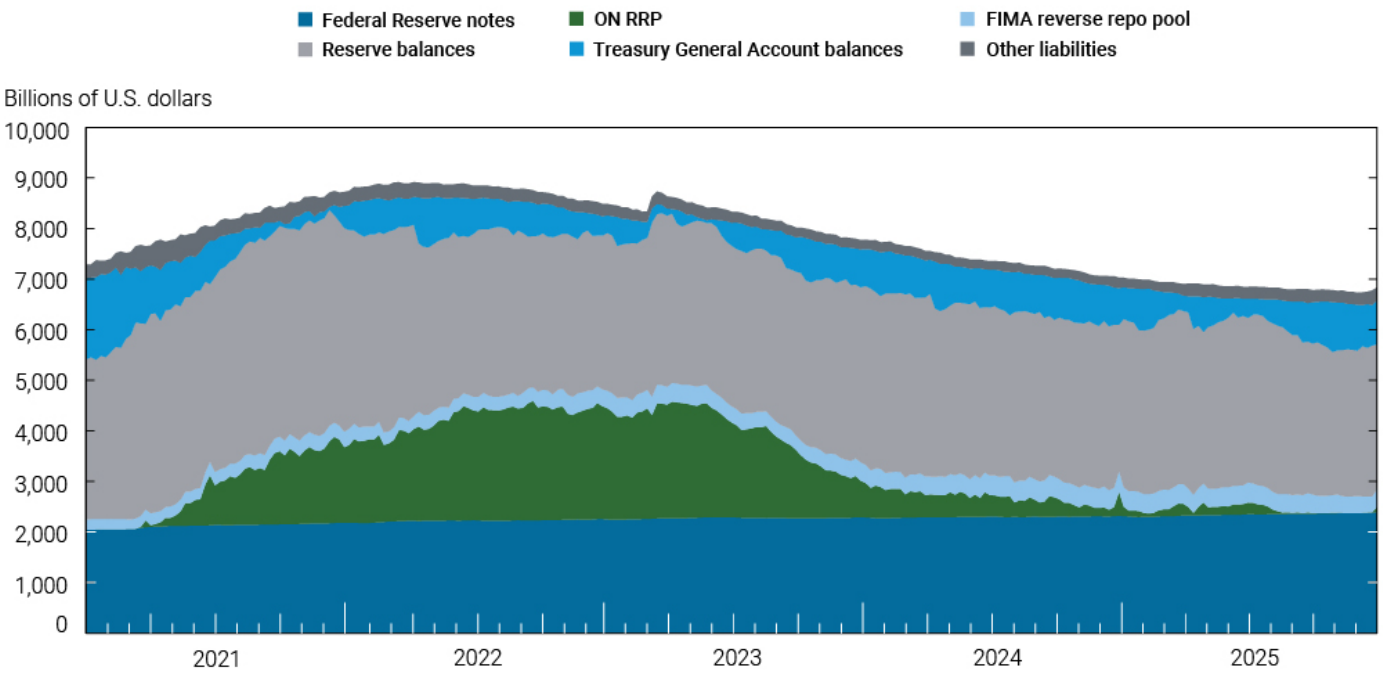
Total liabilities and capital at the Federal Reserve declined during 2025, reaching a level of $6.88 trillion compared to $7.07 trillion at year-end 2024 (Chart 17). Changes in the composition of Federal Reserve liabilities were largely driven by fluctuations in the TGA and ON RRP usage.

Reserve Balances

Average reserve levels in December were $322.3 billion lower compared to 2024 and reached a level of $2.85 trillion at the end of 2025. Reserves were elevated in the first half of the year as the TGA balance decreased to a low level amid debt limit constraints. With the resolution of the debt limit in July, reserves began to trend lower as the TGA was rebuilt, while SOMA portfolio runoff continued (Chart 18).

Chart 17

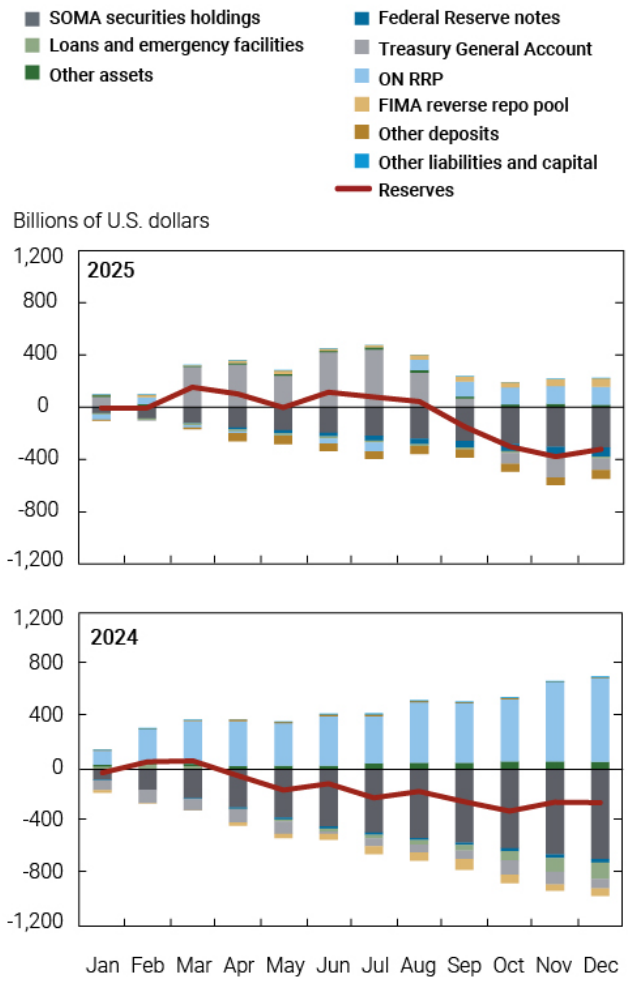
Federal Reserve Liabilities



Source: Board of Governors of the Federal Reserve System.
Notes: Figures are weekly. Other liabilities include deposits from international and multilateral organizations, government-sponsored entities, designated financial market utilities, and other non-reserve liabilities.

Chart 18

Sources of Cumulative Change in Reserve Balances



Source: Federal Reserve Bank of New York.
Notes: Unless otherwise indicated, amounts for each asset and liability reflect the cumulative change in the monthly average of each item's weekly average. Bars above the axis reflect changes that increase reserves, while bars below the axis represent changes that reduce reserves. All else equal, increases (decreases) in SOMA securities holdings, loans and emergency facilities, and other assets increase (decrease) reserves, while increases (decreases) in Federal Reserve notes, Treasury General Account, ON RRP, FIMA reverse repo pool, other deposits, and other liabilities and capital decrease (increase) reserves. Other assets primarily include unamortized net premiums and accrued interest receivable on securities, foreign currency-denominated holdings, repo, liquidity swaps, and the deferred asset. The deferred asset represents monthly averages of weekly levels of earnings remittances due to the U.S. Treasury. Loans and emergency facilities reflect the monthly average of the sum of the weekly averages of primary credit loans, other loans, and loans from emergency credit facilities.

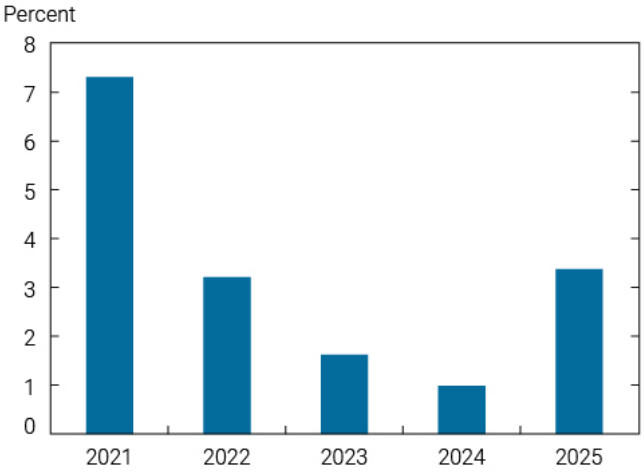
Federal Reserve Notes

Federal Reserve Notes, commonly referred to as currency in circulation (currency), increased by $71.9 billion in 2025 to a level of $2.39 trillion. This is about a 3 percent annual growth rate, compared to 1 percent in 2024 (Chart 19).[25] For U.S. households and firms, currency is an asset that can be readily exchanged for goods and services and serves as a store of value. Demand for U.S. currency also originates from abroad. Historically, the rate of growth of currency outstanding has reflected the pace of expansion of domestic economic activity in nominal terms, although acute financial or political uncertainty can also drive growth in currency.

The increased pace of currency growth in 2025 reflected growth in domestic and foreign currency demand. While domestic currency demand growth was largely driven by continued economic growth, foreign currency demand growth was mostly due to uncertainty about economic conditions.

Chart 19

Annual Changes in Federal Reserve Notes



Source: Board of Governors of the Federal Reserve System.
Note: Figures reflect annual growth rates based on year-end Wednesday levels.

Reverse Repurchase Agreements

OVERNIGHT REVERSE REPOS

ON RRP balances decreased from an average level of $171.4 billion in December 2024 to an average of about $10 billion in December 2025, reflecting increasingly attractive short-term investment alternatives for counterparties. (For more information, see the "Open Market Operations" section of this report.)

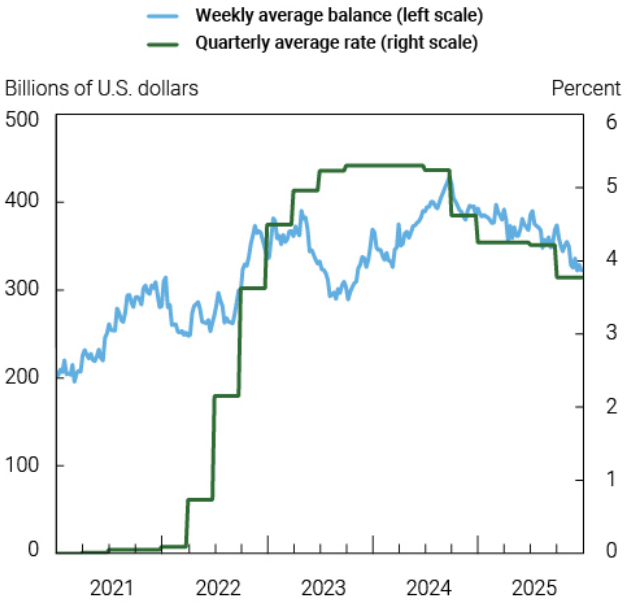
FIMA REVERSE REPO POOL

The New York Fed offers its foreign official and international account holders an overnight repo investment service through the FIMA reverse repo pool, also known as the foreign repo pool. At the end of each business day, account holders' cash balances are swept into an overnight reverse repo secured by the SOMA domestic securities holdings. Upon maturity on the following business day, the securities are repurchased by the SOMA at a price that includes a return that is calculated at a rate generally equivalent to the ON RRP rate, although the New York Fed may vary the rate of return at any time without prior notice. This service addresses a strong preference by many central banks to hold significant dollar liquidity buffers at the Federal Reserve for policy purposes, and supports operational liquidity needs to clear and settle securities in these accounts. Like other reserve currency central banks, the Federal Reserve offers this service as part of a suite of banking and custody services to central banks, governments, and international official institutions.

FIMA reverse repo pool balances averaged nearly $365 billion in 2025, below the average of nearly $380 billion in 2024 (Chart 20). On net, the FIMA reverse repo pool decreased by $58.7 billion in 2025 from year-end 2024 levels. The decline was in part a reversal of increases in 2024 by account holders who preferred to keep dollar liquidity at the Federal Reserve, with 2025 outflows occurring amid generally higher money market rates compared to the FIMA reverse repo pool. The FIMA reverse repo pool's quarterly average interest rate decreased from 4.55 percent to 3.77 percent during 2025, in line with decreases in the target range for the federal funds rate.

Chart 20

FIMA Reverse Repo Pool



Sources: Board of Governors of the Federal Reserve System; Federal Reserve Bank of New York.

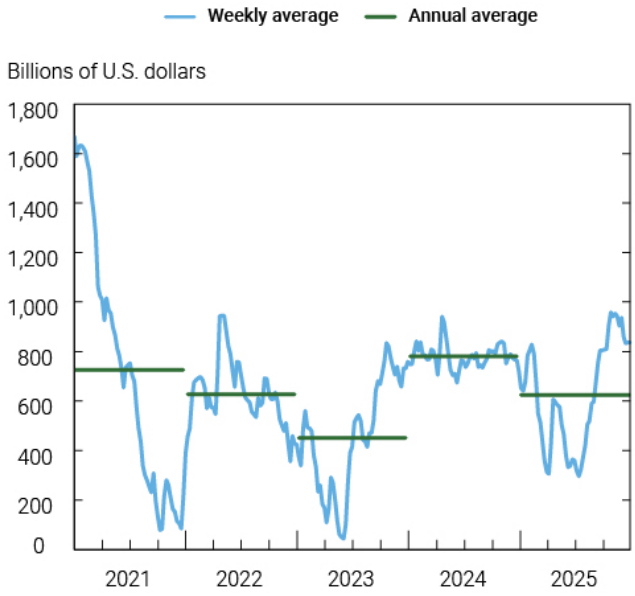
Deposits

TREASURY GENERAL ACCOUNT

By statute, the Federal Reserve acts as the fiscal agent for the federal government, and the U.S. Treasury maintains a cash balance at the Federal Reserve known as the Treasury General Account. The U.S. Treasury uses the TGA to deposit individual and corporate taxes paid to the U.S. government, disburse payments, pay interest on federal debt, and settle Treasury security issuance, maturities, and buybacks. TGA balances typically show significant variation around Treasury auction settlement dates, periods of significant expenditures, such as those related to Social Security or military spending, and tax payment deadlines.

Chart 21

Treasury General Account Balances



Source: Board of Governors of the Federal Reserve System.
Note: Weekly figures are the average of daily figures; annual figures are the average of the weekly figures for the year.

To ensure that it can meet its obligations even if its ability to borrow new funds is temporarily disrupted, the U.S. Treasury generally strives to maintain a TGA balance that is large enough to cover one week of net outgoing payments, including the gross volume of maturing marketable debt, subject to a minimum of roughly $150 billion. The U.S. Treasury often holds a TGA balance above the level necessary to meet its projected cash needs as part of its regular and predictable approach to issuing debt.[26]

The TGA increased by $151.0 billion from the prior year to reach a level of $872.9 billion in 2025 (Chart 21). During the year, the TGA fluctuated between about $260 billion and $1 trillion. In the first half of the year, the debt limit constrained the amount of debt the U.S. Treasury was able to issue, resulting in the TGA declining to a low of about $260 billion in June. Following the resolution of the debt limit in early July, the U.S. Treasury resumed a robust pace of Treasury bill issuance, which, along with tax receipts and coupon issuance, drove the TGA to its highest level of the year at roughly $1 trillion in late October, before modestly decreasing in the rest of the year.

Foreign Official and Other Deposits

The Federal Reserve offers deposit services to international and multilateral organizations, foreign official institutions, government-sponsored enterprises, and designated financial market utilities (DFMUs). GSEs are financial intermediaries chartered by the federal government that primarily facilitate the flow of credit to the housing and agriculture sectors. DFMUs provide the infrastructure for transferring, clearing, and settling payments, securities, and other financial transactions.[27] Deposits held by FIMA customers and GSEs at the New York Fed are not remunerated; deposits held by DFMUs may be remunerated at the rate paid on reserve balances to depository institutions or another rate determined by the Board, not to exceed the general level of short-term interest rates.

In 2025, average aggregate balances of foreign official and other deposits increased by about $52 billion to reach roughly $221 billion. The aggregate increase was driven primarily by an increase in other deposits. GSE account balances continued to vary during each month, with increases occurring when certain GSEs positioned funds in their Federal Reserve accounts ahead of monthly principal and interest payments on MBS, though these monthly peaks remained muted given the low level of agency MBS prepayments. Foreign official deposits were stable over the year.

FINANCIAL RESULTS

SOMA net income was negative $10.8 billion in 2025 compared to negative $74.7 billion in 2024, as interest expenses and other funding costs exceeded interest income during the full year. The Federal Reserve's deferred asset at the end of 2025 was $243.5 billion.[28] The deferred asset represents the amount of cumulative net income the Federal Reserve must earn before resuming remittances to the U.S. Treasury.

SOMA Net Income

The major contributors to SOMA net income are the interest income on SOMA assets and interest expenses on SOMA liabilities (primarily the ON RRP and FIMA reverse repo facilities), as well as interest expenses on non-SOMA liabilities (reserves and certain other deposits), which are assumed to also fund SOMA assets.

In 2025, reduced interest expenses on reserves (assumed funding costs) and reverse repurchase agreements resulted in SOMA net income of negative $10.8 billion, compared to negative $74.7 billion in 2024 (Table 3 and Chart 22). The decline in interest expenses was driven by decreases in expenses on reserve balances that are assumed to fund SOMA assets, in line with decreases in administered rates during the year. Expenses on reverse repurchase agreements decreased mainly due to significantly lower ON RRP balances. Total interest income from the SOMA portfolio increased modestly due to higher interest earned on new holdings acquired through reinvestments. Given these continuing trends, Federal Reserve net income is expected to turn positive in 2026 (see the "Projections" section for further detail).

Federal Reserve Remittances

The Federal Reserve remits its earnings to the U.S. Treasury Department on a weekly basis, after providing for the cost of operations, payment of dividends, and any amount necessary to maintain aggregate Reserve Bank surplus up to the statutory limit. The Federal Reserve continued to suspend nearly all remittances to the U.S. Treasury during 2025.

Table 3

SOMA Net Income

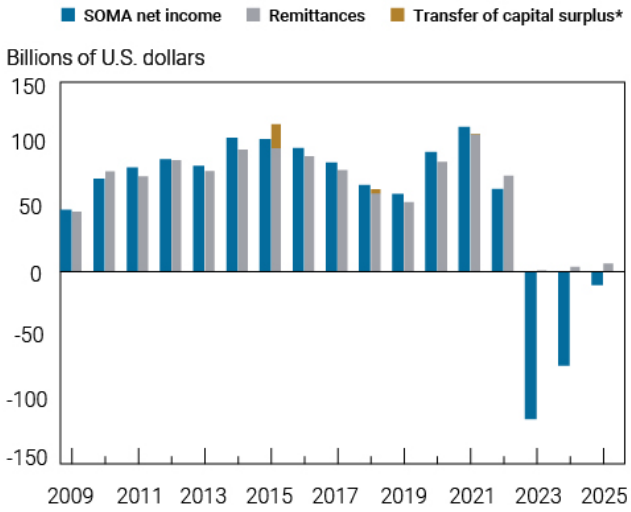
Billions of U.S Dollars

	2025	2024
Interest income		
Treasury securities	106.6	100.5
Agency MBS	48.0	52.7
Agency debt	0.1	0.1
Repurchase agreements		
FIMA repurchase agreements	0.0	0.0
Standing repurchase agreements	0.1	0.0
Other	0.3	0.3
	155.1	153.6
Interest expense		
Reverse repurchase agreements		
Overnight reverse repurchase agreements	(4.5)	(20.7)
FIMA reverse repurchase agreements	(15.3)	(19.6)
Other	0.0	0.0
	(19.7)	(40.3)
Non-interest income (loss)		
Foreign currency translation gains (losses)	1.6	(1.5)
Other	(0.1)	(0.1)
	1.5	(1.6)
SOMA income	136.9	111.8
Assumed funding cost	(147.7)	(186.5)
SOMA net income	(10.8)	(74.7)

Sources: Federal Reserve Bank of New York; Board of Governors of the Federal Reserve System.
Notes: Assumed funding cost represents the interest expense on reserves and certain other deposits assumed to be associated with the funding of the SOMA portfolio. These non-SOMA liabilities also fund non-SOMA assets such as loans extended by Federal Reserve Banks. A substantial portion of non-SOMA liabilities are not remunerated, including Federal Reserve notes and the Treasury General Account.

Chart 22

SOMA Net Income and Federal Reserve Remittances to the U.S. Treasury



Sources: Federal Reserve Bank of New York; Board of Governors of the Federal Reserve System.
Note: Remittances for 2023, 2024, and 2025 reflect the sum of all positive weekly remittances during the year.
* Represents the transfer of capital from Federal Reserve Banks to comply with the statutory limit on the aggregate Federal Reserve surplus. In 2015, a one-time transfer was made to reduce capital surplus to $10 billion as required by the FAST Act. One-time transfers were also made in 2018, when the limit was reduced to $7.5 billion from $10 billion, and in 2021, when the limit was reduced to $6.825 billion by the National Defense Authorization Act.

The negative net income realized in 2025 increased the deferred asset to $243.5 billion. Once Federal Reserve net income turns positive, this deferred asset will be reduced and eventually extinguished. The deferred asset has no effect on the ability of the Federal Reserve to implement monetary policy or meet any of its financial obligations.

SOMA Unrealized Gains and Losses

The market value of the SOMA securities portfolio fluctuates with changes in the prevailing level of interest rates. The unrealized gains or losses in the SOMA securities portfolio represent the difference between the portfolio's current market value and its book value (amortized cost). Unrealized gains or losses converge to zero as securities approach maturity, since all prices revert to par at maturity. They have no impact on the Federal Reserve's net income or Treasury remittances unless securities are sold,

Table 4

SOMA Domestic Portfolio Unrealized Gains and Losses
Billions of U.S. Dollars

Date	Treasury Securities	Agency MBS	Agency Debt	Total
2021	134.6	(7.4)	0.7	127.9
2022	(672.8)	(407.7)	0.2	(1,080.4)
2023	(585.2)	(363.3)	0.1	(948.4)
2024	(653.2)	(410.6)	0.1	(1,063.7)
2025	(535.3)	(309.1)	0.1	(844.2)

Source: Board of Governors of the Federal Reserve System.
Note: Figures are as of year-end.

and do not affect monetary policy implementation or effectiveness.

The SOMA domestic portfolio's unrealized loss position was $844.2 billion at end-2025, significantly lower than year-end 2024 (Table 4). The foreign portfolio held an unrealized loss of $55.5 million at year-end 2025, compared to an unrealized loss of $61.2 million in 2024. Unrealized losses broadly decreased due to lower market interest rates across the yield curve compared to 2024.

PROJECTIONS

The projections presented here show how the Federal Reserve's balance sheet may evolve over time in a monetary policy implementation regime with ample reserves. The future path of the SOMA portfolio depends on demand for Federal Reserve liabilities, including reserves. These projections show a possible path of the portfolio based on a set of simple assumptions for the growth in demand for Federal Reserve liabilities; these assumptions are purely illustrative and are intended to give a sense of balance sheet mechanics and longer-term dynamics.[29] In this exercise, the SOMA portfolio grows through reserve management purchases of Treasury securities so that increases in the demand for Federal Reserve liabilities do not bring reserves below the ample level.

We assume that Federal Reserve liabilities start at their December 2025 average levels and grow in line with nominal GDP, which is constructed using responses from the Desk's January 2026 Survey of Market Expectations (Desk Survey).[30] The remainder of the section presents potential outcomes for the path of the portfolio, income, and reserves projections that are primarily based on publicly available information. (For more details on assumptions, see Appendix 4.)

Projection Results

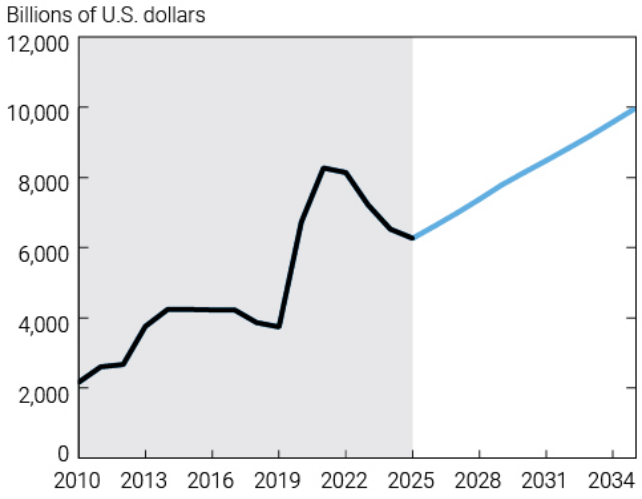
PATH OF PORTFOLIO HOLDINGS AND RESERVE BALANCES

Starting with the SOMA domestic securities portfolio as of December 2025 and incorporating the assumptions described above results in a path for the SOMA through 2035. For illustrative purposes, liabilities are assumed to exhibit smooth growth over the forecast horizon; in practice, these factors exhibit daily and seasonal volatility that may influence the actual pace of reserve management purchases within a year.[31]

As Federal Reserve liabilities grow in line with the projected path of nominal GDP (NGDP), reserve management purchases of Treasury securities are conducted in the secondary market through the end of the forecast horizon to maintain ample reserves conditions.[32]

Chart 23

Projected SOMA Domestic Securities Holdings

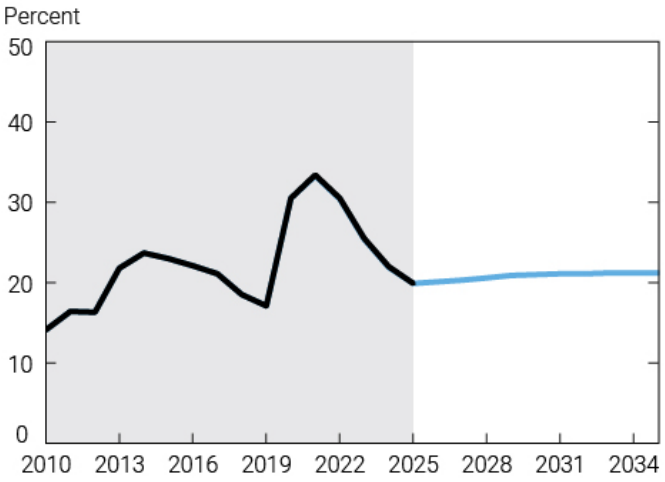


Source: Federal Reserve Bank of New York.
Notes: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances.

Reserve management purchases start at $345 billion per year and range between $330 billion and $395 billion per year over the projection horizon to accommodate the growth in currency and other Federal Reserve liabilities, demand for reserves, and a decline in the deferred asset.[33] Reinvestments of principal payments from agency securities holdings into Treasury securities average roughly $170 billion per year in the first few years of the horizon, and fall to $95 billion per year by the end of the horizon. As a result, the SOMA portfolio grows to $10.0 trillion by the end of 2035, representing a 21 percent share of NGDP (Charts 23 and 24), while reserve balances grow to $4.4 trillion, maintaining a 9 percent share of NGDP (Charts 25 and 26). There is substantial uncertainty regarding how the demand for Federal Reserve liabilities, including reserves, will evolve, and what the appropriate growth of the SOMA portfolio will be.[34] Should demand for Federal Reserve liabilities grow faster than assumed, then the portfolio would grow more than projected. Conversely, if demand increases at a more moderate pace than expected or declines, the portfolio would grow less or even possibly decline.

Chart 24

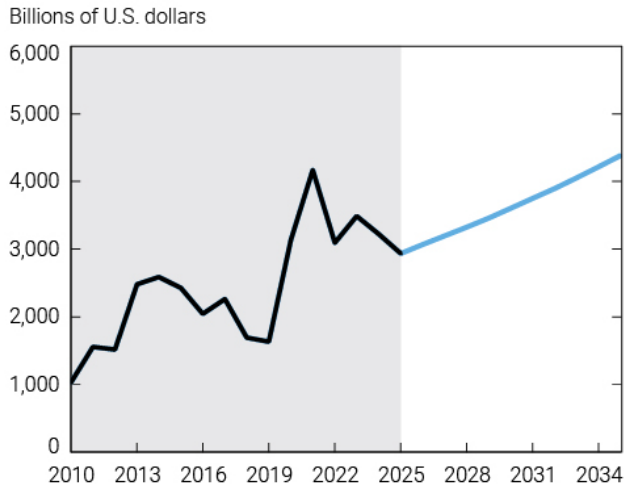
Projected SOMA Domestic Securities Holdings as a Share of NGDP



Source: Federal Reserve Bank of New York.
Notes: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances as a share of year-end NGDP.

Chart 25

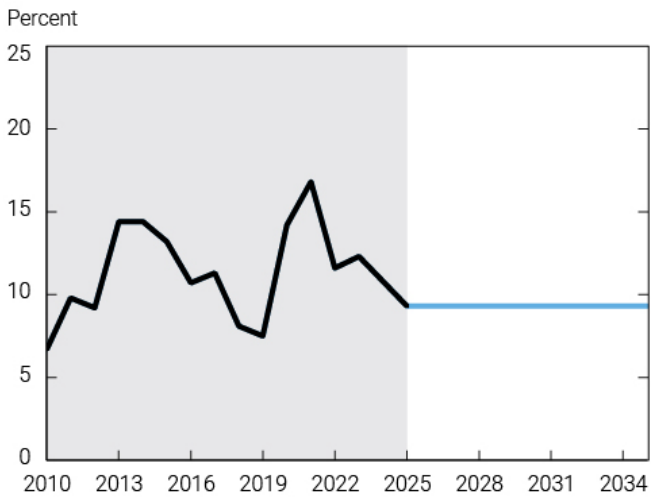
Projected Reserve Balances



Source: Federal Reserve Bank of New York.
Notes: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances calculated as averages of December daily reserve balances.

Chart 26

Projected Reserve Balances as a Share of NGDP



Source: Federal Reserve Bank of New York.
Notes: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances calculated as averages of December daily reserve balances as a share of year-end NGDP.

PORTFOLIO COMPOSITION

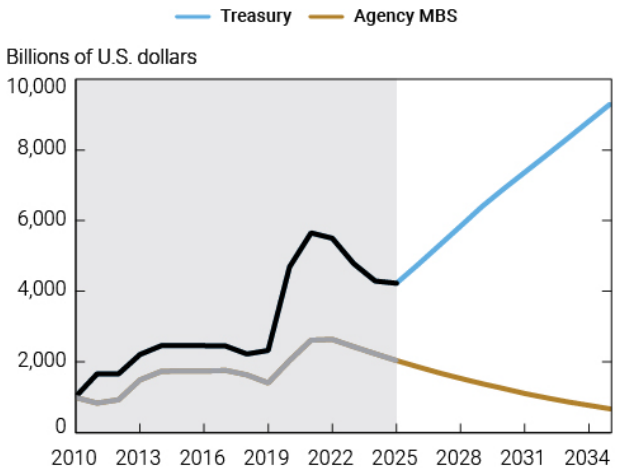
Over the projection horizon, the share of the SOMA portfolio held in agency MBS declines from 32 percent to around 7 percent by the end of 2035 (Chart 27). The projected change in the SOMA portfolio composition stems from the assumption that the proceeds from agency MBS paydowns will continue to be reinvested in Treasury securities and reserve management purchases will continue to be conducted in Treasury securities. These assumptions reflect the Committee's stated intention to return to a portfolio composed primarily of Treasury securities.

SOMA NET INCOME AND REMITTANCES

As discussed earlier in this report, the Federal Reserve remits excess earnings to the U.S. Treasury after providing for the cost of operations, the payment of dividends, and any amount necessary to maintain an aggregate Reserve Bank capital surplus up to the statutory limit. SOMA net income—a measure that reflects interest income on SOMA assets less interest expenses on SOMA liabilities (ON RRP

Chart 27

Projected SOMA Domestic Securities Holdings by Asset Class



Source: Federal Reserve Bank of New York.
Notes: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances.

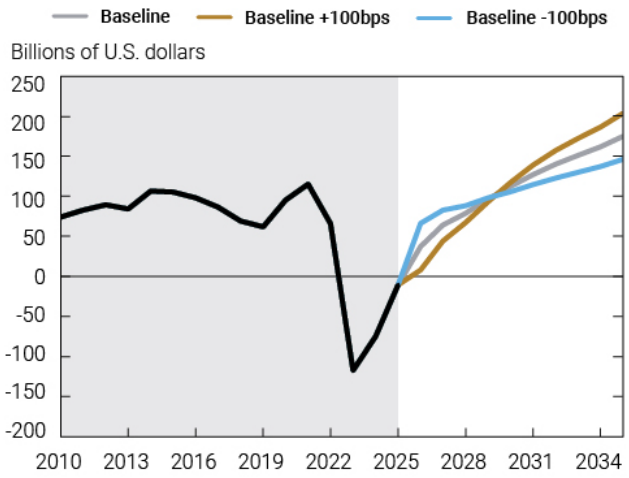
and FIMA reverse repo pool) and interest expenses on certain non-SOMA interest-bearing liabilities (reserves and certain other deposits)—is the primary driver of Federal Reserve remittances.[35]

In this exercise, SOMA net income is projected to be positive over the forecast horizon, averaging nearly $60 billion per year for the first few years and increasing gradually to almost $175 billion per year by the end of the horizon (Chart 28). The assumption of an upward sloping yield curve, together with a path of short-term interest rates from the Desk Survey that is little changed over the horizon, results in higher interest income relative to interest expense. Interest income increases over the horizon as securities are added to the portfolio at higher yields than those on existing holdings through reinvestments and reserve management purchases; meanwhile, interest expense increases at a slower pace amid a relatively flat path of short-term interest rates. Federal Reserve net income, which includes non-SOMA portfolio expenses like Federal Reserve System operating expenses, is expected to follow a similar path to SOMA net income. Since Federal Reserve net income is positive, the deferred asset gradually declines, and remittances to the U.S. Treasury resume once the deferred asset is extinguished; in this illustrative projection, that occurs in early 2030.

To illustrate the sensitivity of SOMA net income to alternate interest rate paths, Chart 29 also shows the outcomes for net income assuming short- and long-term interest rates that are 100 basis points higher and lower than the baseline projection. When interest rates are 100 basis points higher than indicated in the Desk Survey, net income is lower in the medium term than in the baseline scenario due to higher expenses from interest paid on reserves. Further out in the projection horizon, net income is higher than under the baseline scenario as the effects of higher funding costs are more than offset by higher coupon income as securities are purchased at higher yields. Under a lower interest rate scenario, net income is initially higher than under the baseline scenario due to lower interest expense. Later in the projection horizon, net income is lower than it is in the baseline scenario because of lower coupon income.[36]

Chart 28

Projected SOMA Net Income



Source: Federal Reserve Bank of New York.
Notes: Figure is annual totals and is rounded. Figures for 2010-25 are shaded and represent historical balances.

SOMA UNREALIZED GAINS AND LOSSES

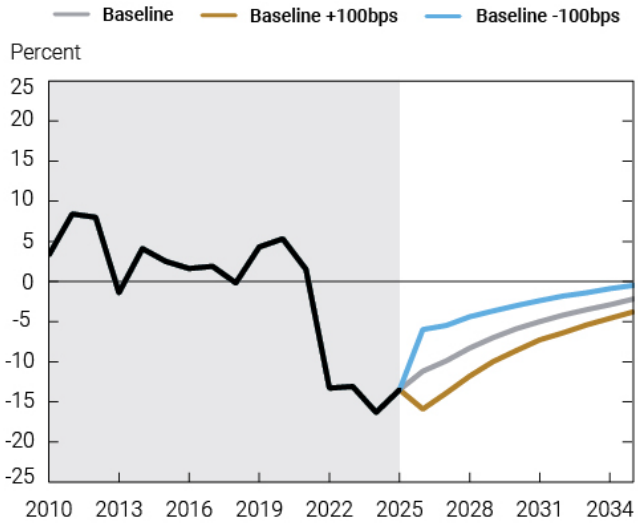
The market value of securities holdings—and, accordingly, the portfolio's unrealized gains or losses—fluctuates with changes in the prevailing level of market rates for Treasury and agency securities. As of December 2025, the portfolio was in an unrealized loss position, which reflects the difference between the market value of the portfolio and its book value (including amortized cost). Assuming the baseline path of market interest rates, the unrealized loss on the portfolio is projected to shrink over the forecast horizon to about $225 billion, or 2 percent of the par value of the SOMA portfolio (Chart 29). Over time, the market value of the portfolio trends toward par as security holdings approach maturity.

Similar to the sensitivity of net income, when interest rates are assumed to be 100 basis points higher than indicated in the Desk Survey, the unrealized loss on the portfolio becomes larger. If interest rates are lower, the unrealized loss on the portfolio shrinks more quickly.[37]

As noted earlier, the Federal Reserve's earnings and unrealized gains or losses have no impact on its ability to fulfill its financial obligations or to implement monetary policy in pursuit of statutory goals.

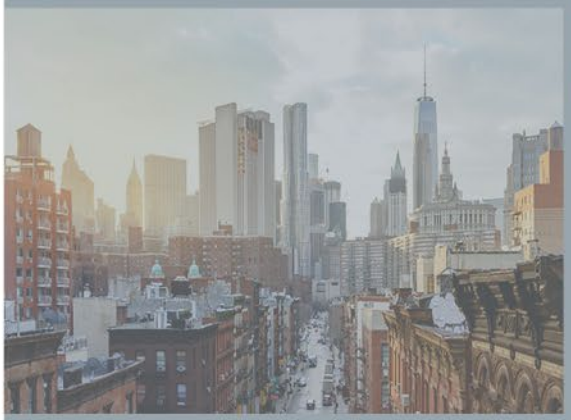
Chart 29

Projected SOMA Unrealized Gains and Losses as a Share of the SOMA Portfolio



Source: Federal Reserve Bank of New York.
Notes: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances.


FEDERAL RESERVE



COUNTERPARTIES

The New York Fed relies on a robust network of trading counterparties to supply the necessary operational capacity to execute domestic and foreign open market operations (Chart 30). This network of counterparties is diverse and geographically dispersed to ensure that the New York Fed can continue to conduct open market operations in a range of scenarios.[38]

PRIMARY DEALERS

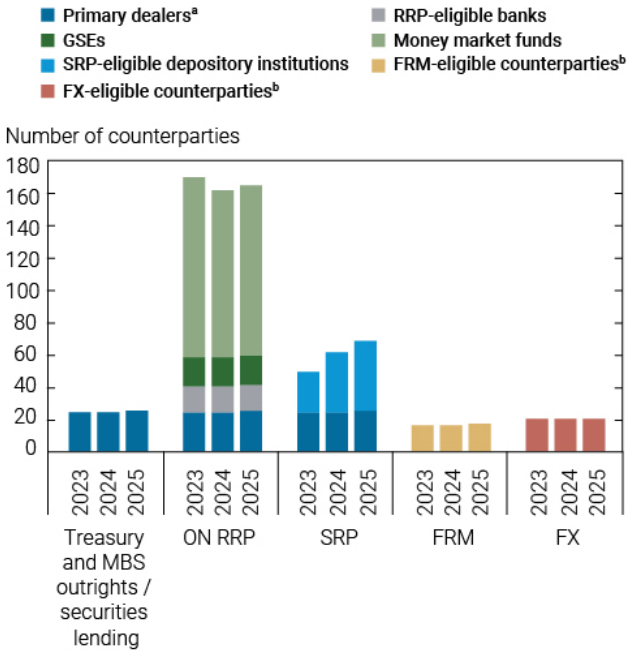
Primary dealers are trading counterparties of the New York Fed in its implementation of monetary policy and are expected to participate consistently and competitively in open market operations. They are also expected to make markets for the New York Fed on behalf of its official account holders as needed and to bid on a pro rata basis in all Treasury auctions at reasonably competitive prices.[39] The New York Fed also expects primary dealers to provide ongoing insight into market developments in the daily market monitoring activities that the Desk conducts to support the formulation and implementation of monetary policy. As of December 31, 2025, there were twenty-five primary dealers.

REVERSE REPURCHASE AGREEMENT COUNTERPARTIES

To enhance its ability to support the monetary policy objectives of the FOMC, the New York Fed has arrangements with an expanded set of counterparties with whom the Desk can conduct reverse repo transactions. These RRP counterparties—which include money market funds, government-sponsored enterprises, and banks—augment the existing set of primary dealer counterparties with which the New York Fed can conduct reverse repos. As of December 31, 2025, there were 139 expanded RRP counterparties, comprising 105 money market funds from thirty-two investment management firms, eighteen government-sponsored enterprises, and sixteen banks.

Chart 30

Counterparty Types by Operation



Source: Federal Reserve Bank of New York.

[a] A primary dealer is generally either (1) a broker-dealer or (2) a state or federally chartered bank or savings association, or a state or federally licensed branch or agency of a foreign bank. Except as otherwise noted, entities that qualify under both the "primary dealers" category and other categories are listed as primary dealers.

[b] May include primary dealers or affiliates thereof, but only if they individually qualify under applicable requirements. The counterparty names for foreign reserves management (FRM) and foreign exchange (FX) are consolidated at the parent entity level. The Desk may trade with domestic or foreign branches, subsidiaries, or other affiliates of these entities.

STANDING REPURCHASE AGREEMENT COUNTERPARTIES

To support the effective implementation of monetary policy and smooth market functioning, the New York Fed can conduct repo transactions with SRP counterparties. These SRP counterparties—which are all banks—augment the existing set of primary dealer counterparties with which the New York Fed can conduct repos. As of December 31, 2025, there were forty-three standing repo counterparties.

FOREIGN EXCHANGE COUNTERPARTIES

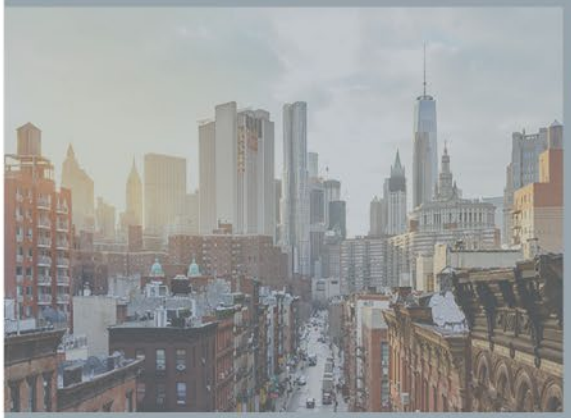
Foreign exchange counterparties are trading counterparties of the New York Fed in its foreign exchange operations conducted on behalf of the Federal Reserve and the U.S. Treasury. These counterparties are also expected to make reasonable markets for Desk transactions that relate to the currency needs of the New York Fed's official account holders and agencies of the U.S. government.

Foreign exchange counterparties are expected to provide competitive two-way pricing, as needed, to support the Desk's periodic foreign exchange operations. In addition, the New York Fed relies on its foreign exchange counterparties for ongoing insight into global financial market developments as it conducts daily market monitoring activities to support the formulation and implementation of policy by U.S. monetary authorities. As of December 31, 2025, there were twenty foreign exchange counterparties.[40]

FOREIGN RESERVES MANAGEMENT COUNTERPARTIES

The New York Fed transacts with foreign reserves management counterparties to invest the foreign currency reserves of the Federal Reserve and the U.S. Treasury. These counterparties are expected to participate consistently and competitively in the Desk's periodic investment operations. As of December 31, 2025, there were seventeen parent financial firms.


FEDERAL RESERVE



OPERATIONAL FLEXIBILITY AND RESILIENCY

OPERATIONAL READINESS

The Desk continued its practice of conducting small-value exercises for certain domestic and foreign SOMA operations to maintain operational readiness.[41] These transactions were conducted end-to-end, from trade execution through settlement, which supports the Desk's operational capability to execute a range of operation types that may be required to expeditiously implement future policy directives. The conduct of small-value exercises should not be interpreted as a signal about the possible future timing or direction of changes in policy.

In 2025, the Desk conducted small-value exercises to facilitate a smooth transition of daily repo and reverse repo operations to FedTrade Plus, the new trading platform for conducting open market operations. Both SRP and ON RRP operations fully transitioned to FedTrade Plus as of November 2025.[42] The Desk continues to use small-value exercises to support the transition of other open market operations to the FedTrade Plus platform.

The Desk also routinely uses small-value exercises to test back-up tools to support contingency preparedness efforts. These exercises test the Desk's ability to conduct certain critical operations under a scenario in which the primary trade platform or tools are unavailable. In 2025, exercises with back-up tools were conducted for overnight repo, overnight reverse repo, and securities lending operations.

The aggregate par value of all transactions conducted for the purpose of testing operational readiness remained within their authorized limits during 2025. These tests covered domestic and foreign outright operations, as well as repo and reverse repo transactions. Small-value exercises for domestic operations were announced in advance, and the results were posted on the New York Fed's website (Table 5). Results of small-value central bank liquidity swap transactions were also posted on the New York Fed's website (Table 6).

Table 5

Small-Value Exercises in 2025: Domestic Operations

Operation Type	Operation Amount (Millions of U.S. Dollars)
Treasury outright purchases and sales	800
Agency MBS outright purchases and sales	886
Agency MBS coupon swaps	30
Agency MBS dollar rolls	30
Overnight reverse repurchase agreement transactions with back-up tool	104
Term repurchase agreement transactions	61
SRP transactions with back-up tool	275
Treasury securities lending with back-up tool	108
FedTrade Plus transactions	390

Source: Federal Reserve Bank of New York.
Notes: Figures may be rounded. Further details for each small-value exercise are available on the Federal Reserve Bank of New York's website.

Table 6

Small-Value Exercises in 2025: Foreign Operations

Operation Type	Operation Amount
Foreign reserves management transactions	
Euro portfolio	€ 32,800,000
Yen portfolio	¥1,800,000,000
Foreign currency liquidity swaps with standing swap line central banks	
Bank of Canada	CAD 50,000
European Central Bank	€ 10,000
Swiss National Bank	CHF 50,000

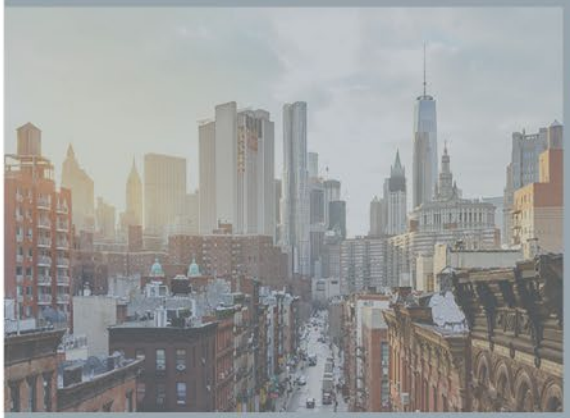
Source: Federal Reserve Bank of New York.
Notes: Figures may be rounded. Further details for each small-value exercise are available on the Federal Reserve Bank of New York's website.

GEOGRAPHIC RESILIENCY

In the event of wide-scale disruptions in large metropolitan areas (in particular, the New York region, where many market participants are located), the Federal Reserve must continue to conduct open market operations and settlement activities. In 2025, the Desk continued to enhance its operational flexibility and resiliency by maintaining a robust, geographically dispersed network of counterparties and Desk operations.

To sustain the resiliency of the Desk's operations, the New York Fed has continued to operate alternative sites for trading and settlement of open market operations in other Reserve Bank locations across the Federal Reserve System. These arrangements ensure that the Desk has the resources needed to carry out critical operational and analytical activities should a contingency scenario affect the greater New York area. Similarly, all primary dealers have established and regularly tested geographically dispersed primary and secondary locations to ensure that robust end-to-end participation in open market operations would still be conducted amid any wide-scale disruption.


FEDERAL RESERVE



APPENDIX 1:

Terms for Desk Operations

The following tables summarize the key terms for Desk operations as they were implemented in 2025. For more information on each open market operation, including frequently asked questions (FAQs), visit the Markets & Policy Implementation page of the New York Fed's website, at www.newyorkfed.org/markets.

Overnight Reverse Repurchase Agreements

For more information, visit the FAQs at www.newyorkfed.org/markets/rrp_faq.

Term	Overnight
Eligible securities	U.S. Treasury securities
Counterparties	Primary dealers, eligible 2a-7 money market funds, government-sponsored enterprises, and banks
Operation Method	These operations were limited by the value of Treasury securities held outright in the SOMA that was available for such operations.
Frequency	Daily
Per counterparty limit	One proposition per counterparty in an amount not to exceed $160 billion
Rate	January 1 to September 17: 5.30 percent September 18 to October 29: 4.80 percent October 30 to December 10: 4.55 percent December 11 to December 31: 4.25 percent
Awards	The ON RRP facility was conducted as a fixed-price, single-price auction. When the total amount of propositions received was less than or equal to the amount of available securities, all awards were made at the specified offer rate to all counterparties that submitted propositions. In the event that the value of propositions received exceeded the amount of available securities, awards would have been made at the rate at which this size limit was achieved (the stop-out rate), with all propositions below this rate awarded in full and all propositions equal to this rate awarded on a pro rata basis.
Execution platform	January 1 to November 13: FedTrade, the Desk's proprietary trading platform November 14 to December 31: FedTrade Plus, the Desk's proprietary trading platform

Standing Repurchase Agreements

For more information, visit the FAQs at www.newyorkfed.org/markets/repo-agreement-ops-faq.

Term	Overnight
Eligible securities	U.S. Treasury securities, agency debt securities, and agency MBS
Counterparties	Primary dealers and eligible depository institutions
Operation Method	January 1 to December 10: $500 billion operation limit December 11 to December 31: Full allotment
Frequency	January 1 to January 3: Twice daily January 4 to March 26: Daily March 27 to April 2: Twice daily April 3 to June 25: Daily June 26 to December 31: Twice daily
Per counterparty limit	January 1 to December 10: Two propositions of up to $20 billion per eligible security type December 11 to December 31: One proposition of up to $40 billion per eligible security type
Rate	January 1 to September 17: 4.50 percent September 18 to October 29: 4.25 percent October 30 to December 10: 4.00 percent December 11 to December 31: 3.75 percent
Awards	January 1 to December 10: Auctions were conducted in a multiple-price format. If the total amount bid in an individual operation was less than or equal to the aggregate operation limit, all propositions were accepted at their submitted rates. If the aggregate amount bid exceeded the aggregate operation limit, propositions were accepted at their submitted rates, starting with the highest rate bid relative to the benchmark rate set internally for each security type and working down until the aggregate operation limit was reached. Any remaining individual propositions were either partially awarded or not awarded based on their proximity to those benchmark rates for each security type. December 11 to December 31: All propositions fully awarded at the SRP rate
Execution platform	January 1 to November 13: FedTrade, the Desk's proprietary trading platform November 14 to December 31: FedTrade Plus, the Desk's proprietary trading platform

Central Bank Liquidity Swaps

For more information, visit the FAQs at www.federalreserve.gov/newsevents/pressreleases/swap-lines-faqs.htm.

Maturity	Up to 88 days
Counterparties	Foreign central banks with standing swap line arrangements
Frequency	The central bank liquidity swap counterparties hold U.S. dollar liquidity-providing operations according to a schedule pre-approved by the Chair of the FOMC. One-week maturity operations were offered weekly throughout 2025 by four of the five standing swap central banks.
Per counterparty limit	None specified
Price	For price details, see operation results at www.newyorkfed.org/markets/desk-operations/central-bank-liquidity-swap-operations.

Outright Treasury Purchases

For more information, visit the FAQs at https://www.newyorkfed.org/markets/treasury-reinvestments-purchases-faq.html.

Eligible securities	Reserve Management Purchases: U.S. Treasury bills Reinvestment of agency security principal payments: U.S. Treasury bills and, if needed, other U.S. Treasury securities with remaining maturities of three years or less
Counterparties	Primary dealers
Operation size and frequency	The Desk published a tentative schedule of operations for each applicable month, detailing operation dates and times, the security types and maturity range, and maximum purchase amount for each operation.
Holdings limit	SOMA holdings were limited to a maximum of 70 percent of the total outstanding amount of any individual Treasury security.
Excluded securities	Securities trading with heightened scarcity value in the repo market for specific collateral, newly issued nominal coupon securities, securities that were cheapest to deliver into active Treasury futures contracts, cash management bills, TIPS with one year or less to maturity, other securities with four weeks or less to maturity, STRIPS, and securities trading in the when-issued market. The specific issues excluded from consideration were announced at the start of each operation.
Offer submission	Counterparties were allowed to submit nine propositions per security across the range of eligible securities for an operation.
Awards	Offers were evaluated based on their proximity to prevailing market prices at the close of the multiple-price auction, as well as measures of relative value. Relative value measures were calculated using the New York Fed's proprietary model.
Execution platform	FedTrade, the Desk's proprietary trading platform

Reinvestments of Treasury Securities

For more information, visit the FAQs at www.newyorkfed.org/markets/treasury-rollover-faq.html.

Eligible securities	All securities issued at auction by the U.S. Treasury
Counterparties	U.S. Treasury
Operation size and frequency	The value of all maturing Treasury securities in excess of any applicable redemption cap amount as directed by the Committee were rolled over at each auction into newly issued securities. Reinvestments were allocated proportionally across new issues by the announced offering amounts.
Holdings limits	SOMA holdings were limited to a maximum of 70 percent of the total outstanding amount of any individual Treasury security.
Bid submission	The Desk places noncompetitive bids for the SOMA portfolio at Treasury auctions. These bids were treated as add-ons to announced auction sizes.
Awards	Noncompetitive bidders receive the stop-out rate, yield, or discount margin determined by the competitive auction process.
Execution platform	TAAPS, the auction platform for issuance of Treasury securities

Securities Lending

For more information, visit the FAQs at www.newyorkfed.org/markets/sec_faq.htm.

Term	Overnight
Eligible securities	U.S. Treasury and agency securities (for securities loaned and collateral received)
Counterparties	Primary dealers
Aggregate operation limit	The value of Treasury and agency debt securities held outright in the SOMA that was available for such operations
Frequency	Daily
Aggregate lending limit	Ninety percent of each Treasury and agency debt security owned by the SOMA with a maturity of fourteen or more days was available for lending each day (the "theoretical amount" available to borrow).
Per counterparty limit	Maximum of 25 percent of the theoretical amount available to borrow per issue and $5 billion total par in outstanding securities loans at any one time
Per issue bid limit	Up to two bids per issue
Fee	Primary dealers bid a fee to borrow the security; the fee is economically equivalent to a spread between the overnight general collateral repo rate and the overnight specials rate for the borrowed security. The minimum fee is 5 basis points.
Awards	Held as a competitive multiple-price auction for each security
Execution platform	FedTrade, the Desk's proprietary trading platform

Foreign Reserves Management

For more information, see www.newyorkfed.org/markets/international-market-operations/foreign-reserves-management.

Counterparties	Foreign Reserves Management counterparties
Eligible assets	The SOMA's foreign currency reserves may be invested on an outright basis in German, French, Dutch, and Japanese government securities, as well as in deposits at the Bank for International Settlements and at foreign central banks such as the Deutsche Bundesbank, Banque de France, De Nederlandsche Bank, and Bank of Japan. The Desk may also invest in German, French, and Dutch government securities under agreements for repurchase of such securities.
Execution platform	Tradeweb and Bloomberg (commercial trading platforms), voice trading

APPENDIX 2:

Governing Documents

AUTHORIZATIONS AND RESOLUTIONS FOR DOMESTIC AND FOREIGN OPERATIONS EFFECTIVE IN 2025

On January 28, 2025, the FOMC voted to reaffirm the following governing documents:
www.federalreserve.gov/monetarypolicy/files/FOMC_RulesAuthPamphlet_202501.pdf

- Authorization for Domestic Open Market Operations (page 74)
- Continuing Directive for Domestic Open Market Operations (page 77)
- Authorization for Foreign Currency Operations (page 80)
- Continuing Directive for Foreign Currency Operations (page 85)

GUIDELINES FOR THE CONDUCT OF SYSTEM OPEN MARKET OPERATIONS IN FEDERAL-AGENCY ISSUES

The Guidelines for the Conduct of System Open Market Operations in Federal-Agency Issues, which were temporarily suspended on January 27, 2009, remained suspended throughout 2025 (page 15).
www.federalreserve.gov/monetarypolicy/files/FOMC_RulesAuthPamphlet_202501.pdf

DOMESTIC POLICY DIRECTIVES ISSUED TO THE FEDERAL RESERVE BANK OF NEW YORK

In 2025, the FOMC authorized and directed the Open Market Desk at the Federal Reserve Bank of New York to execute transactions in the SOMA in accordance with domestic policy directives. The domestic policy directives issued by the FOMC from January 1 to December 31 are available at:
www.federalreserve.gov/monetarypolicy/fomccalendars.htm

APPENDIX 3:

Operations Disclosures

The following table summarizes the types of information disclosed by the Desk about various SOMA operations. To access the data listed in the table, visit the Markets Data Dashboard on the New York Fed's website, at www.newyorkfed.org/markets/data-hub. For Treasury data, see www.treasurydirect.gov/auctions/announcements-data-results/.

Operations Disclosures

Operation Type	Operation Conducted Daily or Schedule Released in Advance	Aggregated Results Released Immediately After Operation	Aggregated Data Released with Delay [b]	Transaction-Level Data with Private Counterparties Released with Two-Year Lag
Domestic open market operations [a]				
Standing repurchase agreement transactions	✓	✓	✓	✓
Overnight reverse repurchase agreement transactions	✓	✓	✓	✓
Treasury securities lending	✓	✓	✓	✓
Outright Treasury purchases	✓	✓	✓	✓
Foreign currency operations				
Foreign reserves management transactions				✓
Central bank liquidity swaps			✓[c]	

Source: Federal Reserve Bank of New York.
[a] Results of SOMA reinvestments in Treasury auctions are released by the U.S. Treasury directly following an auction.
[b] Additional data could include details about types of counterparties, pricing, and higher-frequency transaction data.
[c] Transactions with foreign central bank counterparties are reported weekly by the New York Fed; foreign central banks' operation results are reported directly after completion of their respective auctions.

APPENDIX 4:

Summary of Projection Assumptions

The assumptions underlying the scenarios for the SOMA portfolio and the SOMA net income projection exercise are presented below. Sources for these assumptions include responses drawn from the Desk's January 2026 Survey of Market Expectations (Desk Survey) and simple rules used to proxy the evolution of Federal Reserve liabilities.

INTEREST RATE ASSUMPTIONS

- The following interest rates are set based on responses to the Desk Survey:
  - the effective federal funds rate: the median expected midpoint of the federal funds target range falls to 3.1 percent in the longer run,
  - the ten-year Treasury yield: 4.3 percent in the longer run, and
  - the thirty-year fixed primary mortgage rate: 6.0 percent in the longer run.
- The IORB rate is set 10 basis points below the top of the target range.
- The ON RRP offering rate is set at the bottom of the target range.

BALANCE SHEET ASSUMPTIONS

Projections start with the SOMA portfolio as of December 31, 2025, and other Federal Reserve balance sheet components as averages of December 2025 levels.

Asset-related assumptions:

- Reserve management purchases (RMPs) are conducted in sizes sufficient to accommodate the growth in capital and liabilities (for more details see liability-related assumptions below).
- All RMPs are conducted in Treasury securities and all principal payments from agency securities holdings are reinvested into Treasury securities, both initially in bills and later in coupons across the curve.

Liability-related assumptions:

- Longer-run levels of capital and liabilities grow from their average December 2025 levels over the projection horizon in line with nominal GDP (NGDP).
- The long-run NGDP growth rate (4.0 percent) is calculated using the following rates based on the median responses to the Desk Survey:
  - real GDP growth rates (2.0 percent in the longer run), and
  - personal consumption expenditure (PCE) price inflation (2.0 percent in the longer run).

APPENDIX 5:

Reference Web Pages

Policies, communications, and data discussed in this document can be found online at the websites for the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York. Below, we provide the primary web pages where this source material can be found.

FEDERAL RESERVE BOARD

FOMC rules and authorizations
www.federalreserve.gov/monetarypolicy/rules_authorizations.htm

FOMC statements, implementation notes, minutes, and information about policy normalization
www.federalreserve.gov/monetarypolicy/fomccalendars.htm
www.federalreserve.gov/monetarypolicy/policy-normalization.htm

Background on interest on reserve balances
www.federalreserve.gov/monetarypolicy/reservereq.htm

Detailed transaction information about discount window lending to depository institutions
www.federalreserve.gov/regreform/discount-window.htm

Federal Reserve System financial reports
www.federalreserve.gov/aboutthefed/fed-financial-statements.htm

FEDERAL RESERVE BANK OF NEW YORK

Markets & Policy Implementation
www.newyorkfed.org/markets

Markets Data Dashboard and historical open market operations data
www.newyorkfed.org/markets/data-hub
www.newyorkfed.org/markets/omo_transaction_data

Electronic version of this report and the underlying data for the charts and tables
www.newyorkfed.org/markets/annual_reports.html

OPERATIONAL POLICIES, FAQS, OPERATION RESULTS, AND OTHER DETAILS REGARDING:

Domestic market operations
www.newyorkfed.org/markets/domestic-market-operations

International market operations
www.newyorkfed.org/markets/international-market-operations

New York Fed counterparties for market operations
www.newyorkfed.org/markets/counterparties

System Open Market Account holdings
www.newyorkfed.org/markets/soma-holdings
www.newyorkfed.org/data-and-statistics/data-visualization/system-open-market-account-portfolio

Consolidated list of statements and operating policies across all Desk open market operations
www.newyorkfed.org/markets/op_policies.html

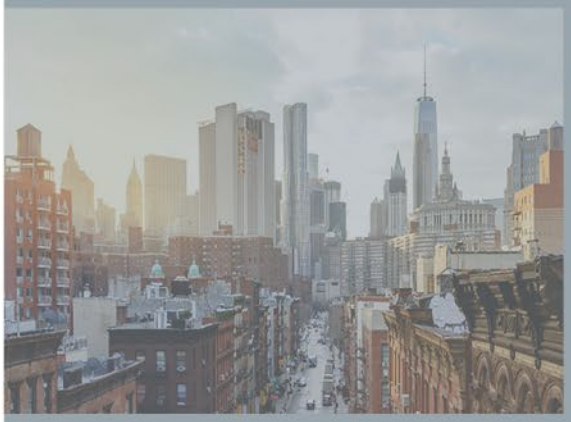
Desk statement regarding small-value exercises
www.newyorkfed.org/markets/operational-readiness

Desk surveys of market expectations
www.newyorkfed.org/markets/market-intelligence/survey-of-market-expectations

Reference rates published by the New York Fed
www.newyorkfed.org/markets/reference-rates

Services for central banks and international institutions
www.newyorkfed.org/markets/central-bank-and-international-account-services


FEDERAL RESERVE

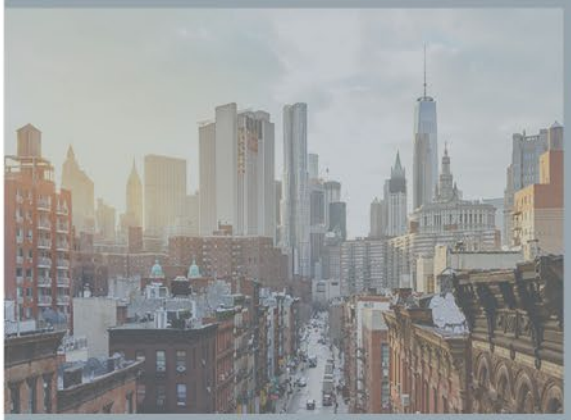


INDEX OF CHARTS AND TABLES

CHARTS

TABLES


FEDERAL RESERVE



ENDNOTES

[1] In line with the Plans, the FOMC announced a further slowing of the pace of balance sheet runoff during March. At that time the Committee directed the Desk to reduce the monthly redemption of Treasury securities to $5 billion per month beginning in April. For further details, see https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm.

[2] For further details, see https://www.federalreserve.gov/aboutthefed/files/quarterly-report-20251121.pdf.

[3] For further details, see https://www.federalreserve.gov/monetarypolicy/monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy-2025.htm and https://www.federalreserve.gov/newsevents/pressreleases/ monetary20220126b.htm.

[4] The effective federal funds rate is calculated from the rates at which depository institutions and other eligible entities conduct overnight unsecured transactions in the federal funds market.

[5] For further details, see https://www.newyorkfed.org/newsevents/speeches/2023/per231010.

[6] For further details, see https://www.federalreserve.gov/monetarypolicy/standing-overnight-repurchase-agreements.htm.

[7] See "Implementing Monetary Policy: What's Working and Where We're Headed," remarks by the New York Fed's Roberto Perli, Manager of the System Open Market Account, at the National Association for Business Economics (NABE) Annual Meeting, October 10, 2023, https://www.newyorkfed.org/newsevents/speeches/2023/per231010.

[8] FBOs often borrow in the federal funds market from GSEs at rates slightly below IORB and subsequently place the proceeds on deposit at the Federal Reserve, earning the difference in rates.

[9] Foreign official institutions include foreign central banks, monetary authorities, and international organizations.

[10] The purchase period spanned December 12 through January 14. Purchases were made up of approximately $14.4 billion in reinvestment purchases and approximately an additional $40 billion in reserve management purchases over the purchase period. For detail on purchase plans and results, see https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details.

[11] For further details, see https://www.federalreserve.gov/newsevents/pressreleases/monetary20220126c.htm.

[12] The U.S. Treasury sets the official foreign exchange policy of the United States. In close and continuous cooperation with the U.S. Treasury, the FOMC authorizes and directs foreign currency operations, including foreign exchange interventions, for the SOMA. The New York Fed, in its capacity as fiscal agent of the United States, may also execute such transactions at the Treasury's direction on behalf of the U.S. Treasury Exchange Stabilization Fund.

[13] Further details can be found in the New York Fed's Treasury and Federal Reserve Foreign Exchange Operations quarterly reports. See https://www.newyorkfed.org/markets/quar_reports.

[14] The FOMC previously lowered the cap on redemptions of Treasury securities from $60 billion a month to $25 billion a month in June 2024.

[15] For further details, see https://www.federalreserve.gov/monetarypolicy/fomcminutes20251029.htm.

[16] As a result of the Uniform MBS program, some securities held in the SOMA consisted of mortgages guaranteed by both Fannie Mae and Freddie Mac. However, within this report such mortgages are counted as being guaranteed by their most recent guarantor.

[17] For further details, see https://www.newyorkfed.org/markets/agency_mbs_cusip_aggregation_faqs.

[18] The ten-year equivalent is calculated using end-of-day prices for ten-year Treasury securities and current time to maturity.

[19] Duration measures of the portfolio throughout this report are calculated on a par-weighted average basis.

[20] "Modified duration" is used to calculate the duration of Treasury securities. Modified duration approximates the percentage change in the price of a fixed-income security given a 100 basis point parallel shift in the yield curve and is most applicable to securities with fixed cash flows, such as Treasury securities.

[21] "Effective duration" is used to measure the duration of MBS and accounts for potential alterations in cash flows as interest rates change. This is suitable for MBS, given underlying homeowners' option to prepay their mortgage at any time without penalty, which makes agency MBS holders' expected cash flows uncertain. In general, lower mortgage rates encourage homeowners to refinance their loans, thus shortening the duration of the MBS with these loans, while higher mortgage rates discourage homeowners from refinancing, thereby increasing MBS duration.

[22] For more information, see the Treasury and Federal Reserve Foreign Exchange Operations Quarterly Report at https://www.newyorkfed.org/markets/quar_reports.html.

[23] Macaulay duration is the weighted average time of future cash flows.

[24] For further details, see https://www.federalreserve.gov/publications/files/13-3-report-20260113.pdf.

[25] The average annual growth rate of currency was 7 percent from 2010 through 2019.

[26] For more information on the Treasury's cash balance and financing policies, see https://home.treasury.gov/news/press-releases/sb0267 and https://home.treasury.gov/news/press-releases/jl10045.

[27] Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 authorized the Board of Governors to authorize Federal Reserve Banks to establish and maintain accounts for DFMUs. The DFMUs consist of The Clearing House Payments Company, L.L.C., CLS Bank International, Chicago Mercantile Exchange, Inc., The Depository Trust Company, Fixed Income Clearing Corporation, ICE Clear Credit L.L.C., National Securities Clearing Corporation, and The Options Clearing Corporation. For more details, see https://www.federalreserve.gov/paymentsystems/designated_fmu_about.htm.

[28] For more details on the comprehensive financials of the Federal Reserve System, see https://www.federalreserve.gov/aboutthefed/fed-financial-statements.htm.

[29] These projections do not reflect day-to-day changes in non-reserve liabilities, which in practice are highly variable and influenced by seasonal factors and calendar-related dynamics.

[30] The median expected longer-run growth rates of real GDP and personal consumption expenditures (PCE) price inflation are each 2.0 percent, consistent with a long-run level of NGDP growth of 4.0 percent.

[31] For example, the TGA experiences large changes associated with tax payment dates and Treasury debt financing.

[32] Treasury purchases are also conducted to reinvest principal payments from agency securities holdings.

[33] A decrease (increase) in the deferred asset reflects a decrease (increase) in reserve balances when interest income is more than (less than) interest expenses paid to depository institutions' reserve accounts and other accounts that remunerate interest.

[34] For background on the drivers of demand for Federal Reserve liabilities, see https://www.newyorkfed.org/newsevents/speeches/2024/rem240207.

[35] A substantial portion of Federal Reserve liabilities are not remunerated, including Federal Reserve notes and the Treasury General Account.

[36] A rate scenario in which the curve steepened, with long-term rates rising by more than short-term rates, would generally mean a higher path for SOMA net income over the forecast horizon, as the portfolio would earn incremental coupon income over time relative to its expenses. Conversely, a scenario in which the yield curve flattened, with short-term rates rising by more than long-term rates, would generally result in a lower path for SOMA net income over time.

[37] Since unrealized gains and losses on the portfolio are mostly driven by the gains or losses on longer-term holdings, a rate shock where the curve steepens or flattens would increase (decrease) losses to the extent that longer-term rates increase (decrease).

[38] For details about the New York Fed policy on counterparties for market operations, see https://www.newyorkfed.org/markets/counterparties/policy-on-counterparties-for-market-operations.

[39] The U.S. Treasury promulgates rules and provides guidelines for Treasury auctions that are applicable to primary dealers and other bidders. Primary dealers are expected to bid their pro rata share of each auction, an amount that is determined as the total amount auctioned divided by the number of primary dealers at the time of the auction.

[40] In limited circumstances, such as non-routine transactions where listed counterparties may not adequately meet applicable needs, the New York Fed may transact with counterparties not listed at https://www.newyorkfed.org/markets/counterparties/foreign-exchange-counterparties.

[41] The Desk is directed to conduct transactions for the purpose of testing operational readiness for domestic open market operations and foreign currency operations as discussed in paragraphs II.7, III.9, and IV.6 of the FOMC Authorization and Continuing Directives for Open Market Operations, https://www.federalreserve.gov/monetarypolicy/files/FOMC_ AuthorizationsContinuingDirectivesOMOs.pdf.

[42] Statement Regarding Use of FedTrade Plus for Repurchase Agreement and Reverse Repurchase Operations, https://www.newyorkfed.org/markets/opolicy/operating_policy_251106.