Figure 1: Stylized Monetary Policy Implementation Frameworks

Pre-Crisis Framework

Ample-Reserves Regime Framework

Marginal Lending Rate (primary credit rate)

Target Rate

Interest Rate

Supply of Reserves

Reserve Balances

Interest Rate

Marginal Lending Rate (primary credit rate)

IOER

ON RRP

Reserve Balances
Figure 2: Select Overnight Money Market Rates

Note: Data excludes day before quarter-ends, quarter-ends, day after quarter-ends, and month-ends.
Source: Federal Reserve Bank of New York, Federal Reserve Board of Governors
Figure 3: Assets and Liabilities of the Federal Reserve

Note: TGA is Treasury General Account, SFA is Supplementary Financing Account, RRPs are Reverse Repo Agreements, TDF is Term Deposit Facility, Federal Reserve Notes are currency in circulation.
Source: Board of Governors of the Federal Reserve System H.4.1 Statistical Release
### Figure 4: Drivers of Banks’ Lowest Comfortable Level of Reserves (LCLoR)

#### Percent of Respondents who Responded Important or Very Important

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Meeting routine intraday payment flows</td>
<td>57%</td>
<td>65%</td>
</tr>
<tr>
<td>2) Meeting potential deposit outflows</td>
<td>73%</td>
<td>35%</td>
</tr>
<tr>
<td>3) Satisfying internal liquidity stress metrics</td>
<td>63%</td>
<td>75%</td>
</tr>
<tr>
<td>4) Satisfying the bank’s reserve requirements</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>5) Seeking to earn IOER rate</td>
<td>10%</td>
<td>24%</td>
</tr>
<tr>
<td>6) Managing liquidity portfolio</td>
<td>30%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Note: The exact question respondents were asked was “Please rate the importance to your bank of the following considerations in determining the amount you indicated in question 1 on a scale of 1 (not important), 2 (somewhat important), 3 (important), or 4 (very important), or, if the factor is not applicable to your bank (for example, your bank is not subject to the regulatory requirement or does not engage in the described activity), please select ‘N/A.’” Factors included: a) Meeting routine intraday payment flows, b) Meeting potential deposit outflows, c) Satisfying internal liquidity stress metrics, d) Satisfying the bank’s reserve requirements, e) Seeking to earn the IOER rate instead of the return on other high-quality liquid assets, f) Managing liquidity portfolio based on monetization assumptions for high-quality liquid assets.

Source: September 2018 Senior Financial Officer Survey (SFOS)
Figure 5: Lowest Comfortable Level of Reserves (LCLoR) By Bank Type

Note: Extrapolated demand for reserves for the rest of the banking system based on various estimation methodologies that use the 2018 Senior Financial Officer Survey responses suggest total demand is between $822 billion and $896 billion. See: “Estimating System Demand for Reserve Balances Using the 2018 Senior Financial Officer Survey”, FEDS Notes published on April 9, 2019
Source: Federal Reserve Bank of New York; September 2018 Senior Financial Officer Survey (SFOS); Staff Calculations
Figure 6: Overnight Bank Funding Markets Trading Volumes at Rates Relative to IOER

Note: Overnight bank funding markets include the federal funds and Eurodollar markets.
Source: FR 2420 Report of Selected Money Market Rates
Figure 7: Daily Changes in Reserve Balances versus Daily Changes in EFFR – IOER Spread

Note: Excludes first and last business day of the month. Reserves exclude GSE balances.
Source: Federal Reserve Bank of New York, Board of Governors of the Federal Reserve System H.4.1 Statistical Release
Figure 8: Weekly Changes in Reserves versus Weekly Changes in Treasury General Account

Note: Data shows changes in Wednesday to Wednesday levels.
Source: Board of Governors of the Federal Reserve System H.4.1 Statistical Release
Figure 9: Variability of Non-Reserve Liabilities and Capital, Distribution of Changes in Weekly Levels

Note: Box plots indicate median, interquartile range, with maximum and minimum observations as whiskers. Data shows the distribution of changes from Wednesday to Wednesday for all non-reserve liabilities (currency, Treasury accounts, foreign repo pool, other deposits, overnight and term reverse repos conducted with private counterparties, and term deposits held by depository institutions).

Source: Board of Governors of the Federal Reserve System H.4.1 Statistical Release