Appendix 1: Materials used by Mr. Sack

Material for

FOMC Presentation:
Financial Market Developments and Desk Operations

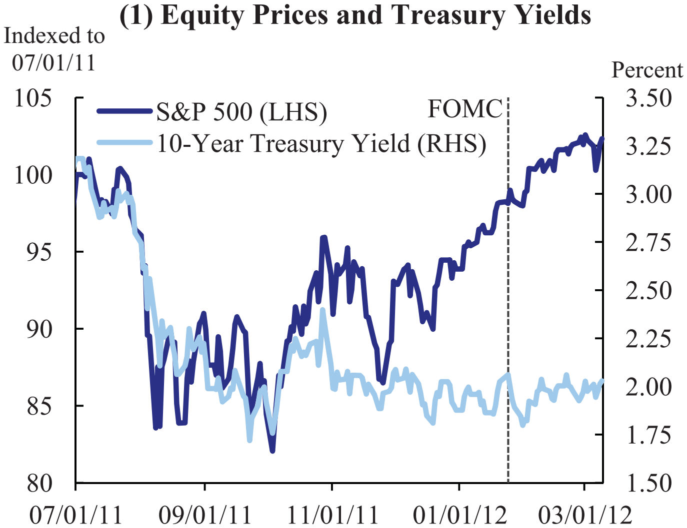
Brian Sack

March 13, 2012

Class II FOMC – Restricted FR

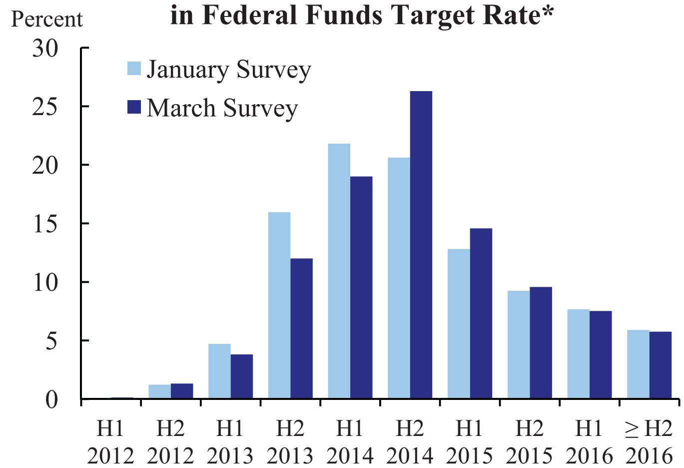
Exhibit 1

(1) Equity Prices and Treasury Yields



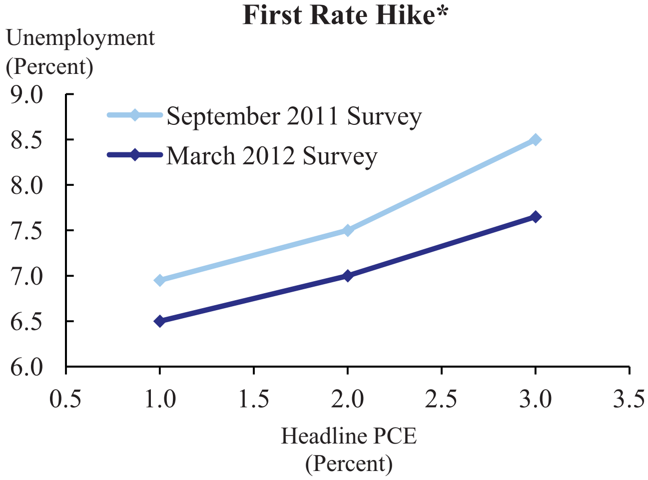
Source: Bloomberg

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



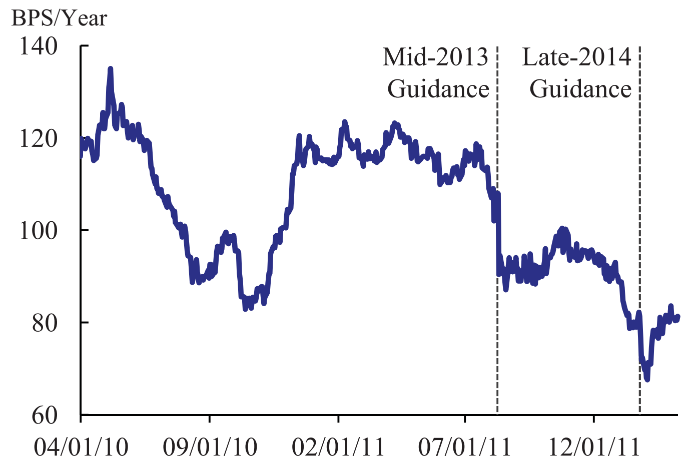
*Average probabilities from dealer responses.
Source: Federal Reserve Bank of New York Survey

(3) Macroeconomic Conditions That Would Prompt First Rate Hike*



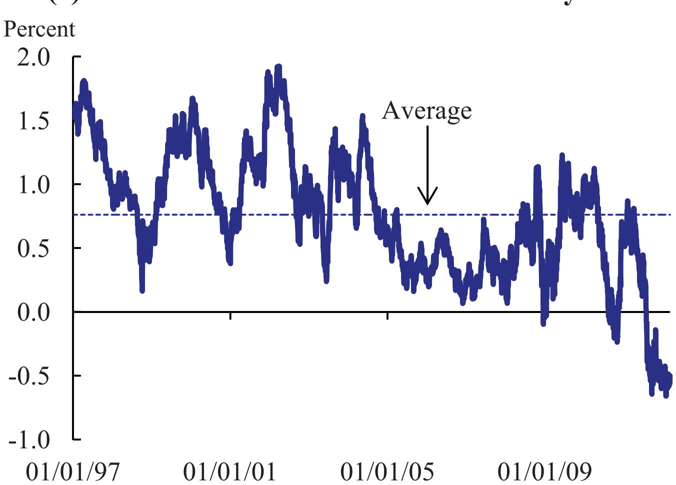
*Median dealer estimate of unemployment rate for given inflation rate.
Source: Federal Reserve Bank of New York Survey

(4) Implied Volatility of Forward Interest Rates*



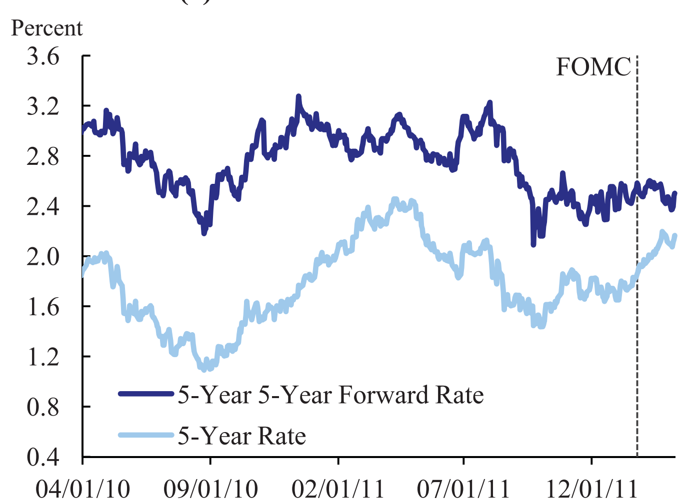
*Volatility of one-year rate derived from swaption expiring in three years.
Source: Bloomberg

(5) Term Premium for Ten-Year Treasury Yield*



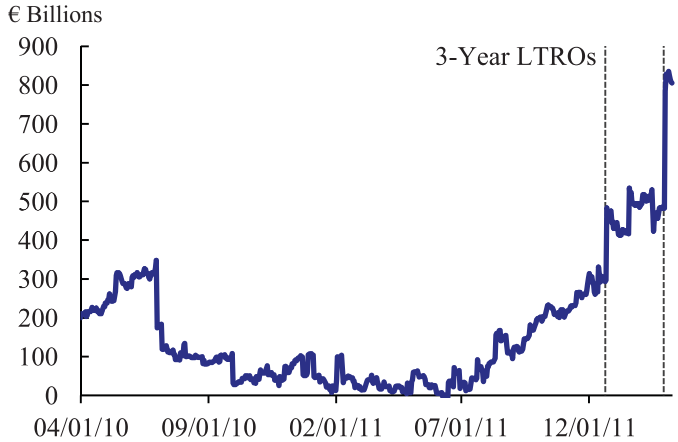
*Estimate from Kim-Wright model.
Source: Federal Reserve Board of Governors

(6) Breakeven Inflation Rates



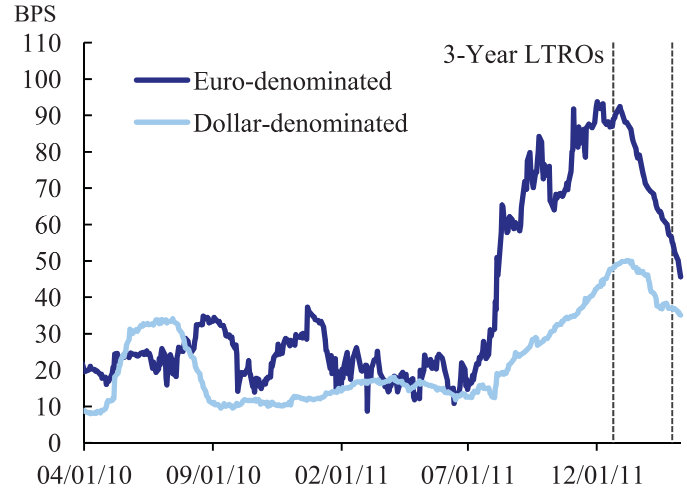
Source: Federal Reserve Board of Governors

(7) Euro Area Excess Liquidity*



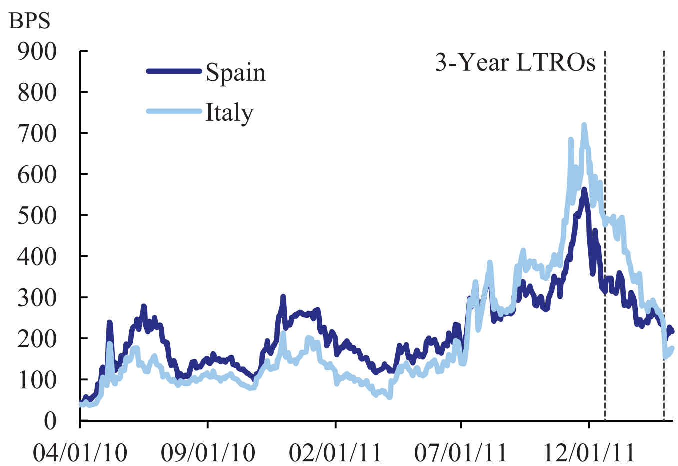
*Excess reserves plus deposit facility balance at ECB, excluding fine-tuning operation days.
Source: ECB

(8) 3-Month Libor-OIS Spreads



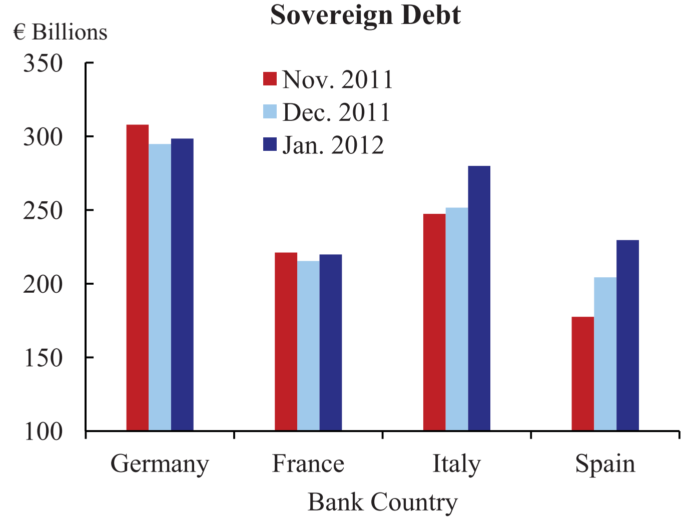
Source: Bloomberg

(9) Euro Area Sovereign Debt Spreads*



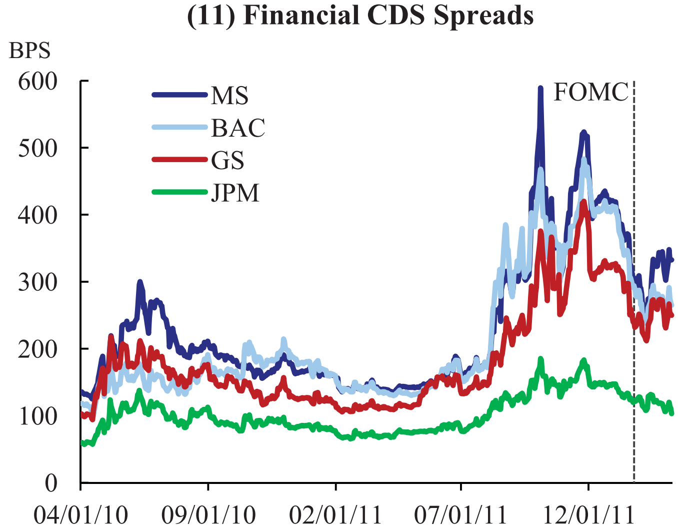
*2-year spreads to Germany.
Source: Bloomberg

(10) Bank Holdings of Euro Area Sovereign Debt



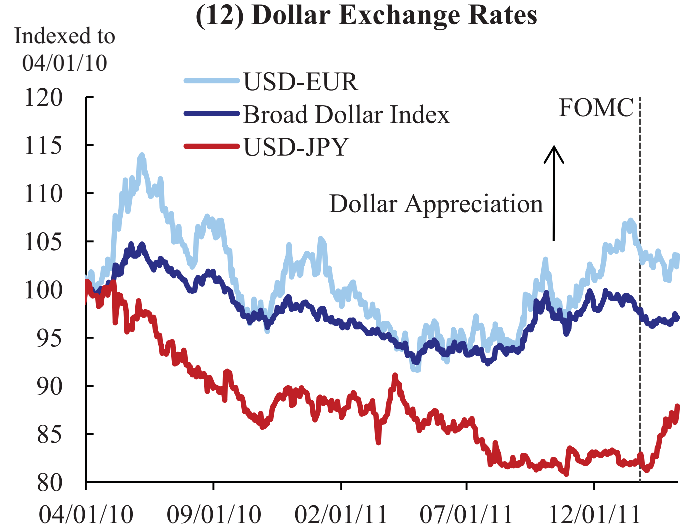
Source: ECB

(11) Financial CDS Spreads



Source: Bloomberg

(12) Dollar Exchange Rates



Source: Bloomberg, Federal Reserve Board of Governors

Class II FOMC – Restricted FR

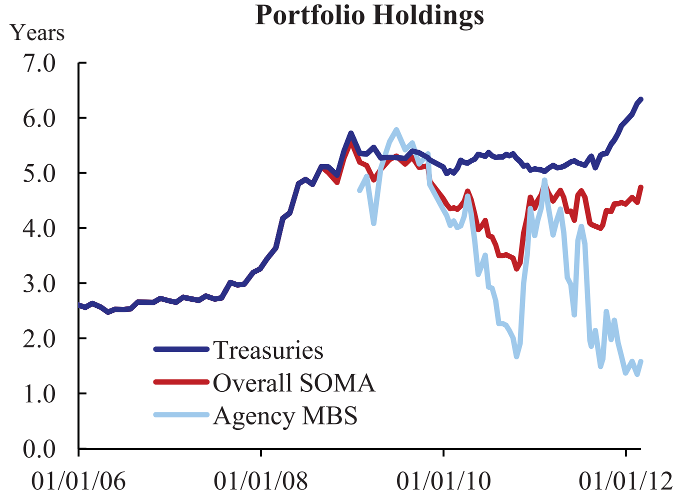
Exhibit 3

(13) Operations for Maturity Extension Program (Through 03/12/12)

	Purchases	Sales
Par Amount ($ Bil.)	237.8	242.0
Bid-to-Cover (Median)	3.0	7.5
Duration (Years)	10.4	1.5
10-Year Equivalents ($ Bil.)	287.8	42.3

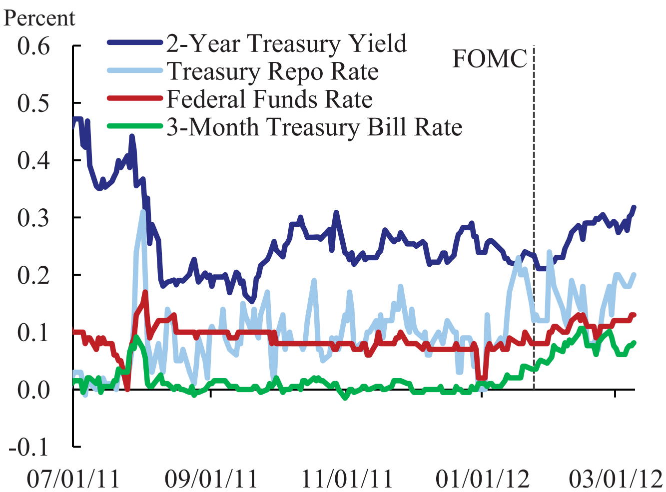
Source: Federal Reserve Bank of New York

(14) Average Duration of SOMA Portfolio Holdings



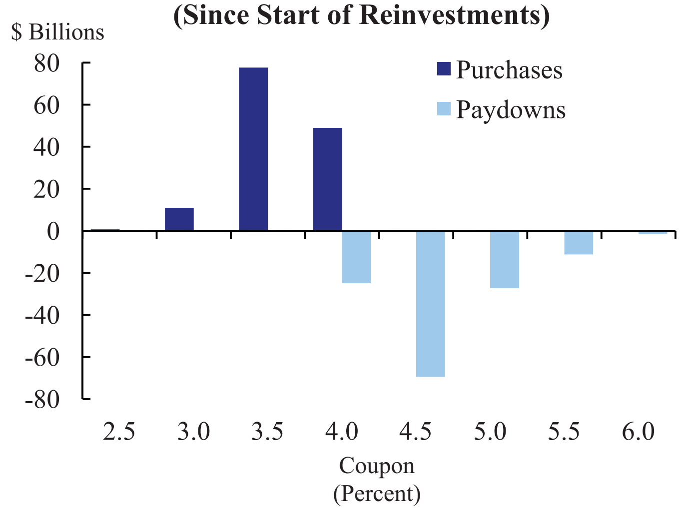
Source: Federal Reserve Bank of New York

(15) Shorter-Term Interest Rates



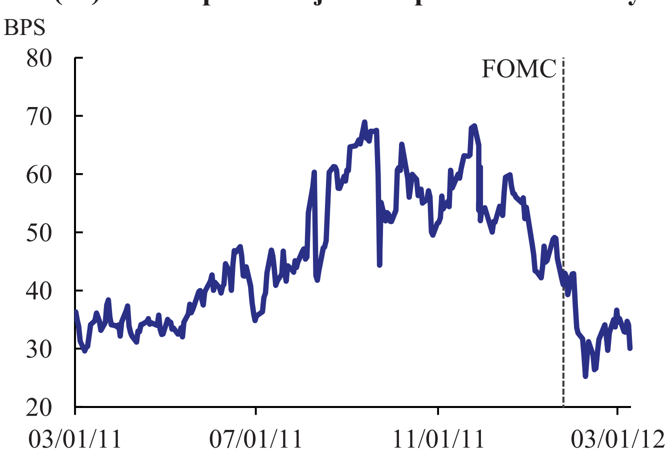
Source: Bloomberg, Federal Reserve Bank of New York

(16) MBS Purchases and Principal Paydowns (Since Start of Reinvestments)



Source: Federal Reserve Bank of New York

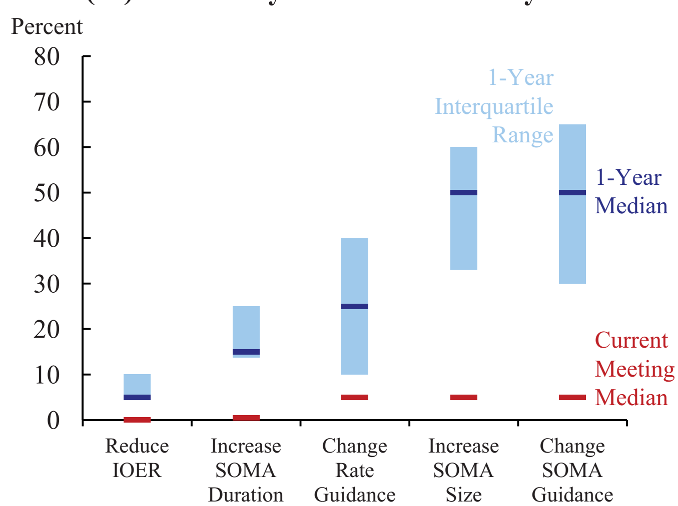
(17) MBS Option-Adjusted Spread to Treasury*



*Current coupon spread spliced with 3.5% coupon spread when current coupon rate is below 3.5%.

Source: Barclays Capital

(18) Probability of Additional Policy Actions



Source: Federal Reserve Bank of New York Survey

Appendix 2: Materials used by Mr. Wascher

Class II FOMC – Restricted (FR)

Material for

Forecast Summary

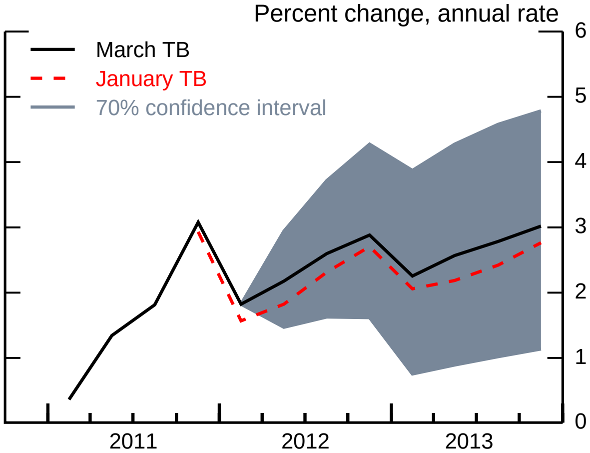
Bill Wascher

March 13, 2012

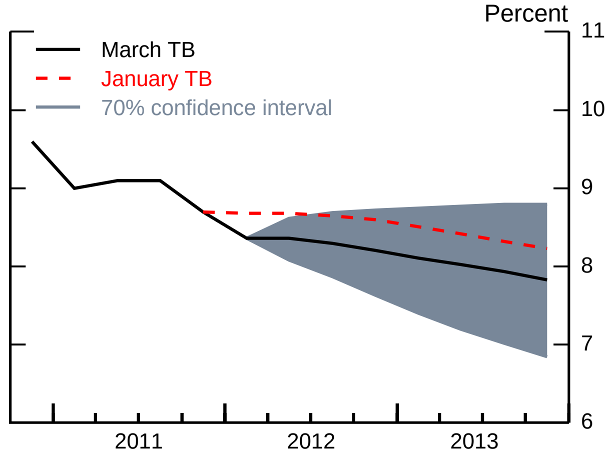
Forecast Summary

Confidence Intervals Based on Tealbook Track Record

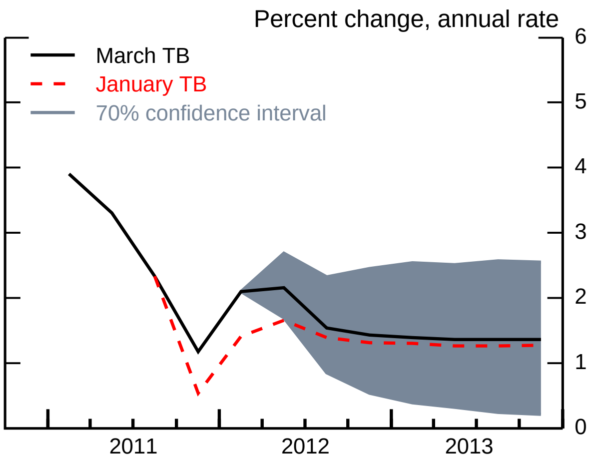
Real GDP



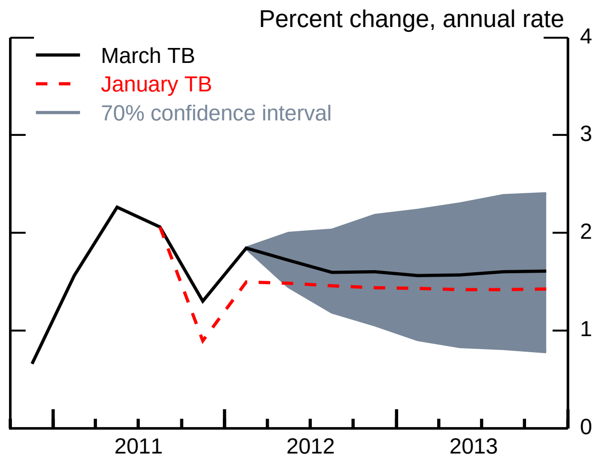
Unemployment Rate



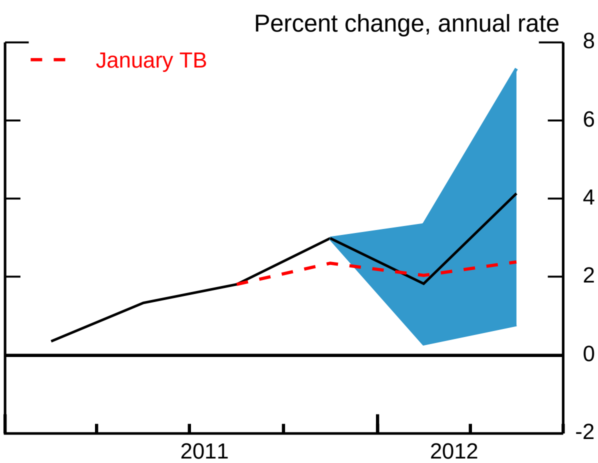
PCE Prices



PCE Prices Excluding Food and Energy

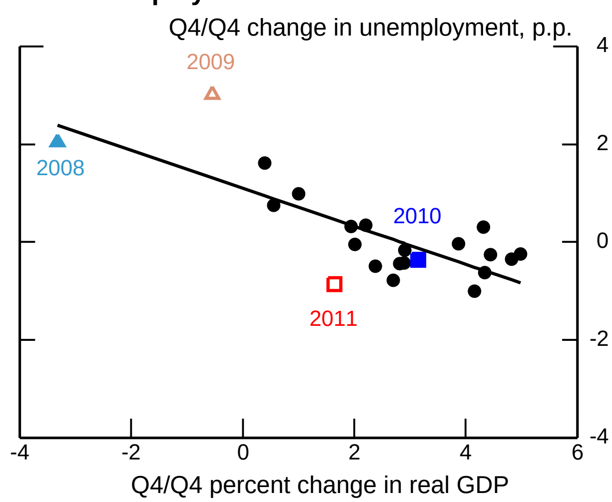


Real GDP Forecasts from the Factor Model



Note: The blue shaded area encompasses the 68% confidence interval.

Q4/Q4 Changes in Real GDP and Unemployment since 1990



Appendix 3: Materials used by Mr. English

Class I FOMC – Restricted Controlled (FR)

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English
March 13, 2012

JANUARY FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in December suggests that the economy has been expanding moderately, notwithstanding some slowing in global growth. While indicators point to some further improvement in overall labor market conditions, the unemployment rate remains elevated. Household spending has continued to advance, but growth in business fixed investment has slowed, and the housing sector remains depressed. Inflation has been subdued in recent months, and 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 expects economic growth over coming quarters to be modest and consequently anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee also anticipates that over coming quarters, inflation will run at levels at or below those consistent with the Committee's dual mandate.

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 expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today 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 late 2014.

4. The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities 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 to promote a stronger economic recovery in a context of price stability.

MARCH FOMC STATEMENT—ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** suggests that the economy has been expanding moderately~~, notwithstanding some slowing in global growth~~. While ~~indicators point to some further improvement in overall~~ labor market conditions **have improved somewhat further**, the unemployment rate remains elevated. Household spending **and business fixed investment** ha**ve** continued to advance. ~~but growth in business fixed investment has slowed, and~~ The housing sector remains depressed. Inflation has been subdued in recent months, ~~and~~ **although prices of crude oil and gasoline have increased lately**. 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 expects **that, absent further policy action,** economic growth **would slow** over coming quarters ~~to be modest~~ and ~~consequently anticipates that~~ the unemployment rate ~~will~~ **would** decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets continue to pose significant downside risks to the economic outlook. **The recent increase in oil and gasoline prices is likely to reduce consumers' purchasing power while pushing up inflation temporarily. Nonetheless,** the Committee ~~also~~ anticipates that ~~over coming quarters,~~ **subsequently** inflation will run ~~at levels~~ at or below ~~those~~ **the rate that it judges most** consistent with ~~the Committee's~~ **its** dual mandate.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at ~~levels~~ **the rate most** consistent with ~~the~~ **its** dual mandate, the Committee ~~expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee~~ decided today to **purchase an additional $500 billion of agency mortgage-backed securities by the end of March 2013**. **In addition, the Committee decided to** continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee **also** is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. **These programs should put downward pressure on longer-term interest rates, provide support to mortgage markets, 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.

OR

3′. To support a stronger economic recovery and to help ensure that inflation, over time, is at ~~levels~~ **the rate most** consistent with ~~the~~ **its** dual mandate, the Committee ~~expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee~~ decided today to **purchase additional agency mortgage-backed securities, initially at a rate of $40 billion per month**. **The Committee will adjust the pace of purchases and determine the ultimate size of the program as needed to foster its objectives. In addition, the Committee decided to** continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee **also** is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. **These programs should put downward pressure on longer-term interest rates, provide support to mortgage markets, 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. 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 late 2014.

5. **The Committee will employ its tools as needed** to promote a stronger economic recovery in a context of price stability.

MARCH FOMC STATEMENT—ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** suggests that the economy has been expanding moderately~~, notwithstanding some slowing in global growth~~. ~~While indicators point to some further improvement in overall~~ Labor market conditions **have improved further;** the unemployment rate **has declined notably in recent months but** remains elevated. Household spending **and business fixed investment** ha**ve** continued to advance. ~~but growth in business fixed investment has slowed, and~~ The housing sector remains depressed. Inflation has been subdued in recent months, ~~and~~ **although prices of crude oil and gasoline have increased lately**. 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 expects **moderate** economic growth over coming quarters ~~to be modest~~ and consequently anticipates that the unemployment rate will decline ~~only~~ gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets**, while having eased somewhat,** continue to pose significant downside risks to the economic outlook. **The recent increase in oil and gasoline prices will push up inflation temporarily, but** the Committee ~~also~~ anticipates that ~~over coming quarters~~ **subsequently** inflation will run ~~at levels~~ at or below ~~those~~ **the rate that it judges most** consistent with ~~the Committee's~~ **its** dual mandate.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at ~~levels~~ **the rate most** consistent with ~~the~~ **its** dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today 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 late 2014.

4. The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities 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 to promote a stronger economic recovery in a context of price stability.

MARCH FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** suggests that the economy has been expanding moderately~~, notwithstanding some slowing in global growth~~. ~~While indicators point to some further improvement in overall labor market conditions,~~ **Although** the unemployment rate remains elevated**, it has declined notably and the pace of employment growth has picked up**. Household spending **and business fixed investment** ha**ve** continued to advance, ~~but growth in business fixed investment has slowed,~~ and **indicators of conditions in** the housing sector ~~remains depressed~~ **have improved somewhat**. Inflation has been subdued in recent months, and longer-term inflation expectations have remained stable. **However, prices of crude oil and gasoline have increased significantly of late.**

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects **a gradual increase in the pace of** economic growth over coming quarters ~~to be modest~~ and consequently anticipates that the unemployment rate will **continue to** decline ~~only gradually~~ toward levels that the Committee judges to be consistent with its dual mandate. ~~Strains in global financial markets continue to pose significant downside risks to the economic outlook.~~ The Committee also anticipates that ~~over coming quarters,~~ **the recent increase in oil and gasoline prices is likely to push** inflation ~~will run at levels at or below those~~ **above the rate that the Committee judges most** consistent with ~~the Committee's~~ **its** dual mandate. **Moreover, the Committee sees some risk that inflation could remain elevated going forward given the current degree of policy accommodation.**

3. To support ~~a stronger~~ **the** economic recovery and to help ensure that inflation, over time, is at ~~levels~~ **the rate most** consistent with ~~the~~ **its** dual mandate, the Committee ~~expects to maintain a highly accommodative stance for monetary policy. The Committee also~~ decided **today** to ~~continue its~~ **reduce from $400 billion to $250 billion the** program to extend the average maturity of its holdings of securities ~~as~~ **that was** announced in September **and to complete this program by the end of March**. ~~In particular,~~ The Committee **also** decided ~~today~~ 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~~ **this** exceptionally low ~~levels~~ **range** for the federal funds rate ~~at least through late 2014~~ **will be appropriate only as long as inflation is projected to remain subdued over the medium term, longer-term inflation expectations continue to be well anchored, and progress toward maximum employment remains insufficient**.

4. The Committee is **also** maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities 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 to promote ~~a stronger economic recovery in a context of~~ **its objectives of maximum employment and** price stability.

JANUARY 2012 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 ¼ 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 policies of rolling over maturing Treasury securities into new issues and of reinvesting 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.

MARCH 2012 DIRECTIVE—ALTERNATIVE A

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 ¼ 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 agency mortgage-backed securities by the end of March 2013 in order to increase the total face value of domestic securities held in the System Open Market Account to approximately $3.1 trillion. | The Committee also directs the Desk to execute purchases of agency mortgage-backed securities in order to increase the total face value of domestic securities held in the System Open Market Account by approximately $40 billion per month.]** The Committee also directs the Desk to maintain its existing policies of rolling over maturing Treasury securities into new issues and of reinvesting 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 **and coupon swap** 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.

MARCH 2012 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 ¼ 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 policies of rolling over maturing Treasury securities into new issues and of reinvesting 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.

MARCH 2012 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 ¼ percent. The Committee directs the Desk to ~~continue~~ **modify** the maturity extension program it began in September **so as** to purchase, by the end of ~~June~~ **March** 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of ~~$400~~ **$250** billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of ~~$400~~ **$250** billion. The Committee also directs the Desk to maintain its existing policies of rolling over maturing Treasury securities into new issues and of reinvesting 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.

Appendix 4: Materials for "Discussion of Issues Related to Policy Communications"

Class I FOMC – Restricted Controlled (FR)

Material for

Discussion of Issues Related to Policy Communications

March 13, 2012

Class I FOMC – Restricted Controlled (FR)

Questions for FOMC Discussion of Policy Communications Issues

1. Should the Committee's post-meeting statements be used to provide information about the links between the Committee's economic outlook and its policy decisions?
   a. Should the post-meeting statement incorporate qualitative or quantitative information about the economic conditions that the Committee judges would lead to a shift in the stance of monetary policy, that is, either to the start of policy firming or to the provision of additional monetary accommodation (perhaps along the lines of the attached sample language in section B of the appendix)?
   b. Should the post-meeting statement incorporate additional information about the Committee's economic outlook over the medium run rather than just over coming quarters (as in the attached sample language in section C of the appendix)?
   c. If you support adding quantitative information to the statement along the lines of (a) or (b) above, what process would you envision using to settle on the specific information to be added?
   d. If the post-meeting statement provides further information about the conditionality of the forward guidance, should the Committee continue to refer to a calendar date in describing the likely timing of policy liftoff?

2. Would further adjustments to the SEP be helpful in clarifying the linkages between the Committee's economic outlook and its policy decisions?
   a. Should the SEP provide summary information about the views of Committee members separately from the views of all FOMC participants?
   b. Should the SEP use scatter plots or other visual representations to provide information about the connections between participants' economic projections and their policy projections?
   c. Should the full "matrix" of projections be released to the public, thereby linking each participant's economic forecasts with his or her policy judgments? If so, should the Committee identify the individual making each set of projections or seek to preserve participants' anonymity to the extent possible?
   d. Are there other enhancements to the SEP that you view as potentially helpful in increasing the public's understanding of the links between the economic outlook and the Committee's decisions?

3. Are there other potential approaches for clarifying the conditionality of the Committee's policy decisions that you see as potentially promising? For example, should the Committee start producing consensus forecasts for publication in the SEP? Or perhaps the SEP could provide information about the Committee's likely response to alternative economic scenarios? If you think these are promising ideas, how would you envision the process of producing the consensus forecasts or alternative economic scenarios?

Class I FOMC – Restricted Controlled (FR)

Appendix: Sample Language for the Post-Meeting Statement

A. For reference, the January statement language was:

1. Information received since the Federal Open Market Committee met in December suggests that the economy has been expanding moderately, notwithstanding some slowing in global growth. While indicators point to some further improvement in overall labor market conditions, the unemployment rate remains elevated. Household spending has continued to advance, but growth in business fixed investment has slowed, and the housing sector remains depressed. Inflation has been subdued in recent months, and 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 expects economic growth over coming quarters to be modest and consequently anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee also anticipates that over coming quarters, inflation will run at levels at or below those consistent with the Committee's dual mandate.

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 expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today 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 late 2014.

4. The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities 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 to promote a stronger economic recovery in a context of price stability.

Class I FOMC – Restricted Controlled (FR)

B. In your remarks you may wish to note whether you find any of the following four alternatives to the end of **paragraph 3** in the post-meeting statement to be helpful in providing greater clarity about the linkages between the economic outlook and the Committee's monetary policy decision.

3.1 …In particular, the Committee decided today 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 late 2014. **The Committee expects that at the time of the first increase in the target federal funds rate, the unemployment rate will be nearing or will have moved somewhat below [7] percent and inflation will be close to or somewhat below [2] percent. In judging when to first increase the target federal funds rate, the Committee will consider a range of factors, including the pace of improvement in labor market conditions and the contours of the medium-term inflation outlook.**

3.2 …In particular, the Committee decided today 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 late 2014. **The Committee currently projects that, with the target federal funds rate maintained at exceptionally low levels, inflation will remain close to or somewhat below [2] percent in the medium term and the unemployment rate will decline gradually. Based on that projection, and given the lags with which monetary policy affects the economy, the Committee currently estimates that it will become appropriate to raise the target federal funds rate when the unemployment rate has moved near or somewhat below [7] percent. In deciding when to change policy, the Committee will take into account a range of factors, including the outlook for inflation, longer-term inflation expectations, and the pace of improvement in labor market conditions.**

3.3 …In particular, the Committee decided today 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 late 2014. **Among the factors that the Committee will take into account in determining how long to maintain the current stance of policy are the outlook for inflation, the level of longer-term inflation expectations, the extent of resource slack, and the pace of improvement in labor market conditions. [In particular, if inflation**

appeared likely to be persistently above target, then, all else equal, the Committee would move to reduce policy accommodation earlier; conversely, if unemployment were not making sufficient progress toward levels consistent with the dual mandate, then, all else equal, the Committee would maintain an exceptionally accommodative policy stance for a longer time.]

3.4 …In particular, the Committee decided today to keep the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate 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 late 2014. The Committee also decided to continue its program to extend the average maturity of its holdings of securities, as announced in September, and is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. **The Committee will monitor incoming economic and financial information and will make adjustments to the stance of monetary policy as appropriate to foster its statutory objectives of maximum employment and price stability. The Committee currently anticipates that at the time of the first increase in the target federal funds rate, the unemployment rate will be nearing or will have moved somewhat below [7] percent and inflation will be close to or somewhat below [2] percent. The timing of that decision will reflect a range of factors, including the Committee's inflation outlook and its assessments of the pace of improvement in labor market conditions and the longer-run normal rate of unemployment. The Committee is prepared to provide further monetary accommodation if employment is not making sufficient progress toward the Committee's assessments of its maximum level or if inflation appears likely to be persistently below its mandate-consistent rate.**

Class I FOMC – Restricted Controlled (FR)

C. In your remarks you may wish to note whether you find the following alternative language for **paragraph 2** in the post-meeting statement to be helpful in providing information about the Committee's economic outlook over the medium run rather than just over coming quarters.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects **that** economic growth over coming quarters ~~to be modest and~~ **will remain moderate, reflecting ongoing drags from the housing sector and still-tight credit conditions for many households and smaller businesses**. **Looking further ahead, the pace of economic activity is expected to pick up somewhat, supported by the continuation of a highly accommodative stance for monetary policy.** Consequently, **the Committee** anticipates that the unemployment rate will decline ~~only~~ gradually towards levels that ~~the Committee~~ **it** judges ~~to be~~ consistent with its dual mandate. Strains in global financial markets**, while having eased somewhat,** continue to pose significant downside risks to the economic outlook. **The recent increase in oil and gasoline prices is likely to boost inflation temporarily, but** the Committee ~~also~~ anticipates that ~~over coming quarters,~~ **subsequently** inflation will run at ~~levels at~~ or **somewhat** below ~~those~~ **the rate that it judges most** consistent with ~~the Committee's~~ its dual mandate.