

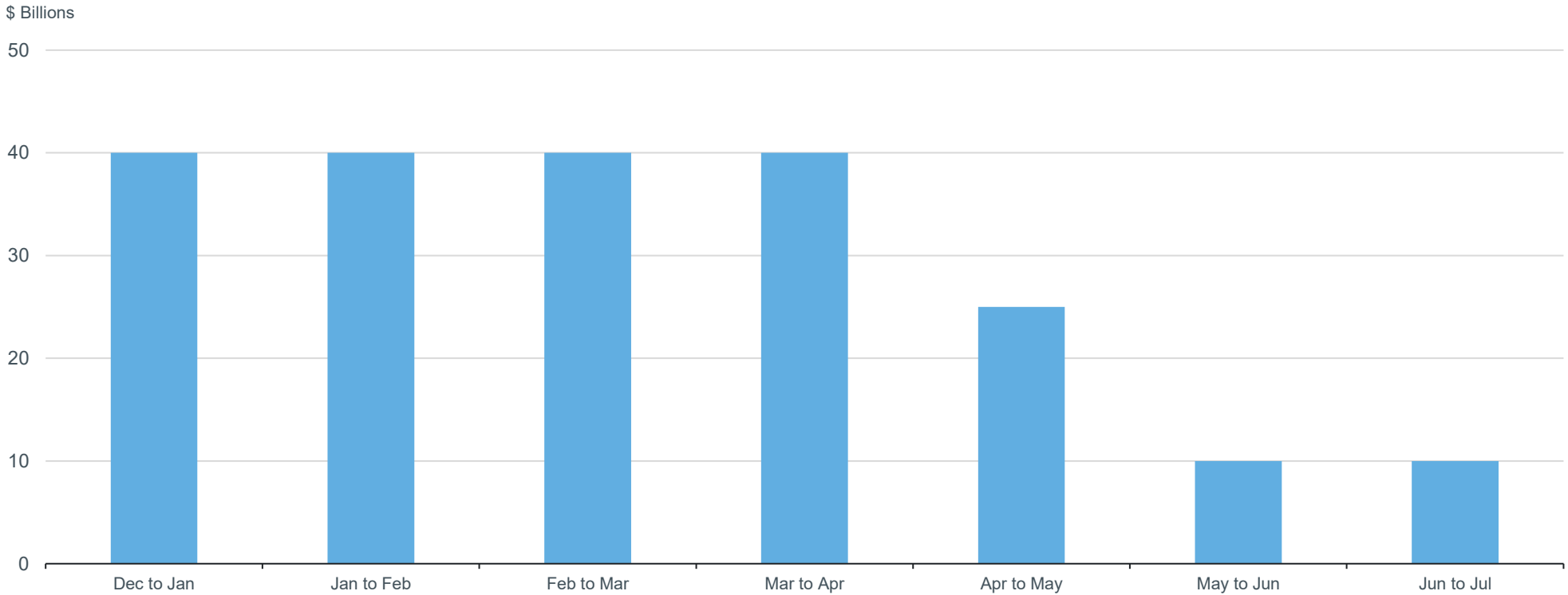
Repo Market Structure and Monetary Policy Implementation

Roberto Perli, System Open Market Account (SOMA) Manager
The Future of Market Liquidity and Functioning Workshop
July 9, 2026



Monthly RMP amounts have been reduced

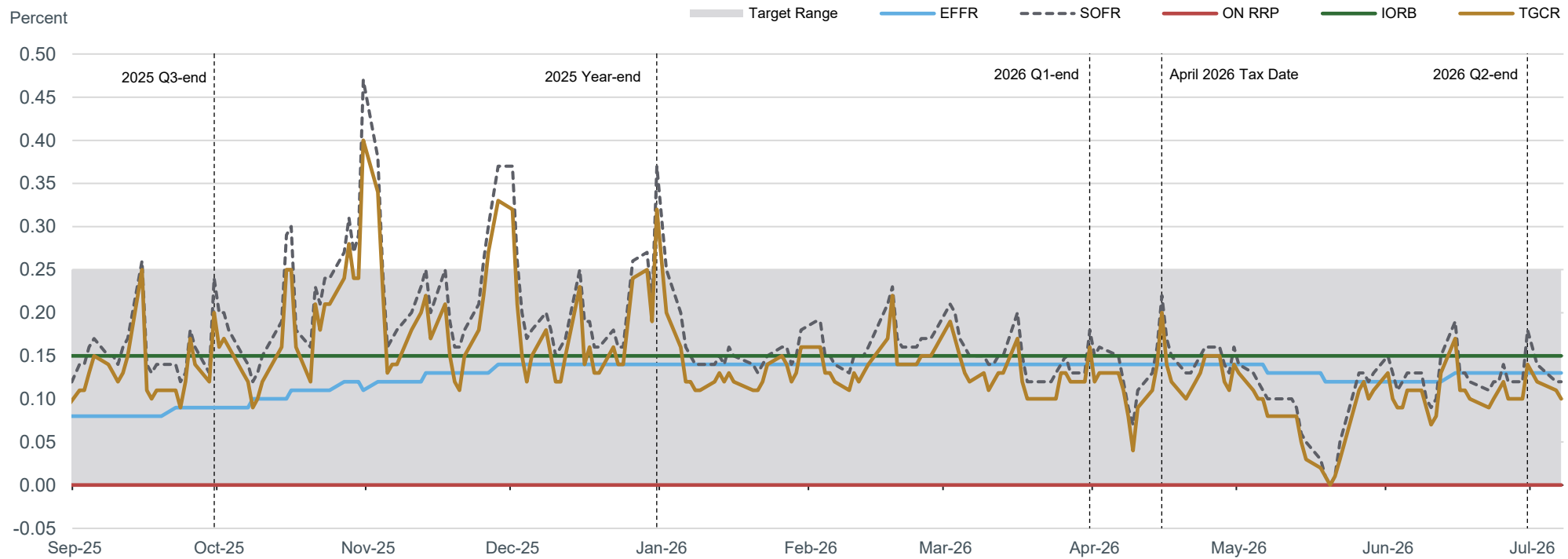
1 Announced Reserve Management Purchase Amounts



Source: Federal Reserve Bank of New York

Repo rates declined notably in May but have since rebounded; lower repo rates contributed to a decline in the EFFR

2 Administered and Overnight Rates (Spread to Bottom of Federal Funds Target Range)



Note: Data through 7/7/2026.
Source: Federal Reserve Bank of New York

Money market rates declined as reserves increased from April lows and various factors induced a downward shift in the reserve demand curve

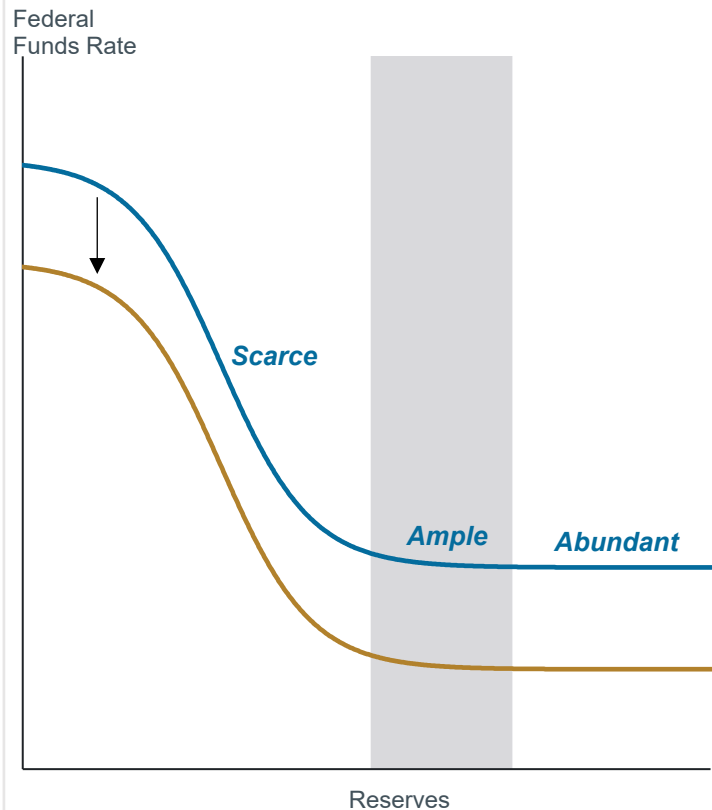
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Factors Contributing to Lower Money Market Rates

1. Reserves increased from tax-date related lows as the TGA declined.
2. Ongoing RMPs added reserves and removed bill supply from the public.
3. Bill supply was at a seasonal low, related to the tax date.
4. U.S. GSIBs have more repo intermediation capacity as a result of regulatory changes.
5. Reduced hedge fund demand for repo financing amid a less profitable basis trade.
6. The temporary increase in GSE repo investment activity associated with their monthly float period coincided with the lowest rates in May.

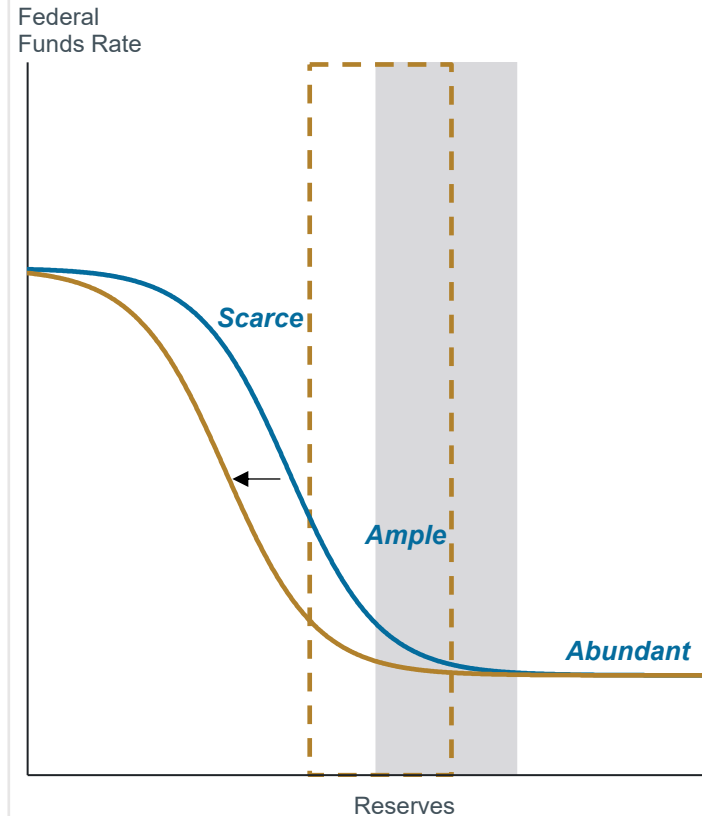
A vertical shift in the demand curve is distinct from a horizontal shift and movements along the curve induced by changes in supply

4 Stylized Vertical Shift



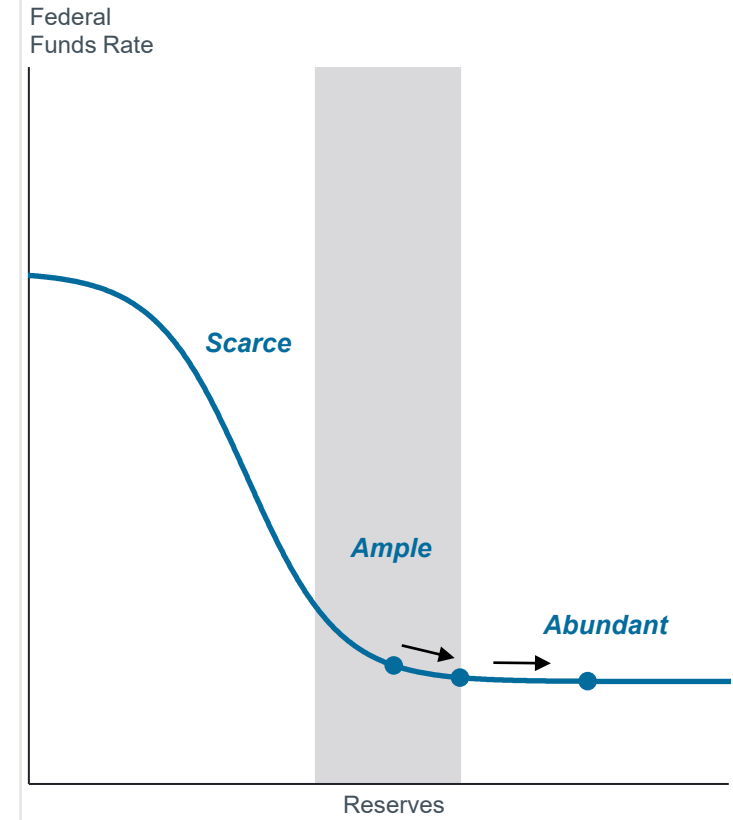
Source: Federal Reserve Bank of New York

5 Stylized Horizontal Shift



Source: Federal Reserve Bank of New York

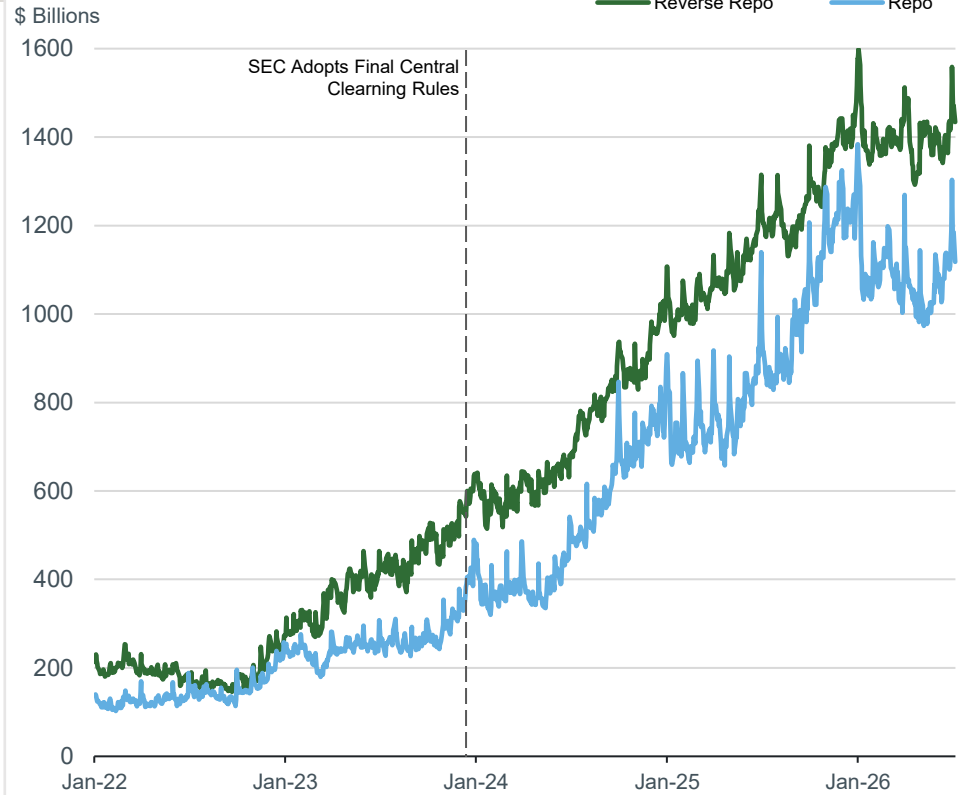
6 Stylized Movement Along the Curve



Source: Federal Reserve Bank of New York

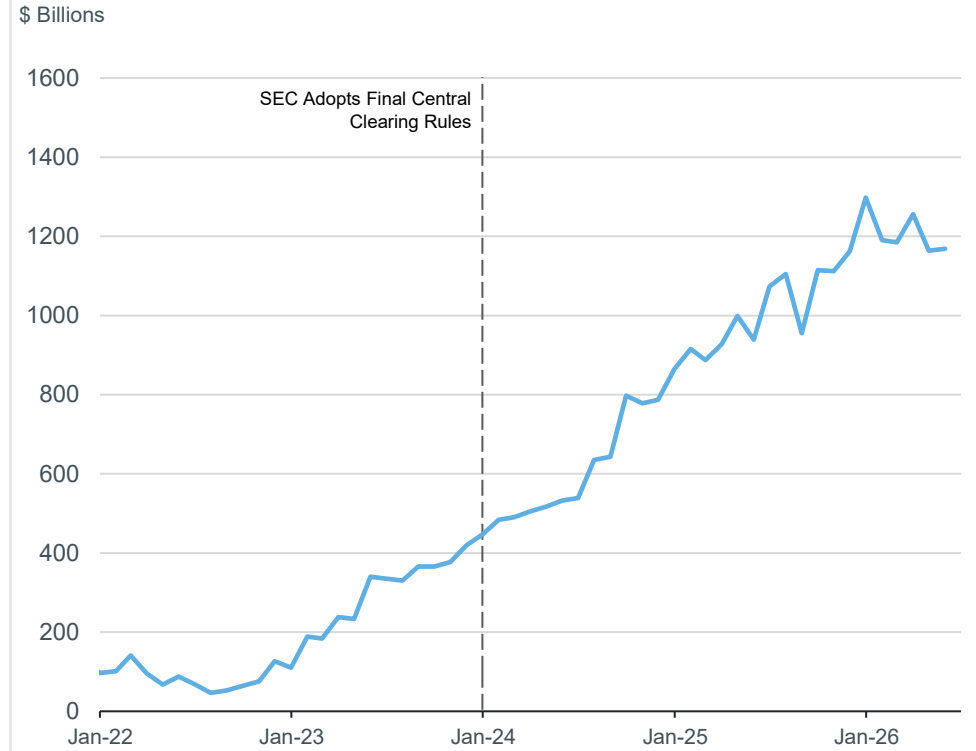
There has been significant growth in use of sponsored repo

7 FICC Sponsored Repo Volumes



Note: Data through 7/6/2026.
Source: DTCC

8 Money Market Fund Repo Cleared with FICC



Note: Data through 5/31/2026.
Source: SEC Form N-MFP

Tokenization and continuous payments could lead to changes in how banks manage their liquidity

9 Factors Influencing Preferred Reserve Levels Over the Next Two Years

	Average Rating	Likely Effect on Reserve Demand
Liquidity regulation changes	3.9	↓
Fed balance sheet policy	3.1	↓
24/7 payment adoption	3	↑
Faster wholesale and retail payments	2.7	↑
Capital regulation changes	2.6	↓
Faster settlement speeds	2.5	—
Stablecoin adoption	2.4	↑
AI technology adoption	2.2	—

Note: Based on a scale of 1, not important, to 5, very important. Average rating by number of respondents. Likely effect on reserve demand is a staff assessment.
Source: Senior Financial Officer Survey