



FEDERAL RESERVE BANK *of* NEW YORK

Observations on Implementing Monetary Policy in an Ample-Reserves Regime

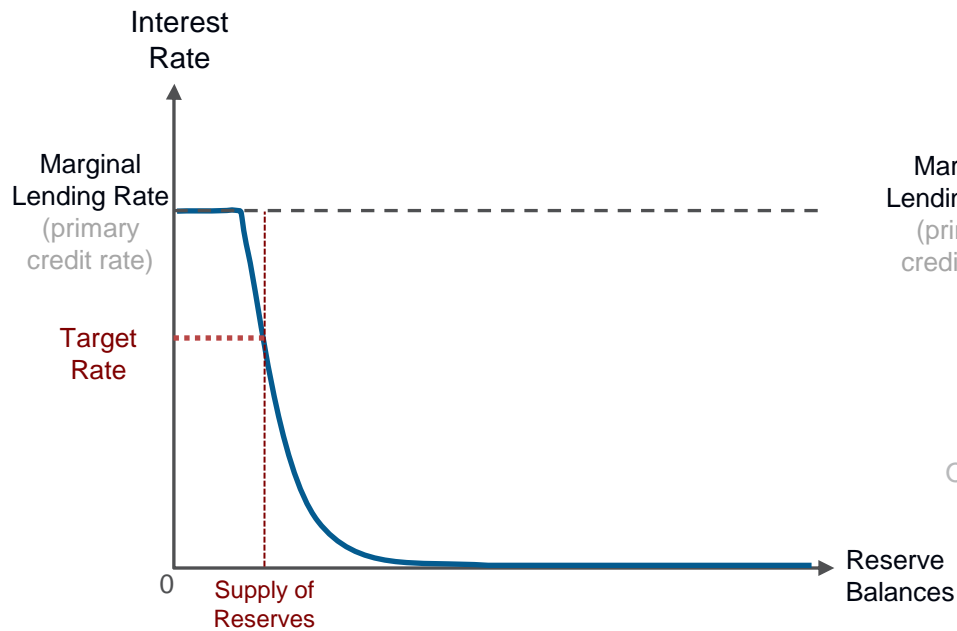
Remarks before the Money Marketeers of New York University
New York City

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The views presented here are those of the author and do not necessarily reflect those of the Federal Reserve Bank of New York or the Federal Reserve System

Figure 1: Stylized Monetary Policy Implementation Frameworks

Pre-Crisis Framework



Ample-Reserves Regime Framework

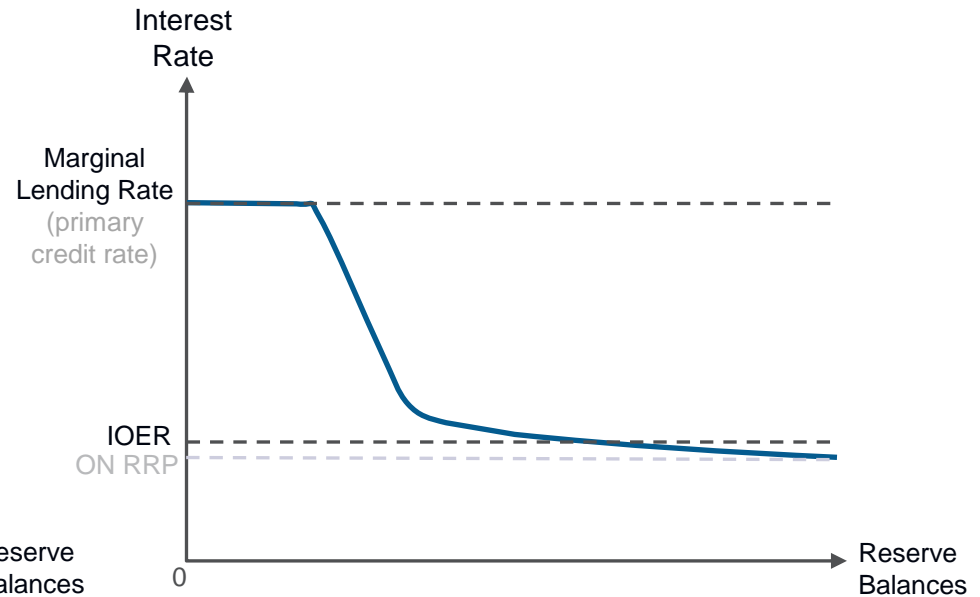
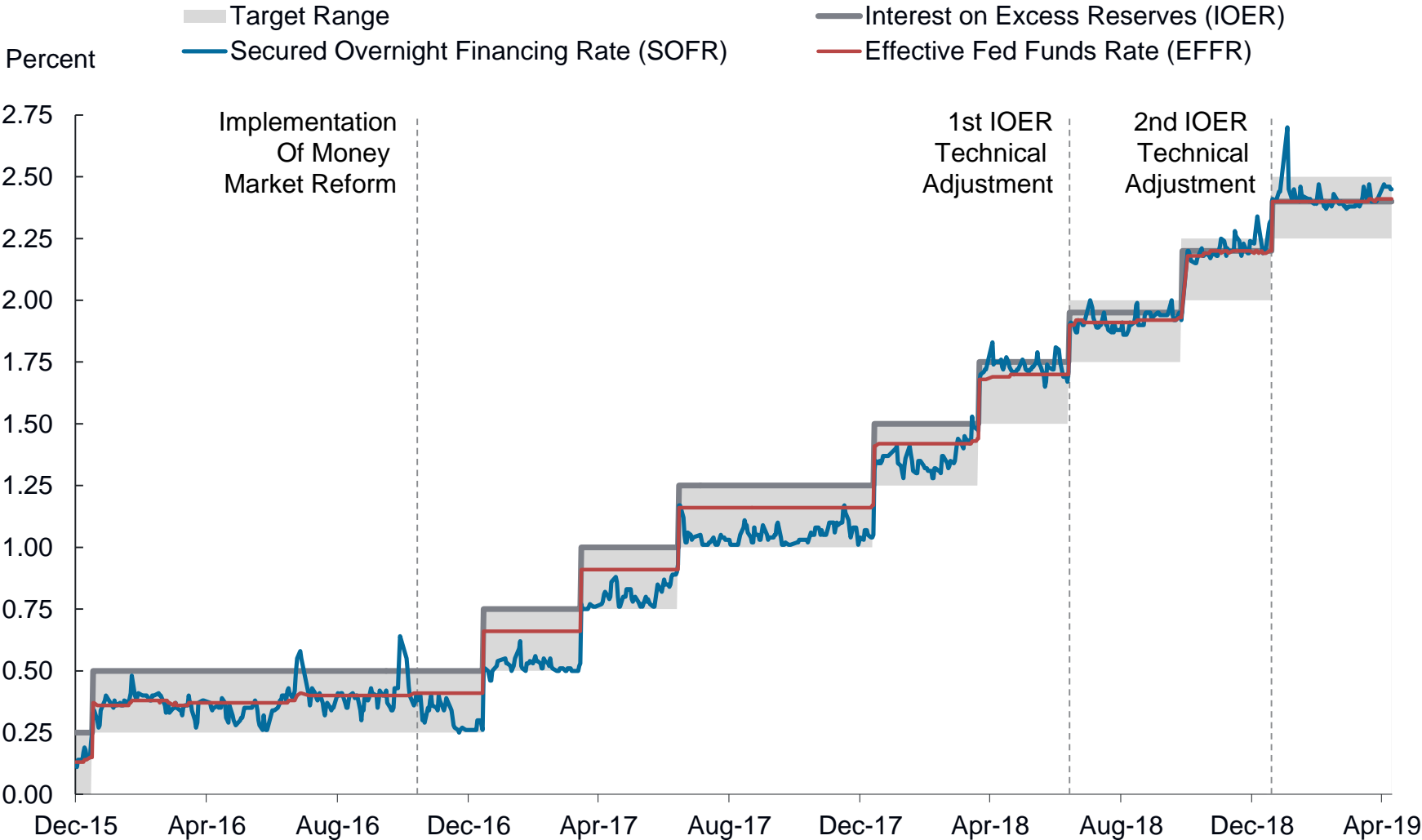


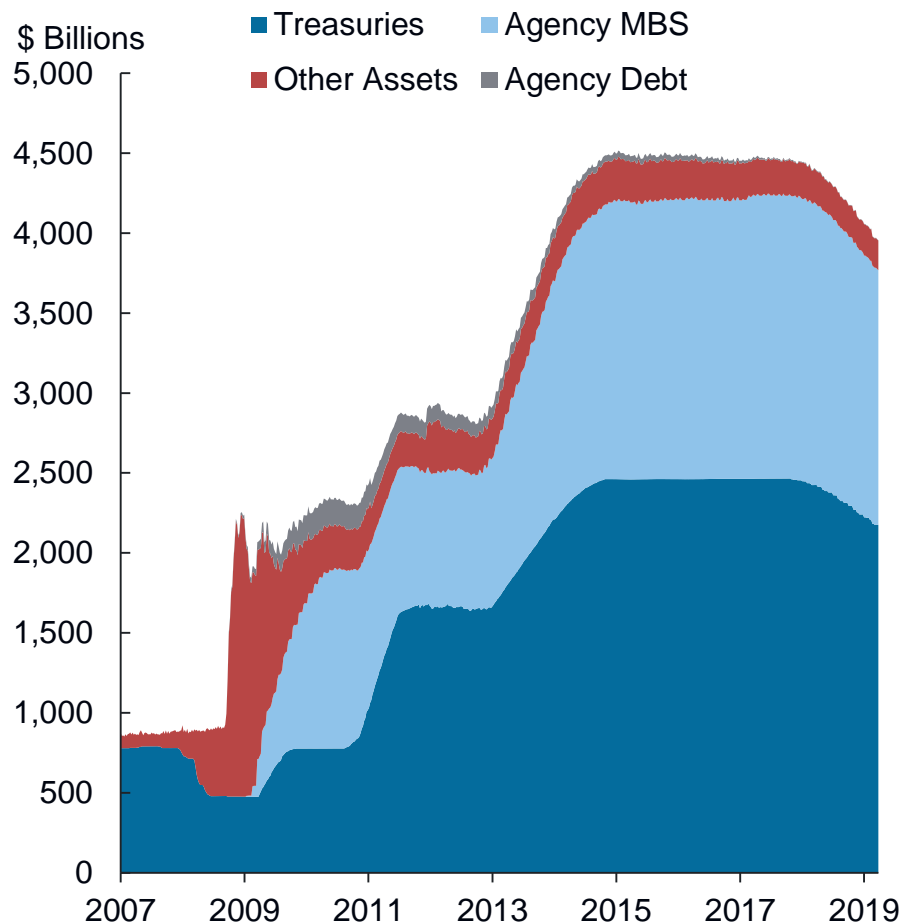
Figure 2: Select Overnight Money Market Rates



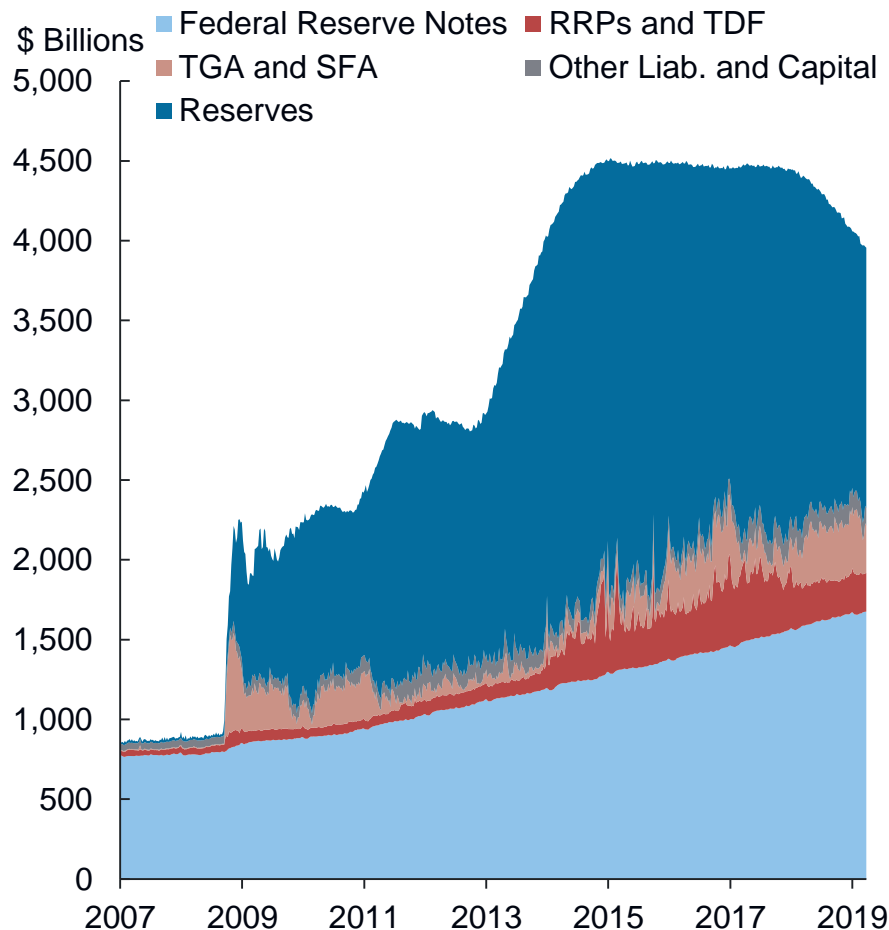
Note: Data excludes day before quarter-ends, quarter-ends, day after quarter-ends, and month-ends.
 Source: Federal Reserve Bank of New York, Federal Reserve Board of Governors

Figure 3: Assets and Liabilities of the Federal Reserve

Assets of the Federal Reserve



Liabilities of the Federal Reserve



Note: TGA is Treasury General Account, SFA is Supplementary Financing Account, RRP is 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

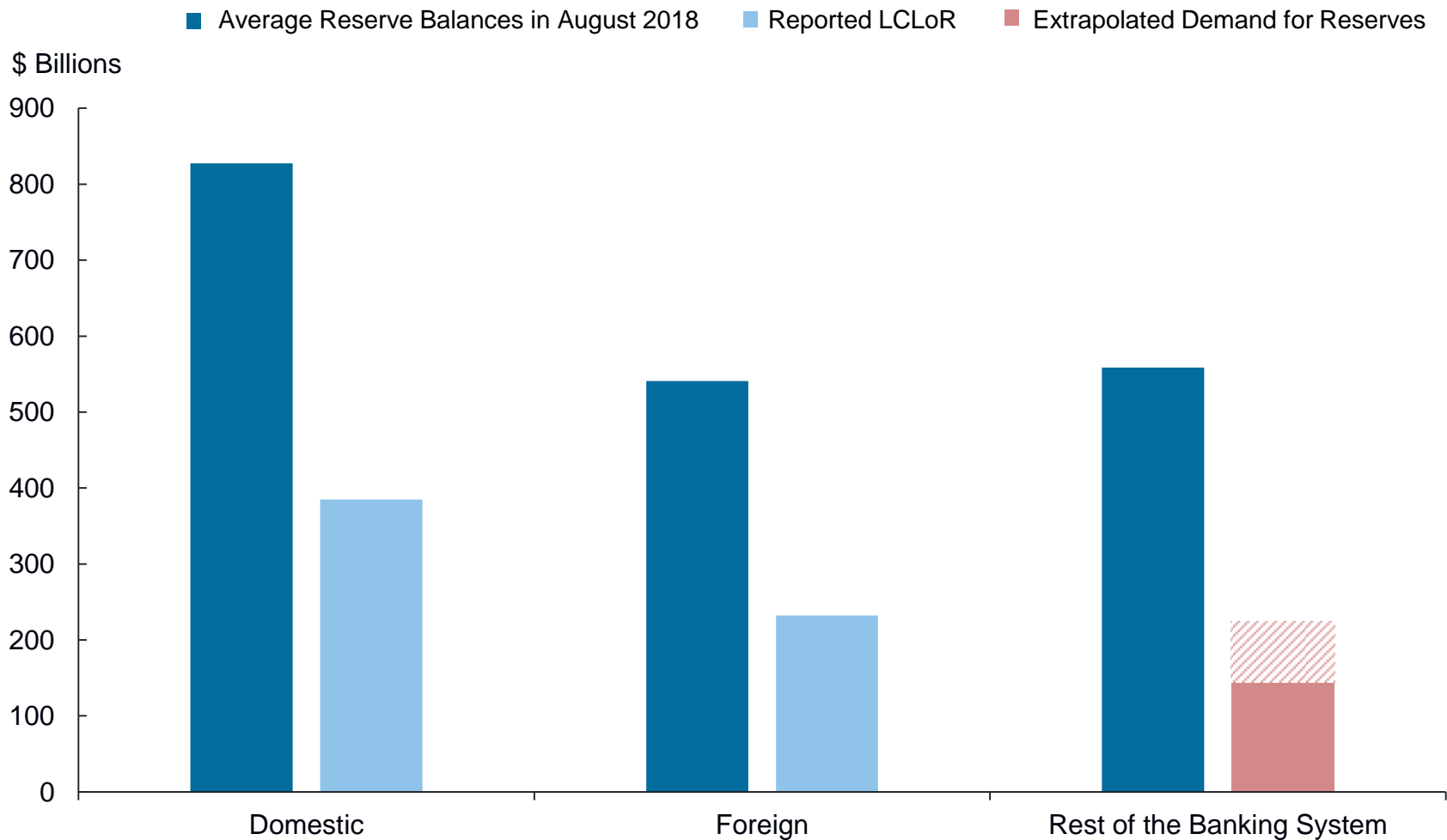
	Domestic	Foreign
1) Meeting routine intraday payment flows	57%	65%
2) Meeting potential deposit outflows	73%	35%
3) Satisfying internal liquidity stress metrics	63%	75%
4) Satisfying the bank's reserve requirements	50%	43%
5) Seeking to earn IOER rate	10%	24%
6) Managing liquidity portfolio	30%	48%

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)



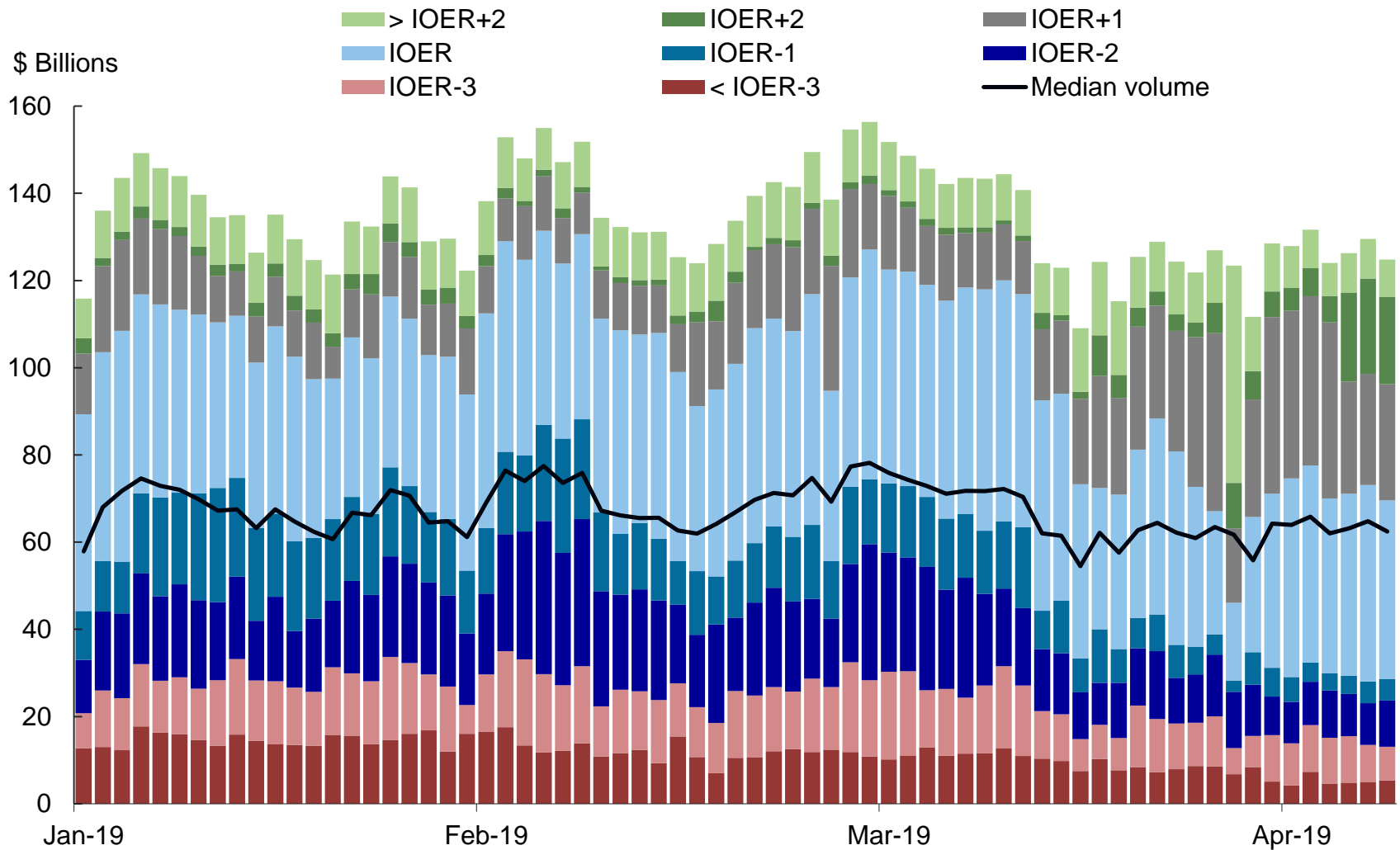
Figure 5: Lowest Comfortable Level of Reserves (LCLoR) By Bank Type



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

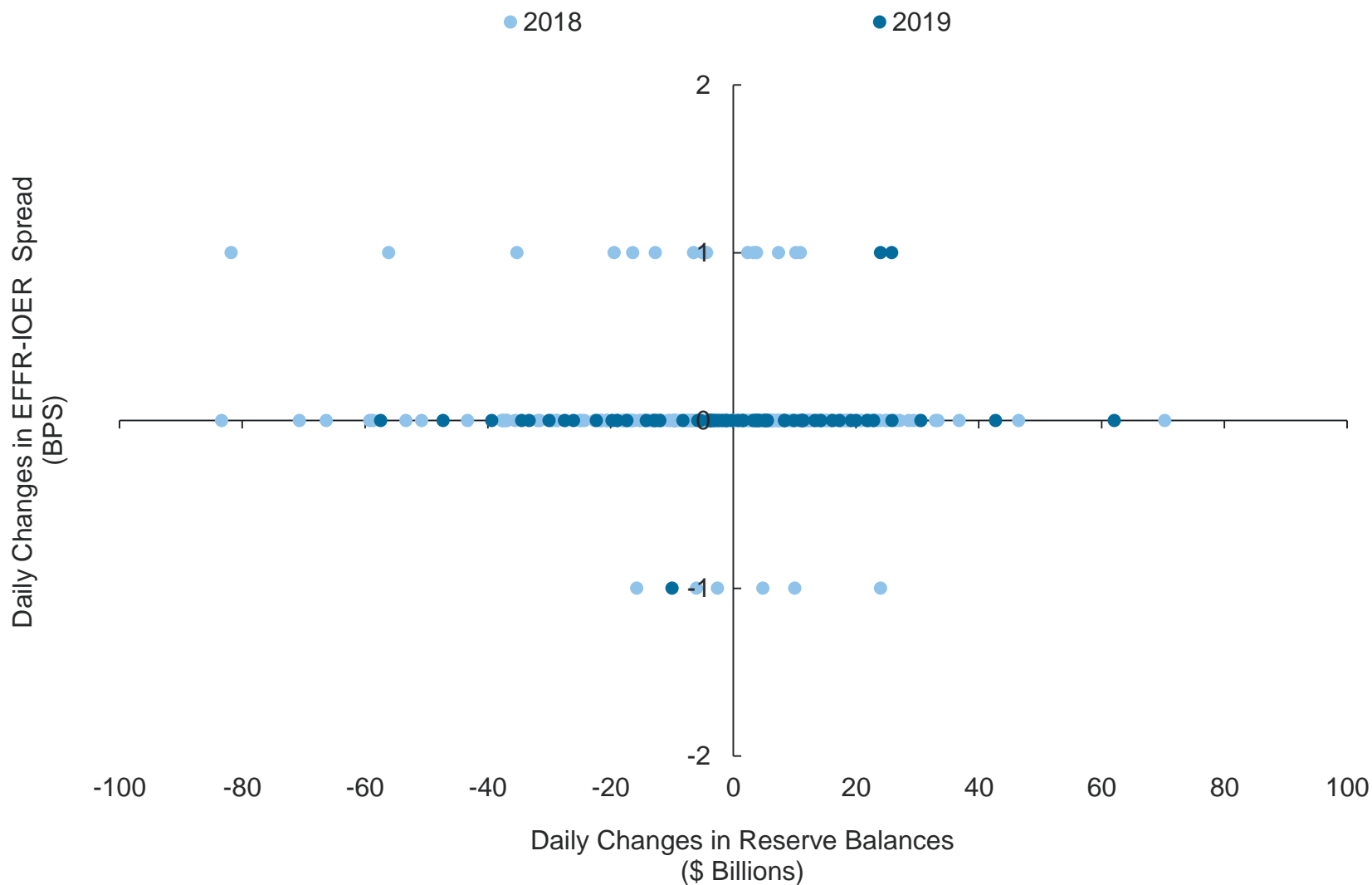
Figure 6: Overnight Bank Funding Markets Trading Volumes at Rates Relative to IOER



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

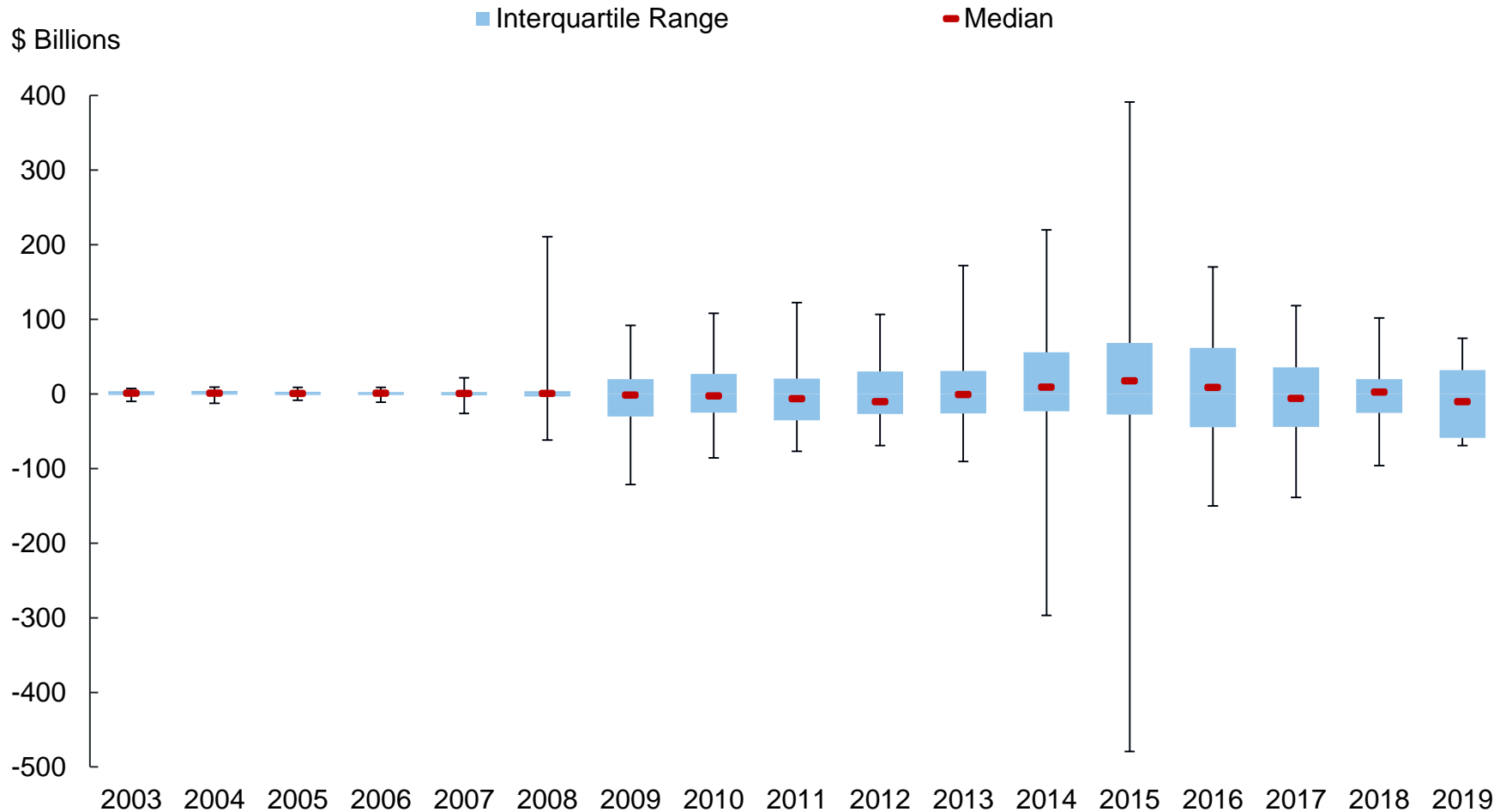


Note: Excludes first and last business day of the month. Reserves exclude GSE balances.

Source: Federal Reserve Bank of New York, Board of Governors of the Federal Reserve System H.4.1 Statistical Release



Figure 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