Appendix 1: Materials used by Mr. Kiley

Material for

Alternative Monetary Policy Frameworks

November 1, 2011

Briefing by Michael T. Kiley

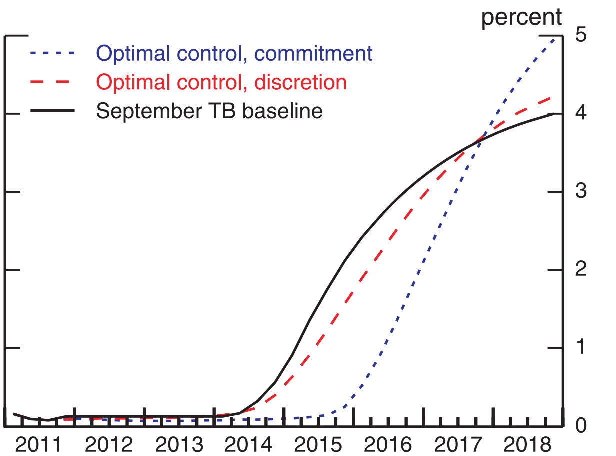
Exhibit 1

Alternative Monetary Policy Frameworks

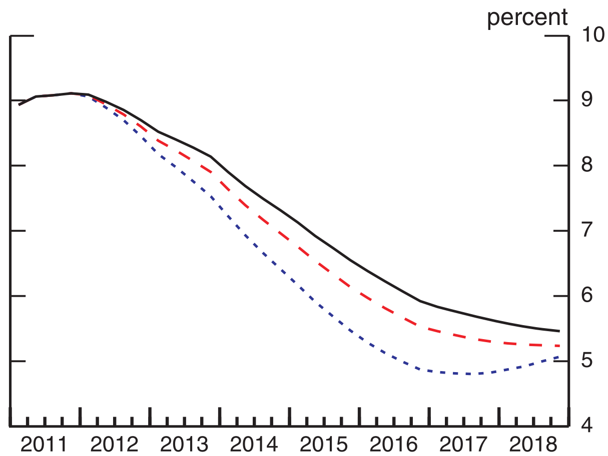
Flexible-Inflation Targeting and Commitment

- *Flexible inflation targeting* combines commitment to a medium-run inflation objective with the flexibility to moderate deviations of employment from its "full employment" level.
- We assumed that the Committee aims to achieve:
  - An inflation rate of 2 percent.
  - An unemployment rate in the range of 5 to 6 percent.
- We focused on how strategies that involve making conditional commitments can contribute to improved macroeconomic outcomes.

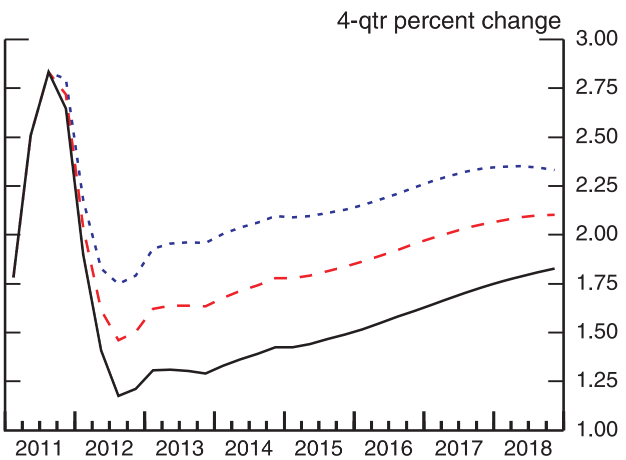
Federal Funds Rate



Unemployment Rate



PCE Prices



Lessons

- Optimal policies involve commitments to hold the nominal funds rate near zero persistently.
- Unemployment falls below its natural rate and inflation may rise above its target later in the decade.
- Optimal policies do not result in inflation above 2½ percent for a protracted period under the modal outlook.

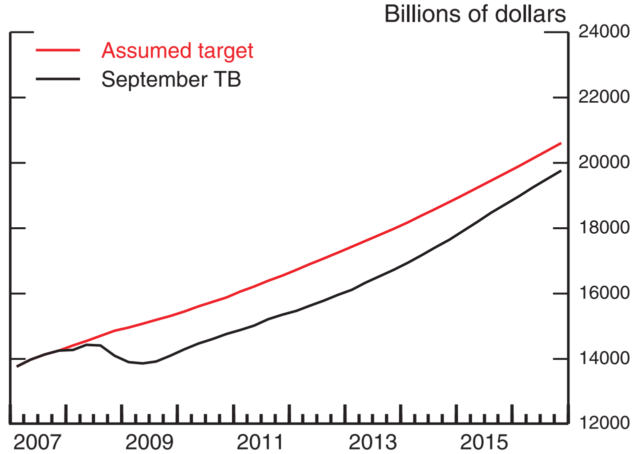
Exhibit 2

Practical Approaches

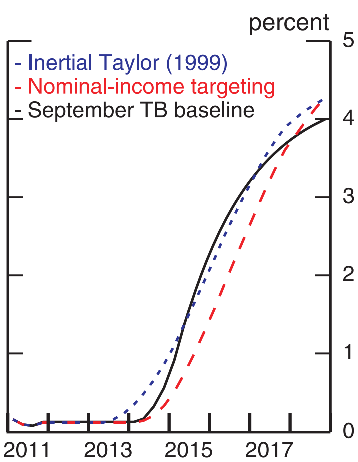
Strategies

- Notable improvements in resource utilization were achieved by two strategies:
  - **Inertial version of the Taylor 1999 rule**
  - **Nominal income targeting**
- **Price-level targeting** resulted in poorer performance, on average.

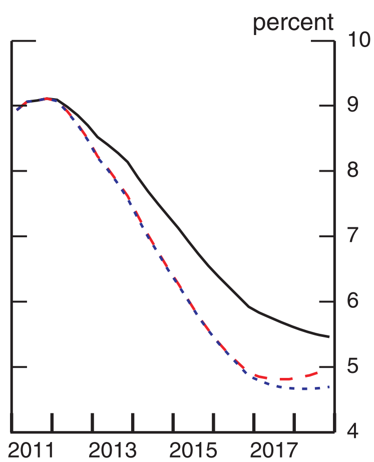
Nominal GDP



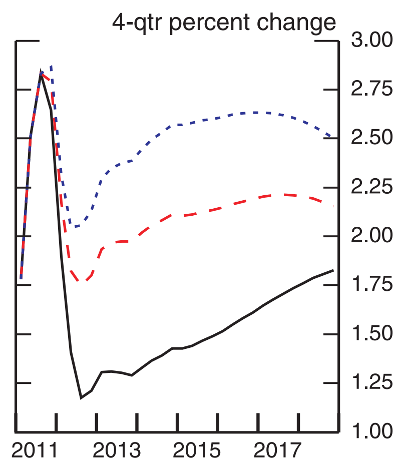
Federal Funds Rate



Unemployment Rate



PCE Prices



Key Results

- The inertial Taylor 1999 rule approach brings about a notable improvement in the unemployment rate at the cost of higher inflation.
- Nominal income targeting also improves outcomes for unemployment while bringing inflation closer to 2 percent.
- Each strategy involves clear and credible commitments over the next five-to-ten years.
  - Laying out the course of the federal funds rate or communicating the conditions that may trigger the onset of tightening could facilitate achieving better outcomes.

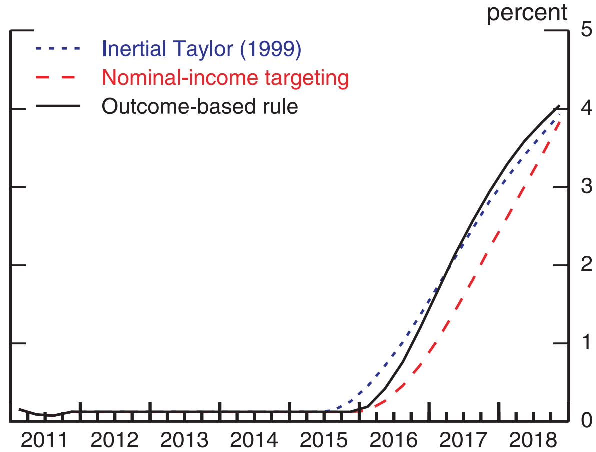
Exhibit 3

Robustness

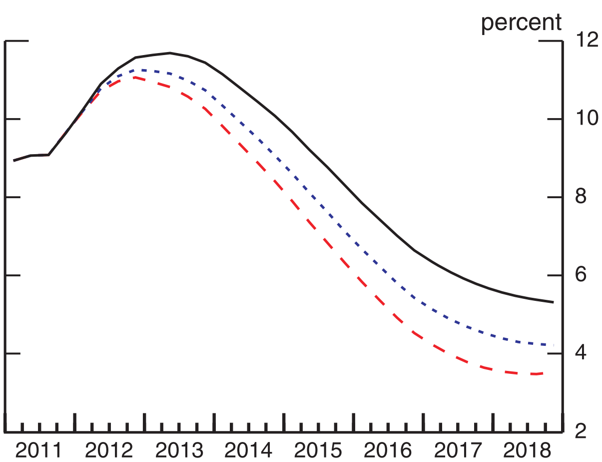
Recession Scenario

- Aggregate demand weakens enough to bring the unemployment rate to over 11½ percent for much of 2012 and 2013 under the baseline strategy.
- For the baseline strategy we use the outcome-based rule reported in the Tealbook.
- This could be interpreted as a continuation of the Committee's historical approach.

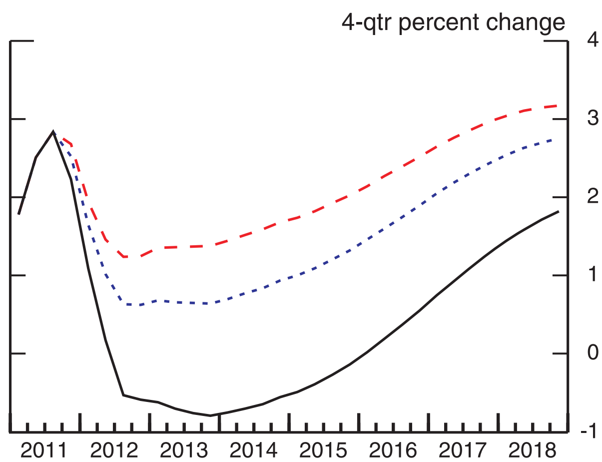
Federal Funds Rate



Unemployment Rate



PCE Prices



Summary

- We also considered an inflationary scenario:
  - Nominal income targeting stabilized both unemployment and inflation.
  - The inertial Taylor 1999 rule stabilized unemployment, but amplified the impact on inflation.
- Nominal income targeting also achieved improvements in inflation and unemployment in simulations of other models.
- Price-level targeting performed poorly in the FRB/US model and the small model, but well in the EDO (DSGE) model.

Exhibit 4

Questions for Committee Discussion of Monetary Policy Frameworks

1. Under flexible inflation targeting, the central bank pursues an explicit inflation objective, maintains the flexibility to stabilize economic activity, and seeks to communicate its forecasts and policy plans as clearly as possible. Would you view such a framework as consistent with the Federal Reserve's dual mandate of maximum employment and price stability? If so, do you think the Federal Reserve should enunciate such a framework? More generally, would it be helpful to formulate a consensus statement on the Committee's policy framework, perhaps using an approach similar to that of the exit strategy statement that the Committee developed earlier in the year?

2. The staff memo on alternative frameworks noted that, in principle, the Committee's best choice would be to announce and commit to the optimal policy path under commitment. Would it be helpful for the Committee to make such conditional commitments? If so, what are the most effective way(s) to communicate those conditional commitments, for example, by providing policy "thresholds" about the expected future course of policy or other options illustrated in Alternative A1 of the policy alternatives distributed on October 25?

3. The staff memo also described policy strategies that might broadly approximate commitment to the optimal policy path, including a price level target and a nominal income target. Taking into account their relative merits and pitfalls, under what circumstances, if any, would it be appropriate to pursue one of these strategies?

4. What steps, if any, should the Committee take to provide more information to the public about the expected future course of policy?

Appendix 2: Materials used by Mr. Sack

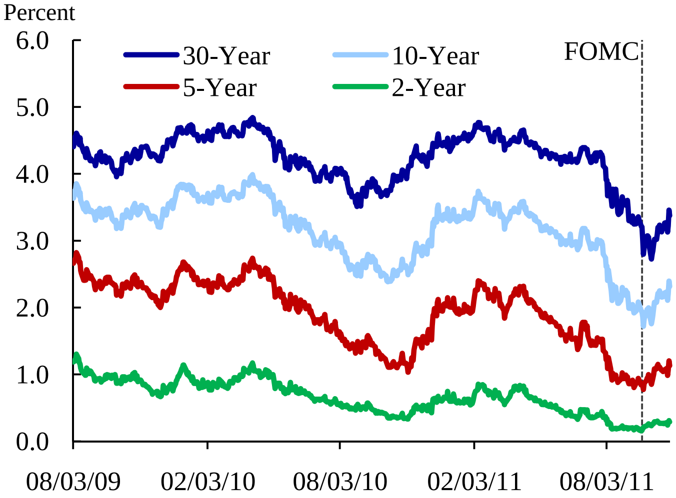
Material for

FOMC Presentation:
Financial Market Developments and Desk Operations

Brian Sack

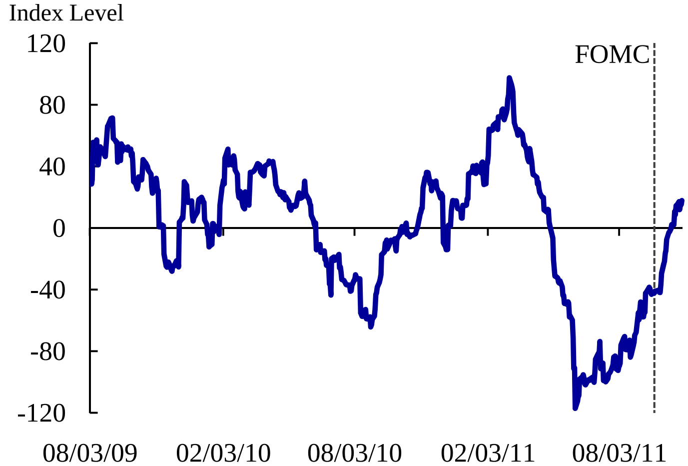
November 1, 2011

(1) Treasury Yields



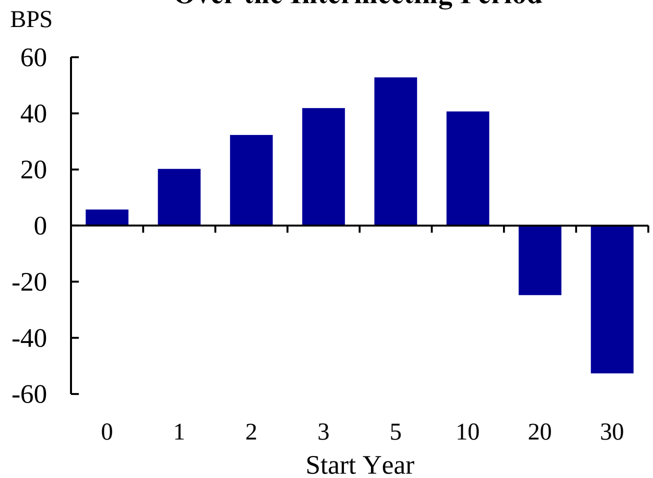
Source: Bloomberg

(2) Economic News Index*



*Positive readings correspond to stronger-than-expected economic releases.
Source: Citigroup

(3) Changes in One-Year Forward Rates Over the Intermeeting Period



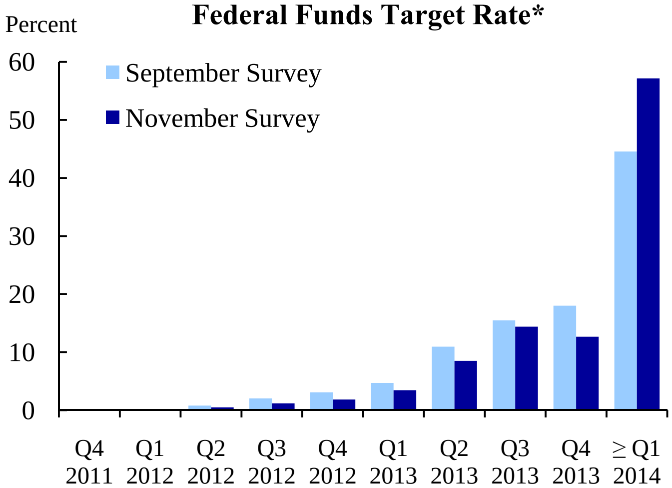
Source: Federal Reserve Board of Governors

(4) Effects of September FOMC Decisions*

Variable	Movement Around Announcement**	Dealer Estimated Effect***
2-Year Treasury	+3	+7
10-Year Treasury	-8	-10
30-Year Treasury	-21	-20
30-Year Swap Rate	-15	N/A
MBS Spread	-8	-15

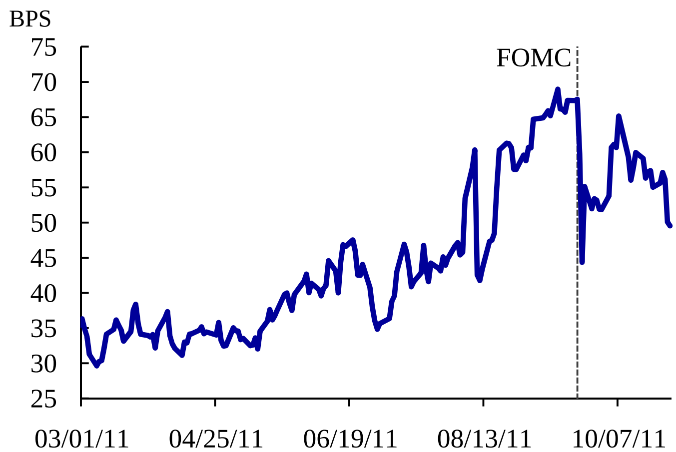
*All figures in basis points.
** From close on day before announcement to close on day of announcement.
***Median effects as estimated in November Policy Survey.
Source: Federal Reserve Bank of New York Policy Survey, Barclays Capital, Bloomberg

(5) Probability Distribution of First Increase in Federal Funds Target Rate*



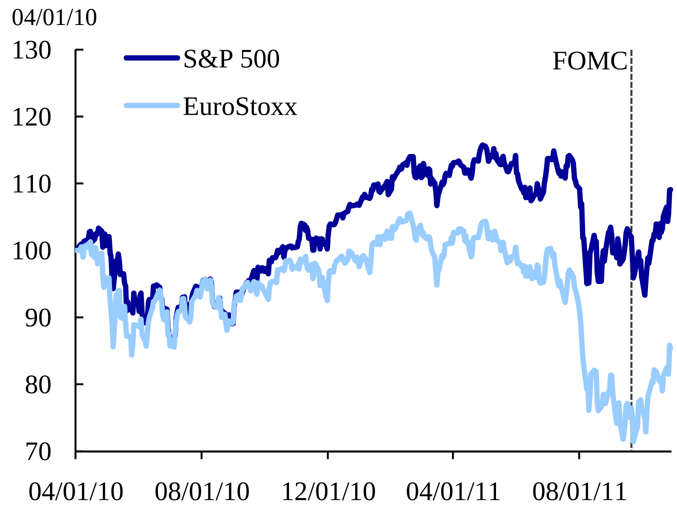
*Average probabilities from dealer responses.
Source: Federal Reserve Bank of New York Policy Survey

(6) MBS Option-Adjusted Spread to Treasury*



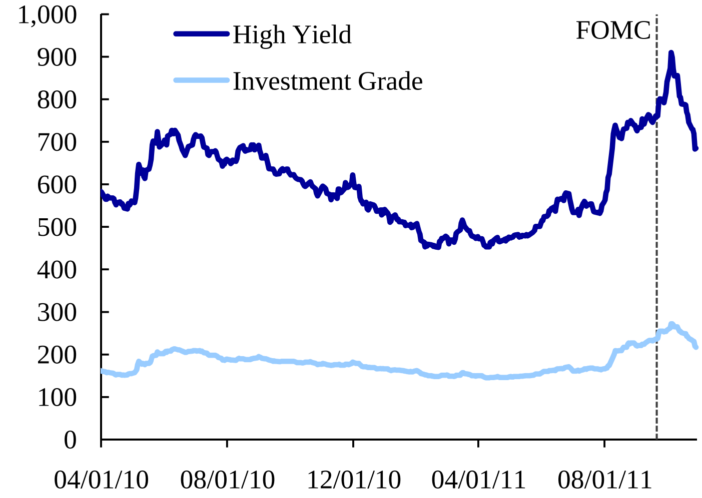
*Current coupon spread spliced with 3.5% coupon spread when current coupon rate is below 3.5%.
Source: Barclays Capital

(7) Equity Prices



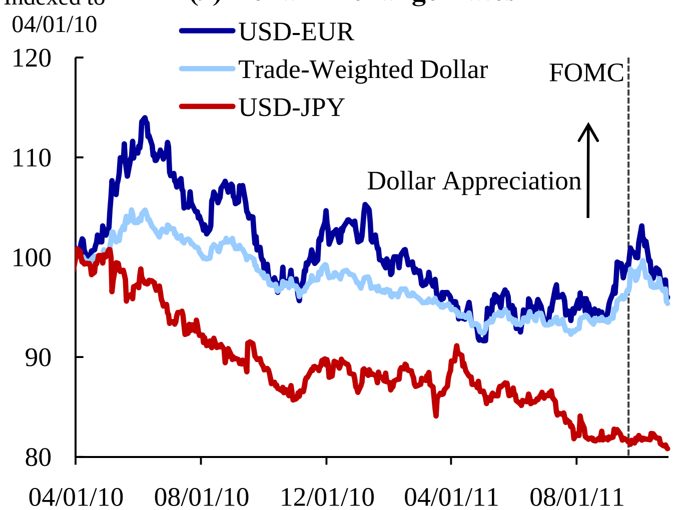
Source: Bloomberg

(8) Corporate Bond Spreads to Treasury



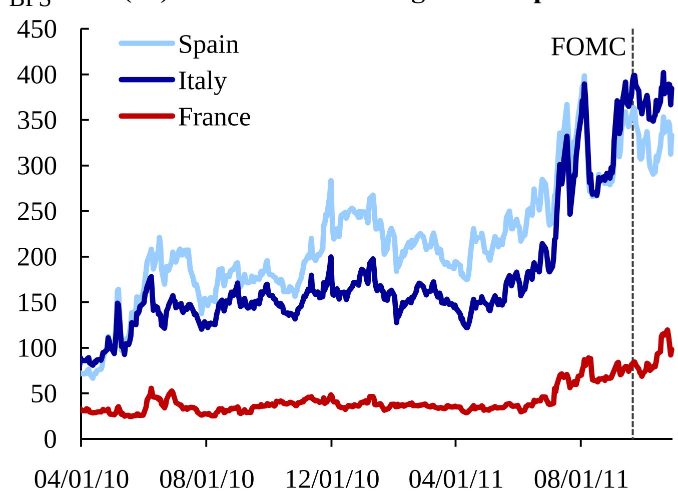
Source: Bank of America–Merrill Lynch

(9) Dollar Exchange Rates



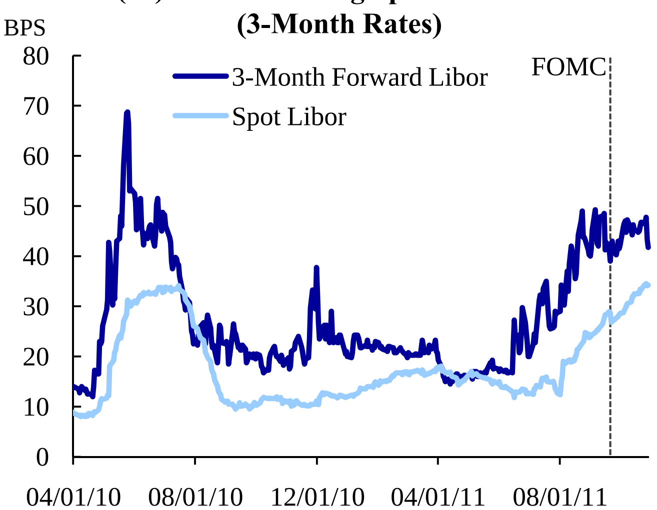
Source: Bloomberg, Federal Reserve Board of Governors

(10) Euro Area Sovereign Debt Spreads*



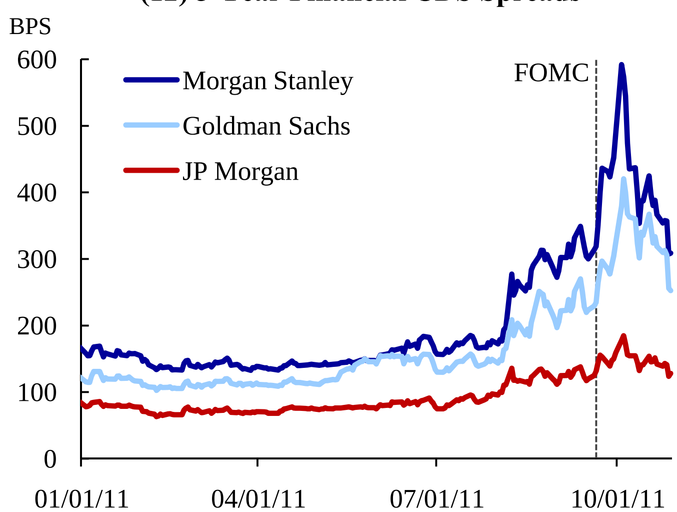
*10-year spreads to Germany.
Source: Bloomberg

(11) Dollar Funding Spreads to OIS (3-Month Rates)



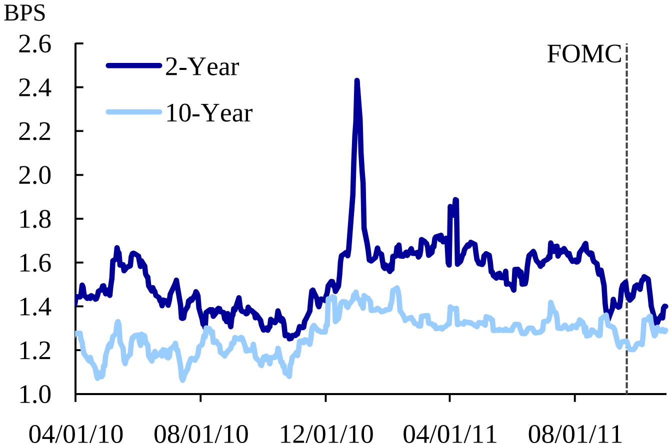
Source: Bloomberg

(12) 5-Year Financial CDS Spreads



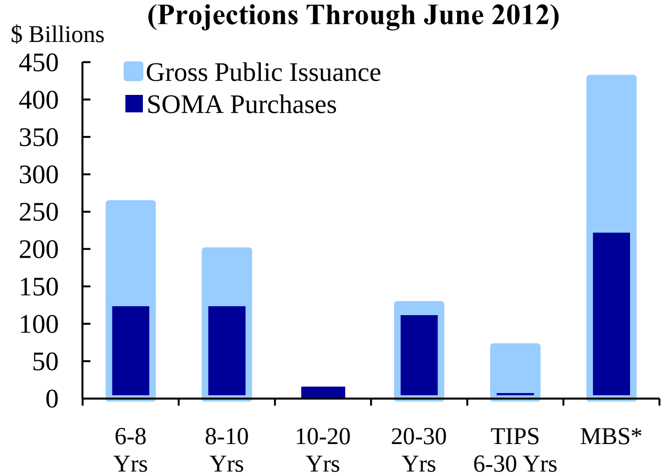
Source: Markit

(13) Treasury Market Cost of Transacting*



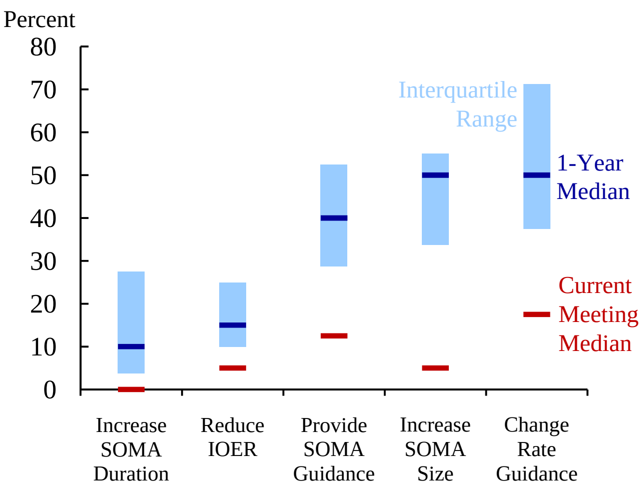
*Price impact of simultaneously buying and selling $500 million of benchmark, calculated using 5 best bids and offers.
Source: Brokertec, Federal Reserve Bank of New York

(14) SOMA Purchases and Gross Issuance (Projections Through June 2012)



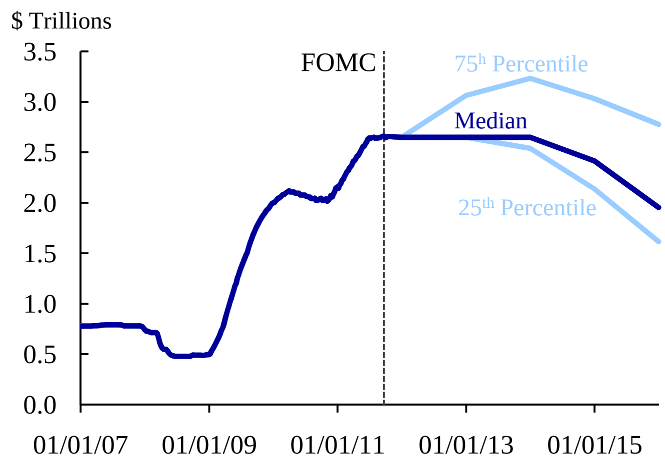
*Projections based on gross issuance of low-coupon securities.
Source: Federal Reserve Bank of New York

(15) Probability of Additional Policy Actions



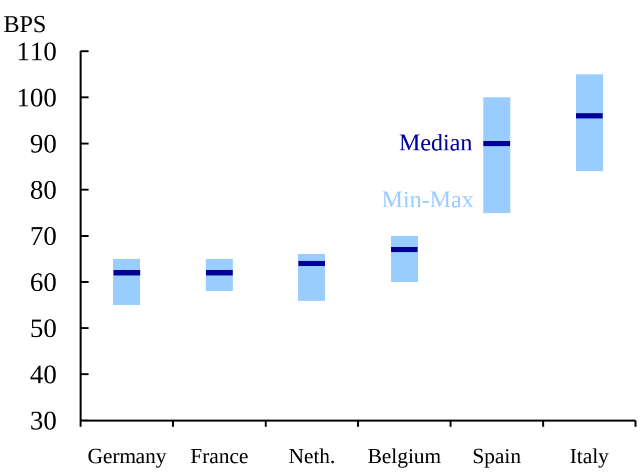
Source: Federal Reserve Bank of New York Policy Survey

(16) Expected SOMA Portfolio Holdings*



*Actual values before 10/14/11, dealer median responses after 10/14/11.
Source: Federal Reserve Bank of New York Policy Survey

(17) Euro RRP Rate Offers on 10/28/2011*



*Spot/next offers, ex Goldman Sachs.
Source: Federal Reserve Bank of New York

(18) Liability Structure of Financial Institutions*

Type	MF Global	MS	JPM
Repo & Trading Liabilities	61%	36%	15%
LT Unsecured Debt	1%	24%	12%
Deposits	0%	8%	47%
Other Liabilities	35%	24%	18%
Equity	3%	8%	8%
Total	100%	100%	100%

*Expressed as percent of assets.
Source: MF Global, Morgan Stanley, JP Morgan

Appendix 3: Materials used by Mr. Wilcox

Material for

Forecast Summary

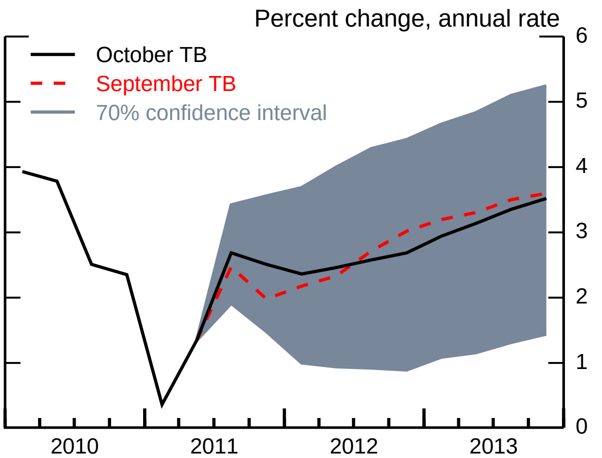
David Wilcox

November 1, 2011

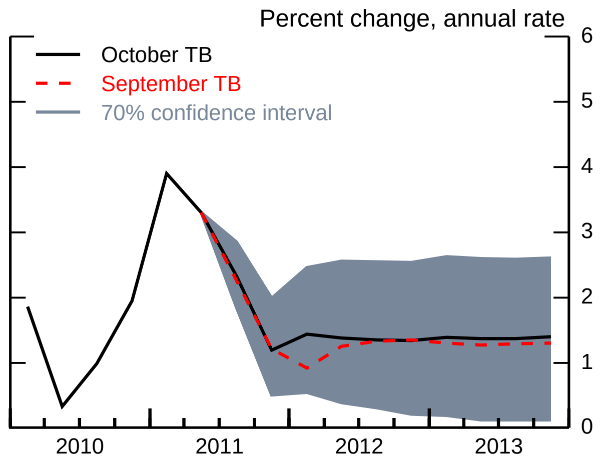
Forecast Summary

Confidence Intervals Based on Tealbook Track Record

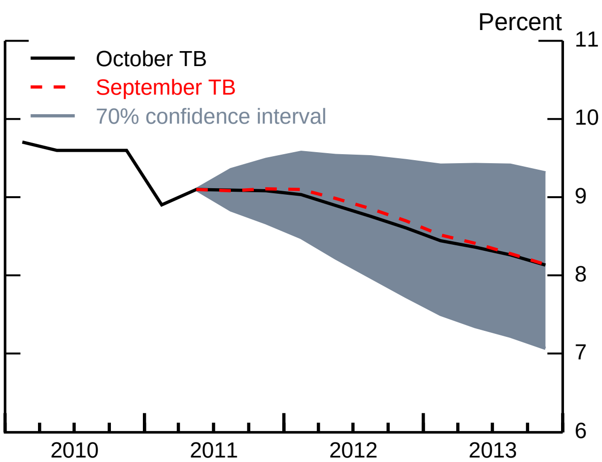
Real GDP



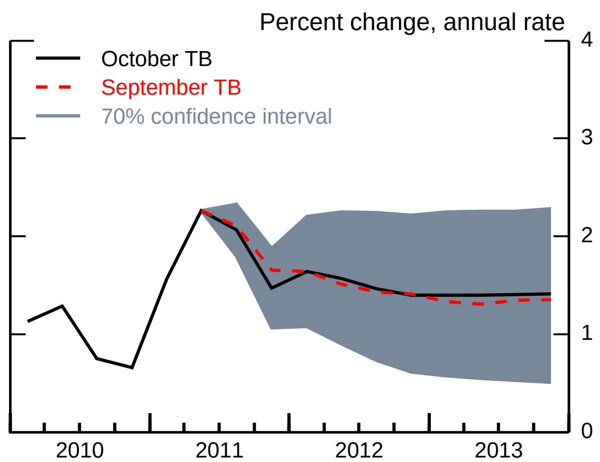
PCE Prices



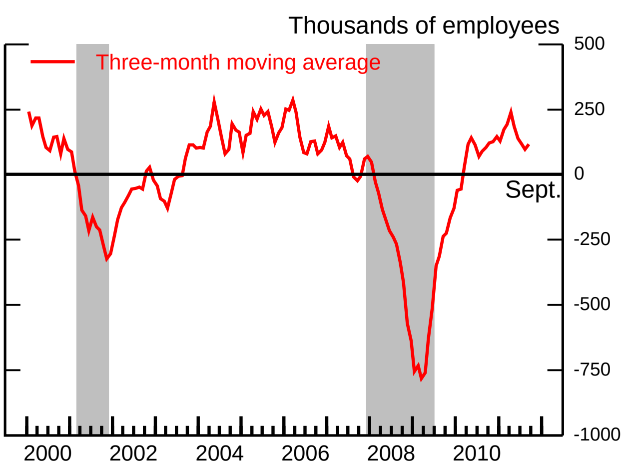
Unemployment Rate



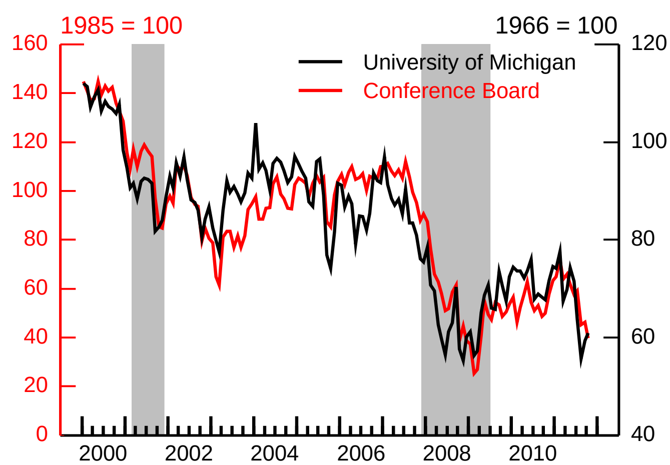
PCE Prices Excluding Food and Energy



Change in Private Payroll Employment



Consumer Sentiment



Appendix 4: Material distributed by Ms. Leonard

Material for Briefing on

FOMC Participants' Economic Projections

Deborah Leonard

November 1, 2011

Exhibit 1. Central tendencies and ranges of economic projections, 2011–14 and over the longer run

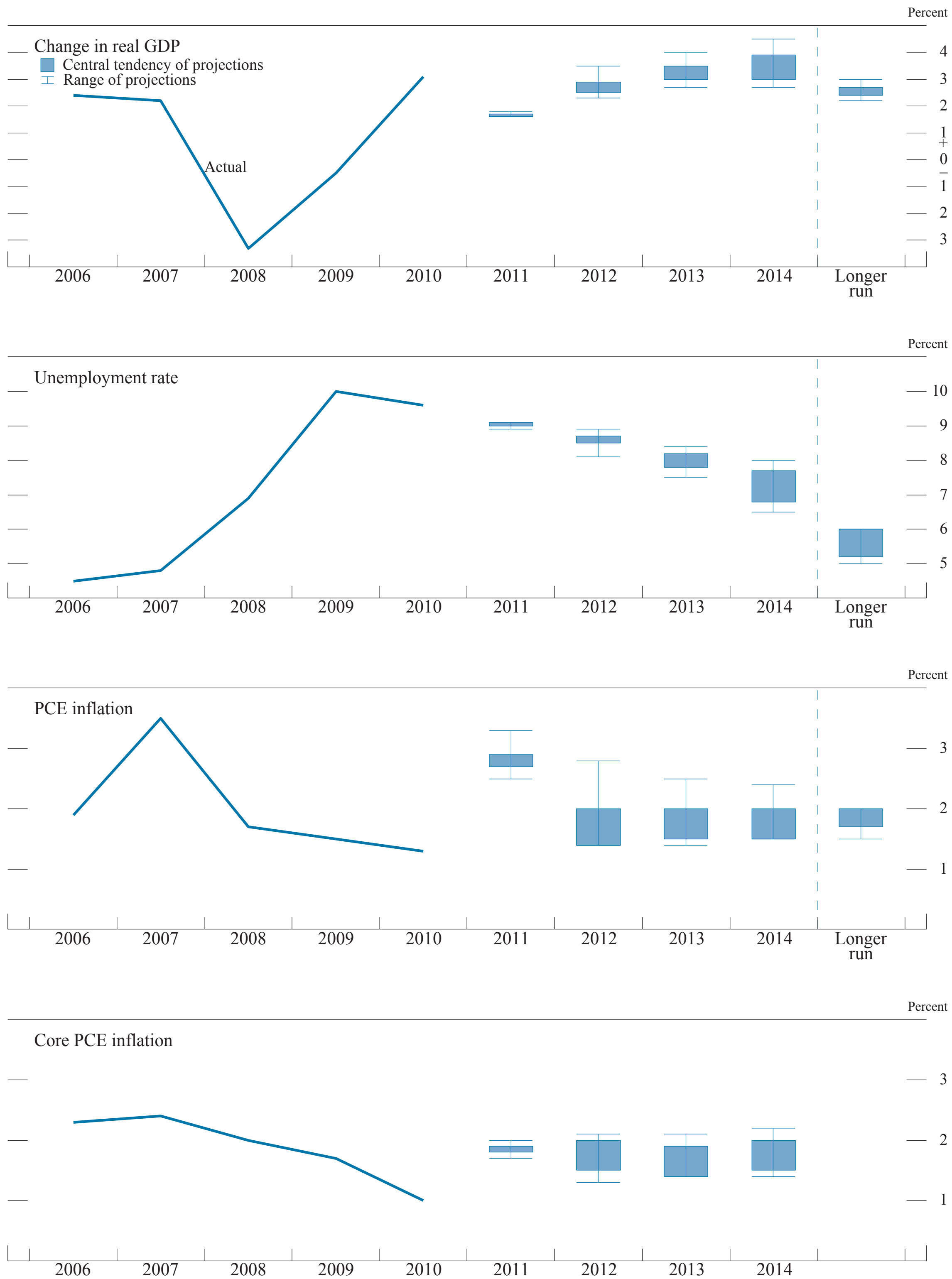


Exhibit 2. Economic projections for 2011 (percent)

Change in real GDP

	2011	2011:H1	2011:H2
Central Tendency	1.6 to 1.7	0.8 to 0.8	2.4 to 2.6
June projections	*2.7 to 2.9*	*2.0 to 2.1*	*3.3 to 3.6*
Range	1.6 to 1.8	0.8 to 0.8	2.4 to 2.8
June projections	*2.5 to 3.0*	*1.9 to 2.2*	*2.9 to 4.0*
Memo: Tealbook	1.7	0.8	2.6
June Tealbook	*2.7*	*2.0*	*3.4*

Unemployment Rate

	2011:Q4
Central Tendency	9.0 to 9.1
June projections	*8.6 to 8.9*
Range	8.9 to 9.1
June projections	*8.4 to 9.1*
Memo: Tealbook	9.1
June Tealbook	*8.9*

PCE Inflation

	2011	2011:H1	2011:H2
Central Tendency	2.7 to 2.9	3.6 to 3.6	1.8 to 2.2
June projections	*2.3 to 2.5*	*3.5 to 3.6*	*1.0 to 1.7*
Range	2.5 to 3.3	3.6 to 3.6	1.4 to 3.0
June projections	*2.1 to 3.5*	*3.1 to 4.0*	*0.6 to 3.0*
Memo: Tealbook	2.7	3.6	1.8
June Tealbook	*2.3*	*3.6*	*1.1*

Core PCE Inflation

	2011	2011:H1	2011:H2
Central Tendency	1.8 to 1.9	1.9 to 1.9	1.7 to 1.9
June projections	*1.5 to 1.8*	*1.7 to 1.8*	*1.3 to 1.8*
Range	1.7 to 2.0	1.9 to 2.0	1.5 to 2.1
June projections	*1.5 to 2.3*	*1.6 to 1.9*	*1.2 to 2.7*
Memo: Tealbook	1.8	1.9	1.8
June Tealbook	*1.7*	*1.8*	*1.5*

NOTE: For change in real GDP and inflation, the values for 2011, 2011:H1, and 2011:H2 are at annual rates in percent, measured in terms of Q4/Q4, Q2/Q4, and Q4/Q2, respectively.

Exhibit 3. Economic projections for 2012-2014 and over the longer run (percent)

Change in real GDP

	2012	**2013**	**2014**	**Longer run**
Central Tendency	2.5 to 2.9	3.0 to 3.5	3.0 to 3.9	2.4 to 2.7
June projections	*3.3 to 3.7*	*3.5 to 4.2*	---	*2.5 to 2.8*
Range	2.3 to 3.5	2.7 to 4.0	2.7 to 4.5	2.2 to 3.0
June projections	*2.2 to 4.0*	*3.0 to 4.5*	---	*2.4 to 3.0*
Memo: Tealbook	2.5	3.2	3.9	2½
June Tealbook	*3.5*	*4.2*	*4.0*	*2½*

Unemployment rate

	2012	**2013**	**2014**	**Longer run**
Central Tendency	8.5 to 8.7	7.8 to 8.2	6.8 to 7.7	5.2 to 6.0
June projections	*7.8 to 8.2*	*7.0 to 7.5*	---	*5.2 to 5.6*
Range	8.1 to 8.9	7.5 to 8.4	6.5 to 8.0	5.0 to 6.0
June projections	*7.5 to 8.7*	*6.5 to 8.3*	---	*5.0 to 6.0*
Memo: Tealbook	8.6	8.1	7.3	5¼
June Tealbook	*8.1*	*7.1*	*6.0*	*5¼*

PCE inflation

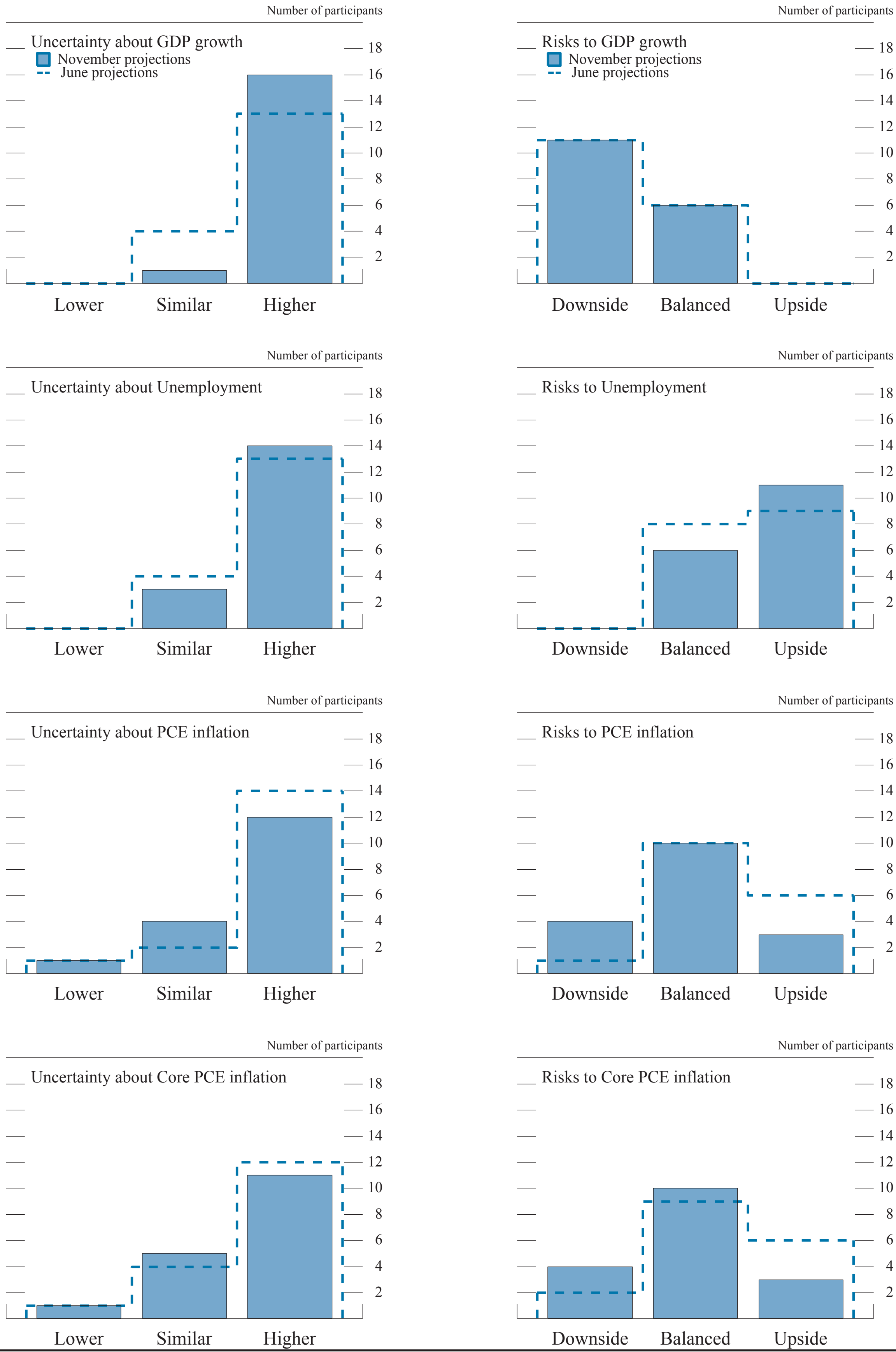
	2012	**2013**	**2014**	**Longer run**
Central Tendency	1.4 to 2.0	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0
June projections	*1.5 to 2.0*	*1.5 to 2.0*	---	*1.7 to 2.0*
Range	1.4 to 2.8	1.4 to 2.5	1.5 to 2.4	1.5 to 2.0
June projections	*1.2 to 2.8*	*1.3 to 2.5*	---	*1.5 to 2.0*
Memo: Tealbook	1.4	1.4	1.5	2
June Tealbook	*1.5*	*1.5*	*1.5*	*2*

Core PCE inflation

	2012	**2013**	**2014**
Central Tendency	1.5 to 2.0	1.4 to 1.9	1.5 to 2.0
June projections	*1.4 to 2.0*	*1.4 to 2.0*	---
Range	1.3 to 2.1	1.4 to 2.1	1.4 to 2.2
June projections	*1.2 to 2.5*	*1.3 to 2.5*	---
Memo: Tealbook	1.5	1.4	1.4
June Tealbook	*1.5*	*1.5*	*1.6*

NOTE: The changes in real GDP and inflation are measured Q4/Q4

Exhibit 4. Risks and uncertainty in economic projections



Appendix 5: Material distributed by Ms. Mester

Material for Briefing on

Trial-Run Policy Projections

Loretta J. Mester

November 1, 2011

Exhibit 1: Central tendencies and ranges

Fed Funds Rate (percent)

	2011	2012	2013	2014	Longer run
Central Tendency	0.13 to 0.13	0.13 to 0.67	0.13 to 1.50	0.13 to 2.50	4.00 to 4.50
Range	0.13 to 0.50	0.13 to 1.50	0.13 to 2.50	0.13 to 4.00	3.75 to 4.75

NOTE: Projections of the target federal funds rate in the fourth quarter of the year indicated. The fed funds rate projection corresponds to the participant's assessment of appropriate monetary policy.

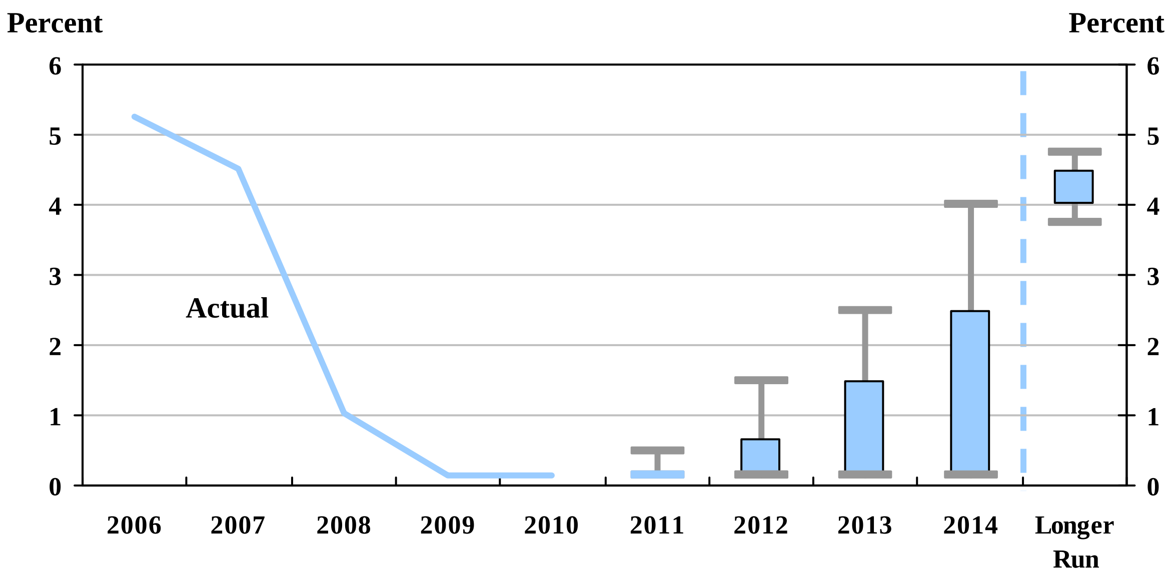


Exhibit 2. Distribution of federal funds rate projections

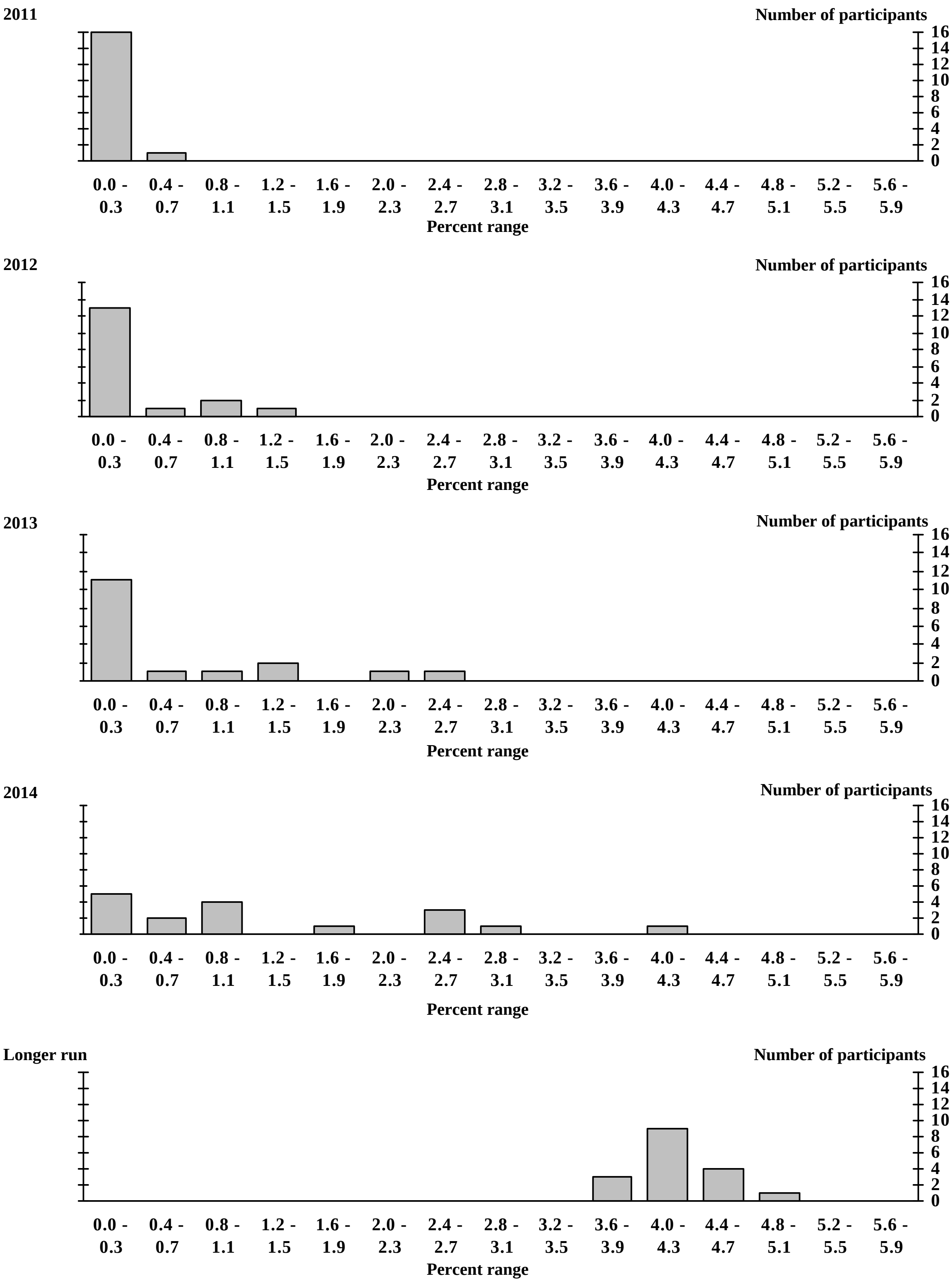
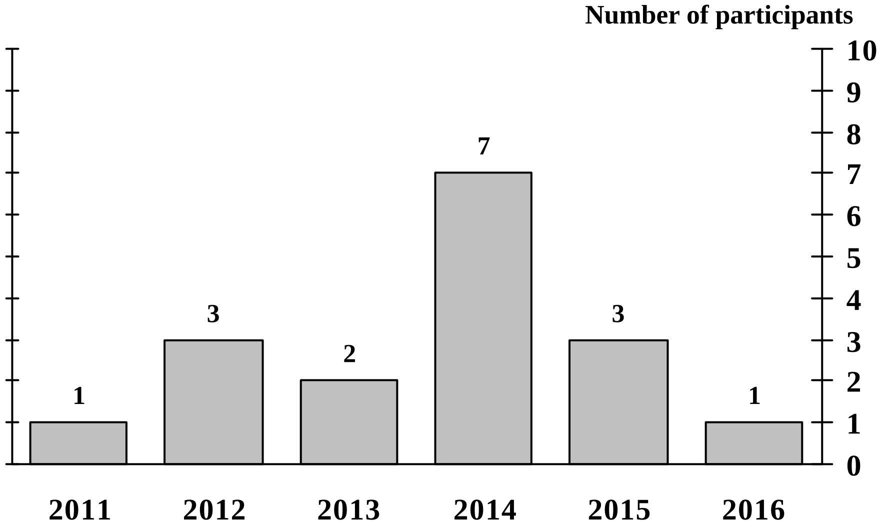


Exhibit 3. Distribution of participants' projections for year of first fed funds rate increase



Key factors underlying policy path:

For those favoring lift-off in 2014 or later:

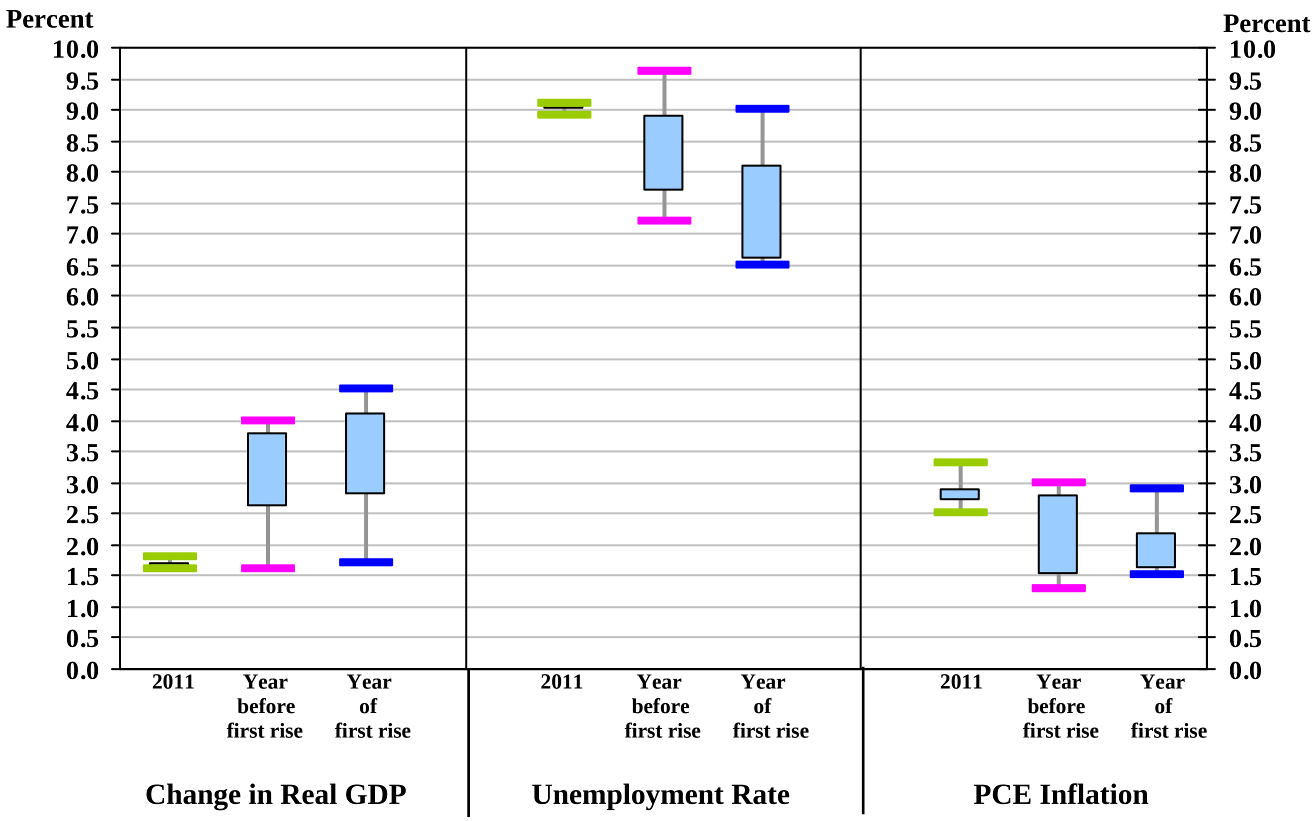
- Slow growth and high unemployment + moderate inflation
- Large and persistent output and unemployment gaps
- Zero lower bound is limiting support of monetary policy

For those favoring lift-off in 2013 or earlier:

- Stronger inflation pressures despite elevated unemployment
- To forestall build-up of financial and structural imbalances
- To keep inflation expectations anchored

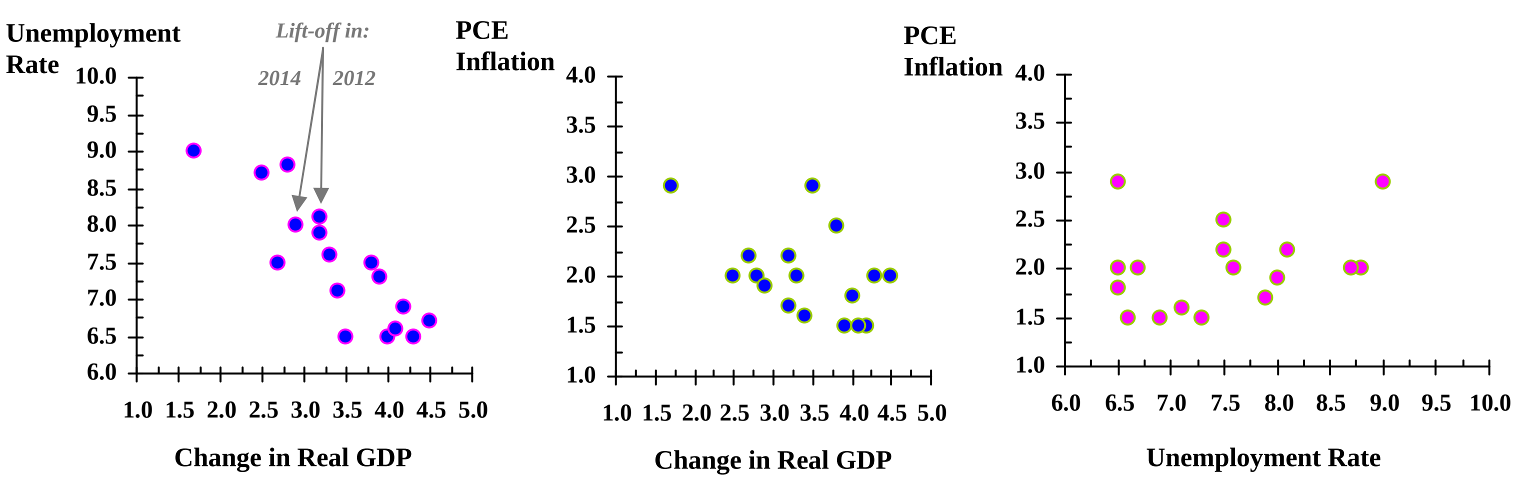
Exhibit 4. Projections aligned by year of lift-off

Panel A. Central tendencies and ranges in 2011, the year before lift-off, and the year of lift-off *



*Projections for the year before the first federal funds rate increase (i.e., for the year before lift-off) are not available for the participant projecting this increase will occur in 2016.

Panel B. Scatter plots of projections in year of lift-off*



*Each dot represents the combination of projected values of the two variables for an individual participant.

Appendix 6: Material distributed by Mr. English

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English

November 2, 2011

Table 1: Overview of Alternatives for the Nov. 2 FOMC Statement

Selected Elements	September Statement	November Alternatives			
		A1	A2	B	C
Balance Sheet					
MEP	$400 billion; complete by end of June 2012	unchanged	unchanged	unchanged	cut to $200 billion; complete by end of March 2012
Reinvestments	payments of agency debt and MBS into agency MBS; Treasuries into Treasuries	unchanged	unchanged	unchanged	unchanged
Additional Purchases	none	none	$600 billion of Treasuries by end of Sept. 2012 OR $300 billion each of Treasuries and agency MBS by end of June 2012	none	none
Forward Guidance					
First Option	at least through mid-2013	at least through mid-2014	unchanged	unchanged	at least through 2012
Second Option		through end of 2014 and forecasts of unemployment and inflation at that time		at least for the next six to seven quarters	at least for the next four quarters
Third Option		at least as long as unemployment and inflation conditions hold; expect such conditions to prevail through end of 2014			

SEPTEMBER FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in August indicates that economic growth remains slow. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has been increasing at only a modest pace in recent months despite some recovery in sales of motor vehicles as supply-chain disruptions eased. Investment in nonresidential structures is still weak, and the housing sector remains depressed. However, business investment in equipment and software continues to expand. Inflation appears to have moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. Longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee continues to expect some pickup in the pace of recovery over coming quarters but anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Moreover, there are significant downside risks to the economic outlook, including strains in global financial markets. The Committee also anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate as the effects of past energy and other commodity price increases dissipate further. However, the Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to extend the average maturity of its holdings of securities. The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. To help support conditions in mortgage markets, the Committee will now reinvest principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities. In addition, the Committee will maintain its existing policy of rolling over maturing Treasury securities at auction.

5. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.

6. The Committee discussed the range of policy tools available to promote a stronger economic recovery in a context of price stability. It will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate.

NOVEMBER FOMC STATEMENT—ALTERNATIVE A1

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **strengthened somewhat in the third quarter, but the pickup was due predominantly to a reversal of the temporary factors that had weighed on growth earlier in the year**. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a somewhat faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply-chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software **has** continue**d**~~s~~ to expand**, but** investment in nonresidential structures is still weak and the housing sector remains depressed. Inflation ~~appears to have~~ **has** moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. Longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee continues to expect ~~some pickup in the~~ **a moderate** pace of ~~recovery~~ **economic growth** over coming quarters ~~but~~ **and consequently** anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. ~~Moreover~~ **However**, there are significant downside risks to the economic outlook, including strains in global financial markets. The Committee ~~also~~ anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate ~~as the effects of past energy and other commodity price increases dissipate further~~. ~~However,~~ The Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to **continue its program to** extend the average maturity of its holdings of securities **as announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent. ~~and currently~~ The Committee **now** anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through ~~mid-2013~~ **mid-2014**.

OR

4´. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent. ~~and currently~~ The Committee **now** anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant **this** exceptionally low ~~levels~~ **range** for the federal funds rate ~~at least through mid-2013~~ **through the end of 2014**. **On the basis of currently available information, the Committee projects the unemployment rate to be about [6½ to 7] percent and the inflation rate (as measured by the price index for Personal Consumption Expenditures) to be around [1¾ to 2¼] percent at that time.**

OR

4´´. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent. ~~and currently~~ **The Committee** anticipates that ~~economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant~~ **this** exceptionally low ~~levels~~ **range** for the federal funds rate **will be appropriate at least as long as the unemployment rate exceeds [7] percent, inflation (as measured by the price index for Personal Consumption Expenditures) is projected to be at or below [2½] percent in the medium term, and longer-term inflation expectations continue to be well anchored**. **On the basis of currently available information, the Committee expects these conditions to prevail through the end of 2014.**

5. The Committee ~~discussed the range of policy tools available~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate to promote a stronger economic recovery in a context of price stability.

NOVEMBER FOMC STATEMENT—ALTERNATIVE A2

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **strengthened somewhat in the third quarter, but the pickup was due predominantly to a reversal of the temporary factors that had weighed on growth earlier in the year**. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a somewhat faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply-chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software **has** continue**d**~~s~~ to expand**, but** investment in nonresidential structures is still weak and the housing sector remains depressed. Inflation ~~appears to have~~ **has** moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. Longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee ~~continues to~~ expect**s** ~~some pickup in~~ the pace of ~~recovery~~ **economic growth** over coming quarters **to be relatively modest** ~~but~~ **and consequently** anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. ~~Moreover~~ **However**, there are significant downside risks to the economic outlook, including strains in global financial markets. The Committee ~~also~~ anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate ~~as the effects of past energy and other commodity price increases dissipate further~~. ~~However,~~ The Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to **continue its program to** extend the average maturity of its holdings of securities **as announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less.~~ **In addition, the Committee intends to purchase a further [$600 billion of longer-term Treasury securities by the end of September 2012 | $300 billion of longer-term Treasury securities and $300 billion of agency mortgage-backed securities by the end of June 2012].** ~~This~~ **These** program**s** should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. ~~To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.

5. The Committee ~~discussed the range of policy tools available~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate to promote a stronger economic recovery in a context of price stability.

<u>Note: If policymakers decide it is appropriate to reduce the remuneration rate on reserve balances, the Board of Governors would issue an accompanying statement that might read:</u>

<u>In a related action, the Board of Governors voted today to reduce the interest rate paid on required and excess reserve balances from 25 basis points to 10 basis points effective with the reserve maintenance period that begins on November 17, 2011.</u>

NOVEMBER FOMC STATEMENT—ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **strengthened somewhat in the third quarter, reflecting in part a reversal of the temporary factors that had weighed on growth earlier in the year**. **Nonetheless,** recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a somewhat faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software **has** continue**d**~~s~~ to expand**, but** investment in nonresidential structures is still weak, and the housing sector remains depressed. Inflation appears to have moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. Longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee continues to expect ~~some pickup in the~~ **a moderate** pace of ~~recovery~~ **economic growth** over coming quarters ~~but~~ **and consequently** anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Moreover, ~~there are~~ **[significant]** downside risks to the economic outlook **remain**, including strains in global financial markets. The Committee also anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate as the effects of past energy and other commodity price increases dissipate further. However, the Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to **continue its program to** extend the average maturity of its holdings of securities **as announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least **[** through mid-2013 **|** **for the next six to seven quarters]**.

5. The Committee ~~discussed the range of policy tools available~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools to promote a stronger economic recovery in a context of price stability.

NOVEMBER FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **of late has been somewhat stronger than the Committee had expected**. ~~Recent indicators point to continuing weakness in overall labor market conditions, and~~ **Although** the unemployment rate remains elevated, household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply-chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software continues to expand**, and** investment in nonresidential structures ~~is still weak~~ **has increased**. ~~and~~ The housing sector remains depressed. Inflation appears to have moderated **only somewhat** since earlier in the year**, despite a decline in the** ~~as~~ prices of energy and some commodities ~~have declined from their peaks~~. Longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee continues to expect ~~some pickup in the~~ **a moderate** pace of ~~recovery~~ **growth** over coming quarters ~~but~~ **and** anticipates that the unemployment rate will decline ~~only~~ gradually toward levels that the Committee judges to be consistent with its dual mandate. ~~Moreover, there are significant downside risks to the economic outlook, including strains in global financial markets.~~ The Committee also anticipates that inflation will settle, over coming quarters, at levels ~~at or below those~~ consistent with the Committee's dual mandate as the effects of past energy and other commodity price increases dissipate further. However, the Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. ~~To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate~~ **In light of the recent improvement in the economic outlook**, the Committee decided today to **reduce by half the size of the program to** extend the average maturity of its holdings of securities **that it announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative.~~ **In particular, the Committee intends to limit purchases and sales of securities under this program to $200 billion each and to complete these operations by the end of March 2012.** ~~To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and ~~currently,~~ **now** anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least **[** through **2012** ~~mid-2013~~ **| for the next four quarters]**.

5. The Committee ~~discussed the range of policy tools available to promote a stronger economic recovery in the context of price stability. It~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate **to promote its objectives of maximum employment and stable prices**.

September 2011 FOMC Directive

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to 1/4 percent. The Committee directs the Desk to purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. The Committee also directs the Desk to maintain its existing policy of rolling over maturing Treasury securities into new issues and to reinvest principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately $2.6 trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

November 2011 FOMC Directive — Alternative A1

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately $2.6 trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

November 2011 FOMC Directive — Alternative A2

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. **The Committee also directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately $3.3 trillion by the end of September 2012.** The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities ~~in order to maintain the total face value of domestic securities at approximately $2.6 trillion~~. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

OR

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. **The Committee also directs the Desk to execute purchases of longer-term Treasury securities and of agency mortgage-backed securities of approximately equal face amounts in order to increase the total face value of domestic securities held in the System Open Market Account to approximately $3.3 trillion by the end of June 2012.** The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities ~~in order to maintain the~~

~~total face value of domestic securities at approximately $2.6 trillion~~. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

November 2011 FOMC Directive — Alternative B

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately $2.6 trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

November 2011 FOMC Directive — Alternative C

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to 1/4 percent. The Committee directs the Desk to **modify the maturity extension program it began in September so as to** purchase, by the end of **March**~~June~~ 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of **$200**~~$400~~ billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of **$200**~~$400~~ billion. The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately **$2.4**~~$2.6~~ trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.