



FEDERAL RESERVE BANK *of* NEW YORK

The Fed's Balance Sheet and Desk Money Market Operations

Crane's Data Money Fund Symposium

Dina Marchioni, Director of Money Markets

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The views here are of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or Federal Reserve System.

A Year in Numbers

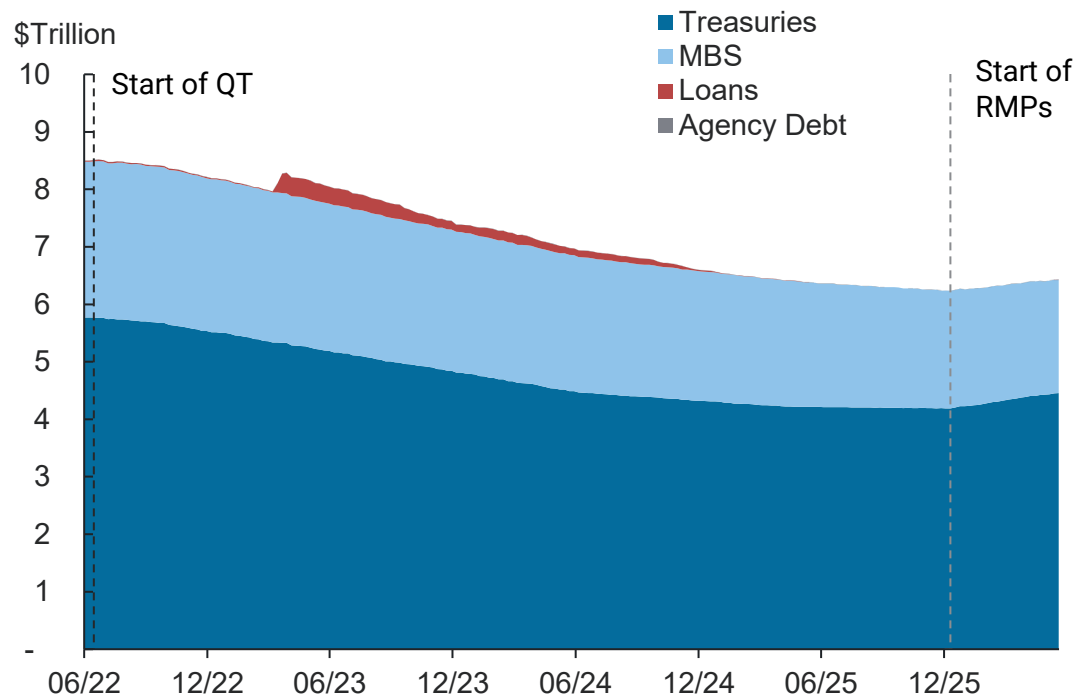
	June 4, 2025	June 3, 2026	Change
Fed Funds Target Range	4.25-4.50%	3.50-3.75%	- 75 bps
SOMA Securities Holdings	\$6.37 trillion	\$6.43 trillion	+ \$60 billion
Reserves	\$3.36 trillion	\$3.05 trillion	- \$310 billion
ON RRP	\$169 billion	\$1 billion	- \$168 billion
MMF AUM	\$7.39 trillion	\$8.33 trillion	+ \$940 billion



Federal Reserve Balance Sheet

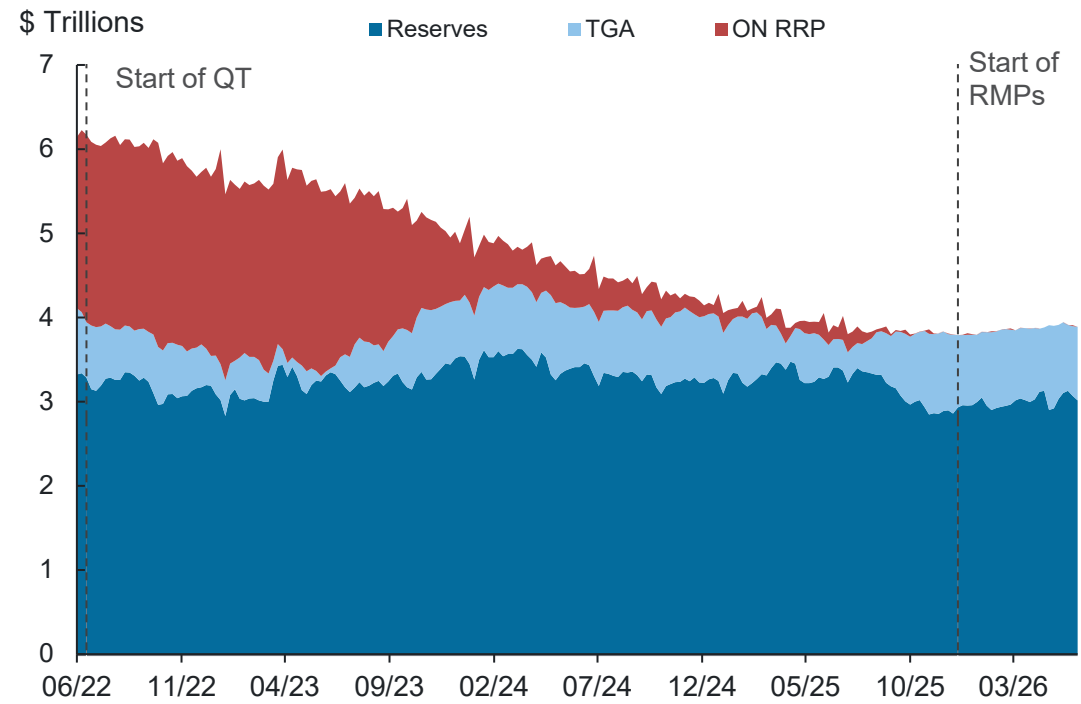
- The System Open Market Account (SOMA) fell by ~\$2.2 trillion during balance sheet runoff or “QT” (Fig. 1). Overnight Reverse Repo (ON RRP) balances were fully drained. (Fig. 2)
- Reserve Management Purchases (RMPs) expand the SOMA to maintain ample reserves over time, meeting demand for Fed liabilities.

Figure 1: Selected Federal Reserve Assets



Source: Board of Governors of the Federal Reserve System

Figure 2: Selected Federal Reserve Liabilities



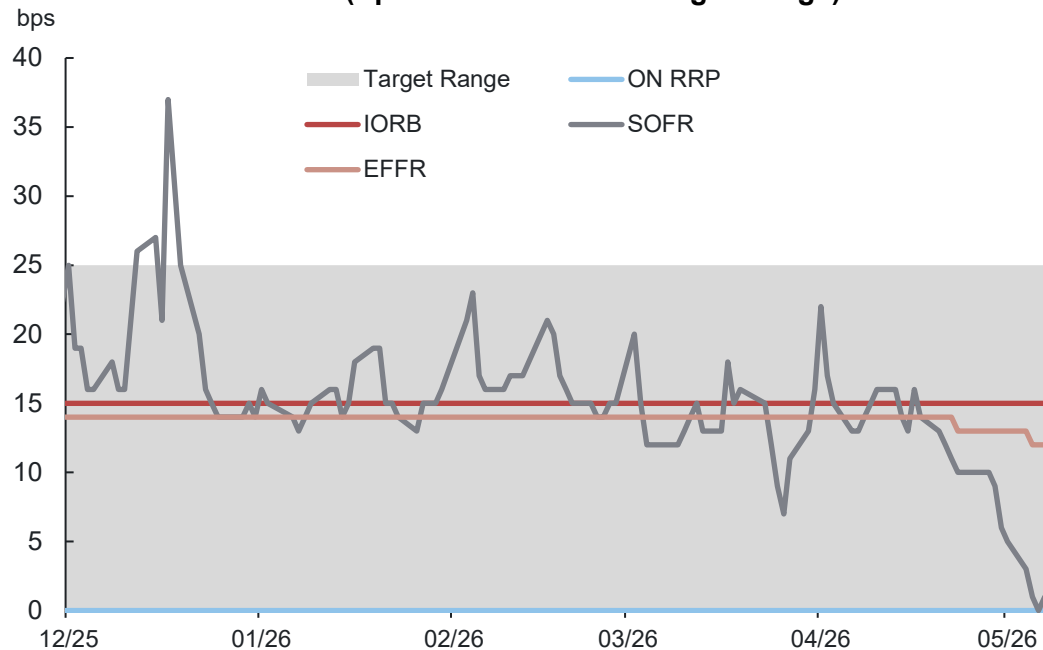
Source: Board of Governors of the Federal Reserve System



Impact of Fed Balance Sheet Policy in Money Markets

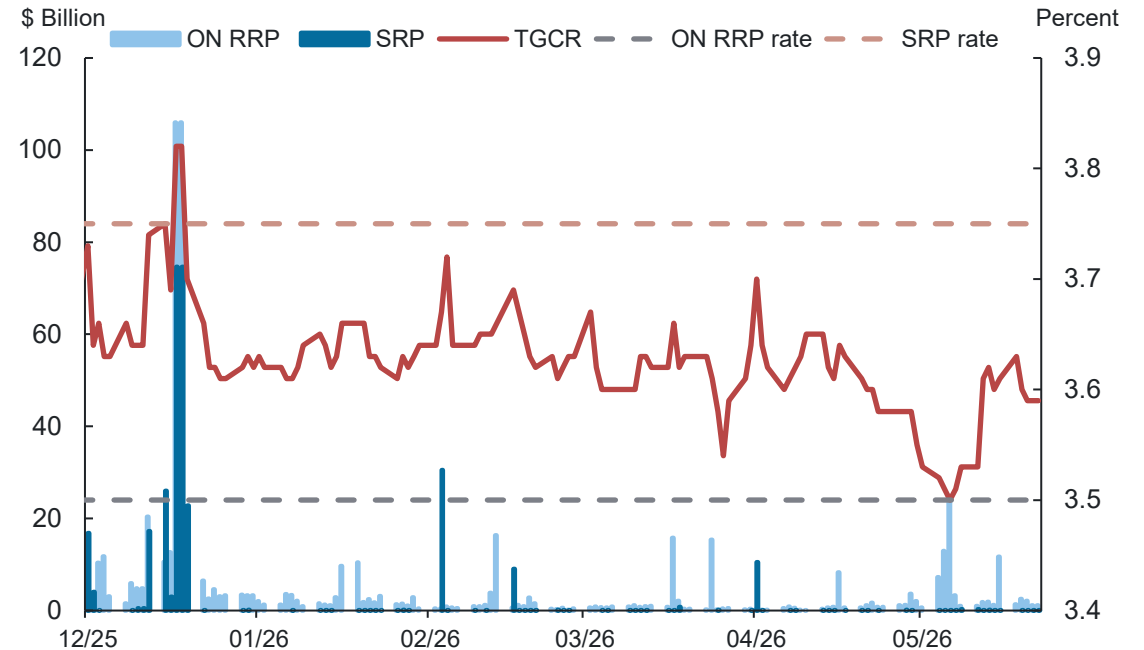
- Ample reserves keep the policy rate, the federal funds rate, anchored to administered rates. The Effective Federal Funds Rate (EFFR) remains within the FOMC's target range. (Fig. 3)
- ON RRP and Standing Repo operations (SRPs) are responsive to changes in money market rates and temporarily add or reduce liquidity as needed. (Fig. 4)

Figure 3: Reference Rates, Administered Rates, and Target Range (Spread to Bottom of Target Range)



Source: Federal Reserve Bank of New York

Figure 4: Participation in ON RRP and SRP



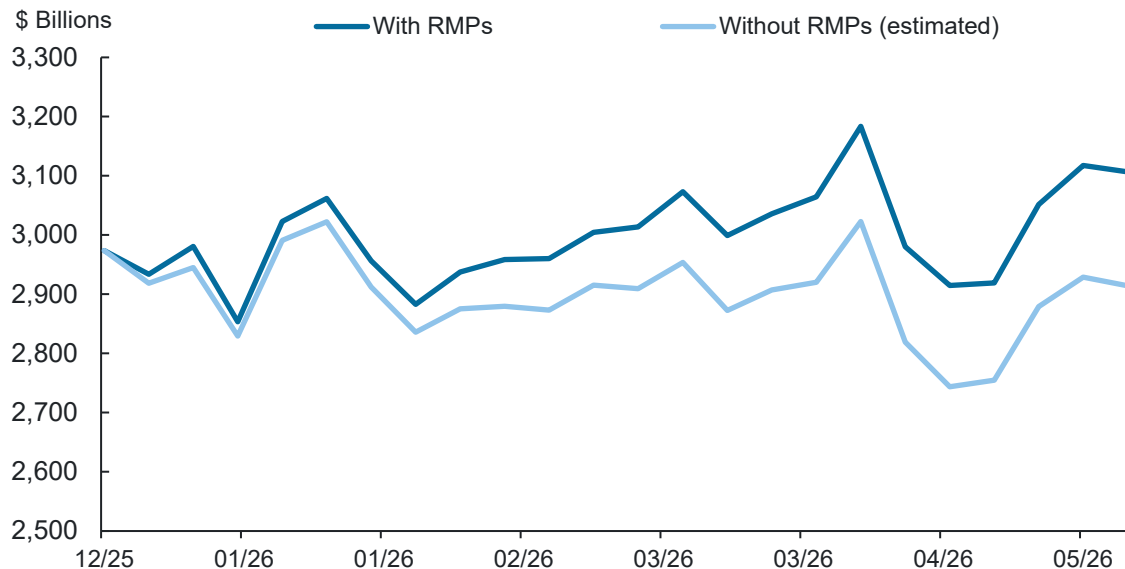
Source: Federal Reserve Bank of New York



Managing Ample Reserves

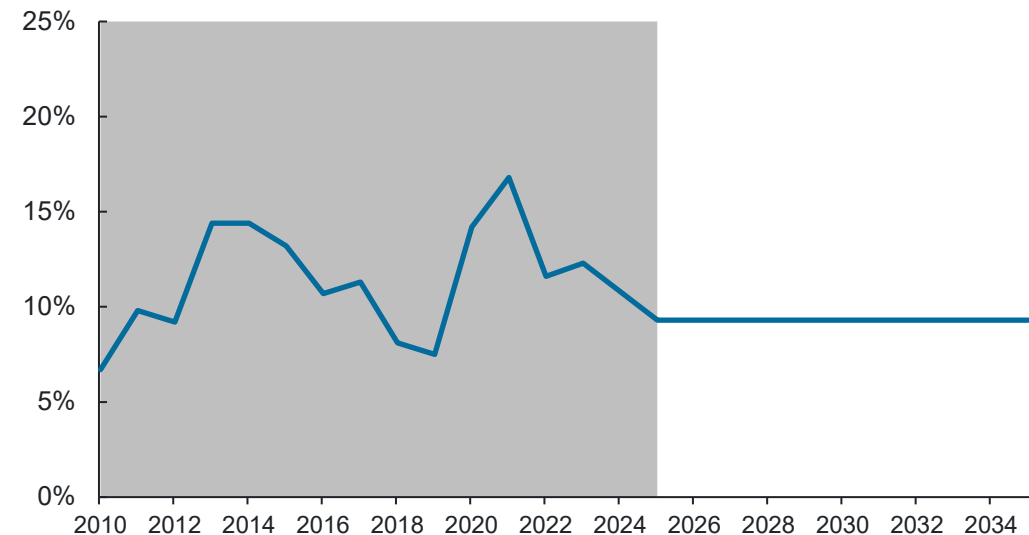
- RMPs ensured that reserves remained ample through anticipated troughs like April tax season. Without RMPs, reserves would have likely dropped below ample levels. (Fig. 5)
- The Desk recently reduced the pace of RMPs but maintains the goal of keeping reserves within ample levels as the economy grows. (Fig. 6)

Figure 5: Historical Reserves Since the Start of RMPs



Note: Estimated reserves without RMPs does not account for changes in net premia and inflation compensation.
Source: FRBNY, H.4.1

Figure 6: Projected Reserve Balances as Share of NGDP



Source: Federal Reserve Bank of New York

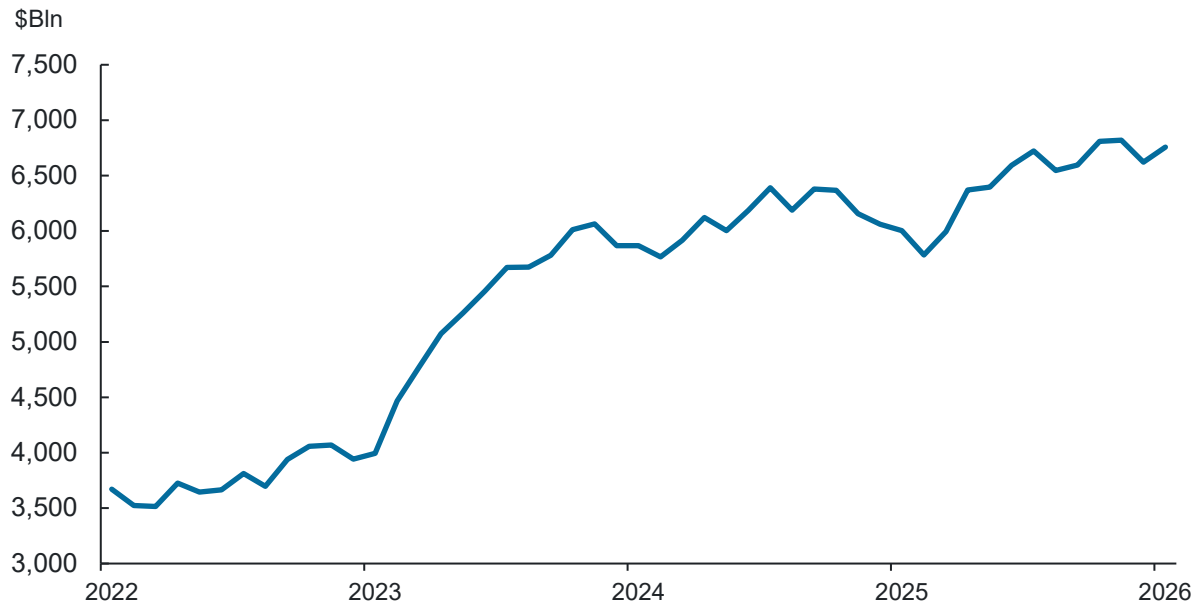
Note: Figure as of year-end and is rounded. Figures for 2010-25 are shaded and represent historical balances calculated as averages of December daily reserve balances as a share of year-end NGDP.



Outlook for Money Markets

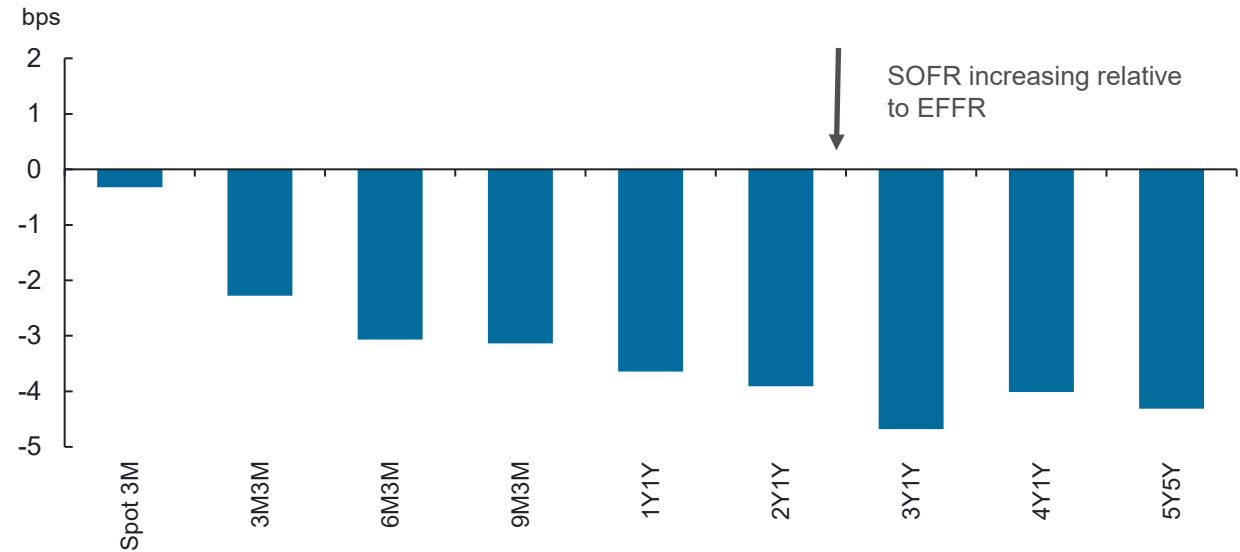
- Fluctuations in the net supply of U.S. Treasury bills impact money market rates. (Fig. 7)
- Repo rates may move higher and exhibit greater volatility, which can pass through to other money market rates like fed funds. (Fig. 8)

Figure 7: Treasury Bills Outstanding



Source: Treasury Department, Bloomberg

Figure 8: Market-Implied Forward SOFR-FF Spread

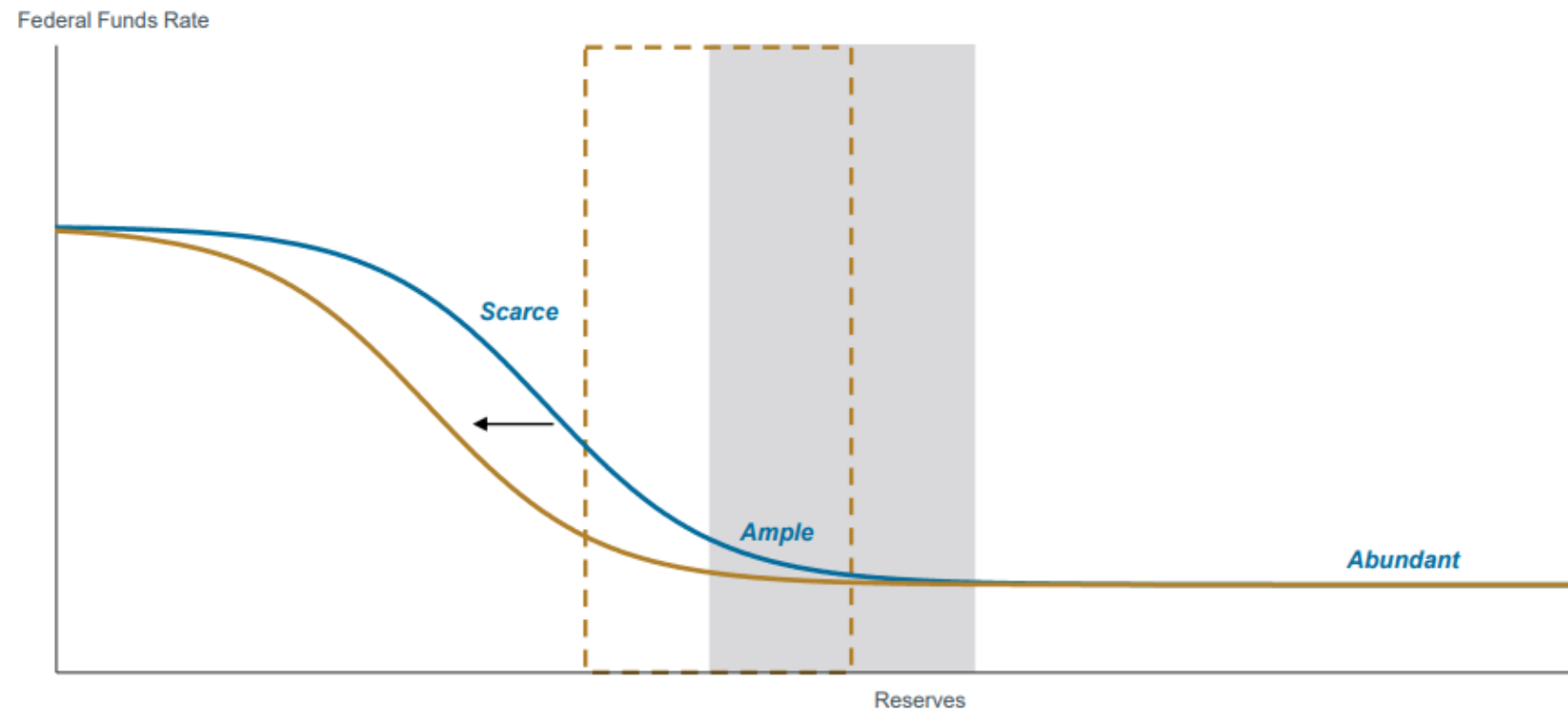


Source: Bloomberg, FRBNY Analysis

Potential Shifts to Reserve Demand

- Our goal is to operate in the gently sloped portion of the reserves demand curve.
- Various factors can influence the demand for reserves, notably intraday payment needs, liquidity management objectives, and regulatory considerations. Shifts in demand impact the quantity of reserves consistent with ample levels.

Stylized Reserve Demand Curve



Monitoring Money Markets and Reserve Demand

- The Desk continues to monitor reserves conditions using various techniques:
 - Market metrics
 - Forecasts and other models
 - Market outreach
 - Survey collections
- In the March 2026 Senior Financial Officer Survey (SFOS) banks cited changes to liquidity regulations and faster payments as important drivers of their preferred reserve levels over the next two years.

Factors Influencing Preferred Reserve Levels Over the Next Two Years

	Likely Effect on Reserve Demand
Liquidity regulation changes	↓
Fed balance sheet policy	↓
24/7 payment adoption	↑
Faster wholesale and retail payments	↑
Capital regulation changes	↓
Faster settlement speeds	—
Stablecoin adoption	↑
AI technology adoption	—

Source: Senior Financial Officer Survey



Standing Repo Operations (SRP)

- Counterparties are expected to use SRPs when economically sensible (when market rates exceed the SRP rate), acting to stabilize money market rates.
- Increased usage and survey responses suggest counterparties are more willing to use SRPs and at lower hurdle rates. (Fig. 11 and 12)
- Factors affecting participation include recent take-up, Fed communications, supervisory/regulatory treatment, lagged public disclosure, and lack of balance sheet netting.

Figure 11: Usage of SRP in Ample Reserve Regime

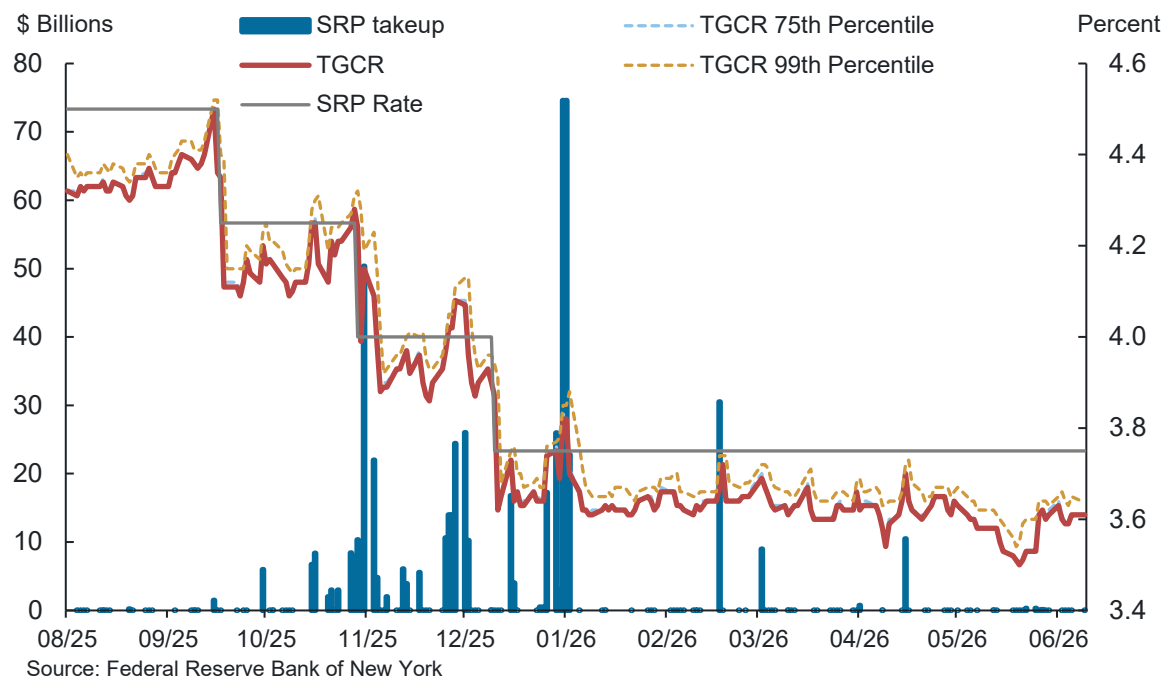
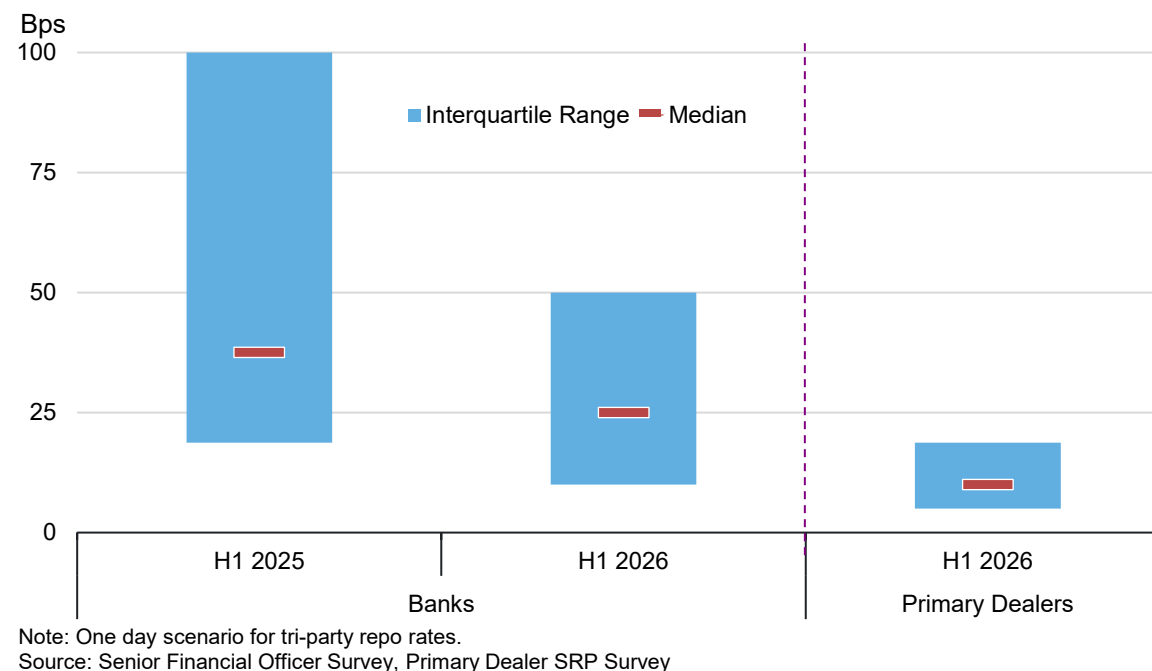


Figure 12: Hurdle Spreads to "Actively Consider" SRP



Appendix

Recent Changes to Desk Money Market Operations

- The Fed is continuously evaluating and modernizing our toolkit to ensure its effectiveness.

