

Appendix 1: Materials used by Mr. Laubach

Class I FOMC – Restricted (FR)

Material for

Alternative Scenarios for Contingency Planning

Thomas Laubach
April 24, 2012

Exhibit 1
Alternative Scenarios for Contingency Planning — an Experiment

Main Results from the Survey

- Nine said scenario 1 (Tealbook baseline) was closest to own modal outlook; most others saw stronger real activity and/or higher inflation
- Most thought differences across scenarios merited adjustments to their own *individual* assessments of appropriate monetary policy
- Ten specifically indicated that additional portfolio actions could be appropriate in some circumstances
- Enough information provided to infer views on whether the *current* policy should be maintained, tightened, or eased in each scenario
 - Eleven favored maintaining status quo or easier policy in scenario 1
 - Thirteen favored tighter policy in scenario 2; similar number in scenario 4
 - Twelve favored or would consider an easier policy in scenario 3
- Several cited risks (e.g., fiscal policy) as influences on their policy assessments

Which Scenario is Closest to Your Own Modal Outlook? (number of responses)

1—March Tealbook baseline	9
2—stronger real activity	3
3—weaker real activity	0
4—higher inflation	2
Mix of 1 and 3	1
Mix of 1 and 2	2

Do Conditions in Scenarios 2 to 4 Warrant a Change in Own Policy Assessment Relative to Scenario 1? (number of responses)

	Scenario		
	2	3	4
No change	0	0	1
Tighter policy	13	0	12
Easier policy	0	13	0
Insufficient information	4	4	4

Should Policy Be Tighter, Easier, or the Same as Current Policy?¹

Policy	Scenario			
	1	2	3	4
Maintain status quo	8	1	1	1
Tighter	4	13 ²	0	12 ²
Easier	3	1	12 ³	1
Insufficient information	2	2	4	3

1. Current policy defined as maintaining “at least through late 2014” language and initiating no new asset purchases or MEP.

2. Includes two participants who said they might tighten, in that they would consider pulling forward the current liftoff date.

3. Includes two participants who said that they might ease, in that they would consider additional balance sheet actions.

Exhibit 2
Additional Results and Issues

- Many thought judging appropriate policy responses was difficult without more information for each scenario
- Frequently mentioned examples of other useful indicators included:
 - Additional inflation measures, house prices, broader range of financial market data, readings on foreign economic conditions, initial claims, and business surveys
 - Anecdotal information from business contacts
- Some questioned the general design of the exercise
 - Scenario descriptions did not identify fundamental shocks driving each scenario, nor how events would play out
 - Scenarios might be more useful if they provided this information
- Several participants offered general comments on the potential value of scenario exercises
 - Three said that they might be useful for internal deliberations, but further work was needed before they could be used in public communications
 - Two suggested that such exercises could help to provide information on the Committee's reaction function

Appendix 2: Materials used by Mr. Sack

Class II FOMC - Restricted FR

Material for

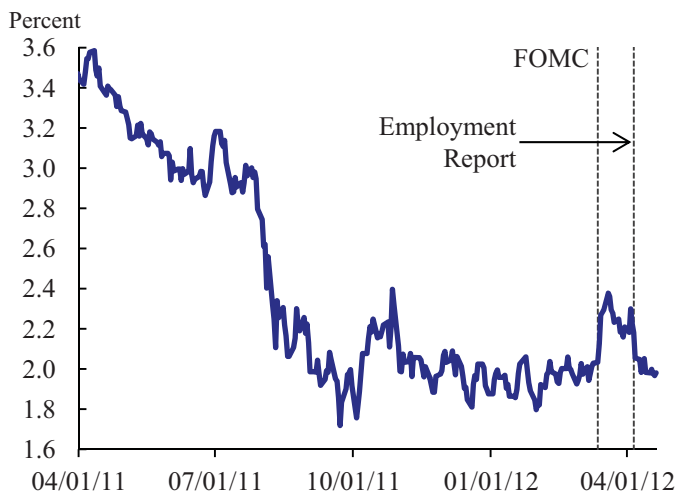
FOMC Presentation:

Financial Market Developments and Desk Operations

Brian Sack

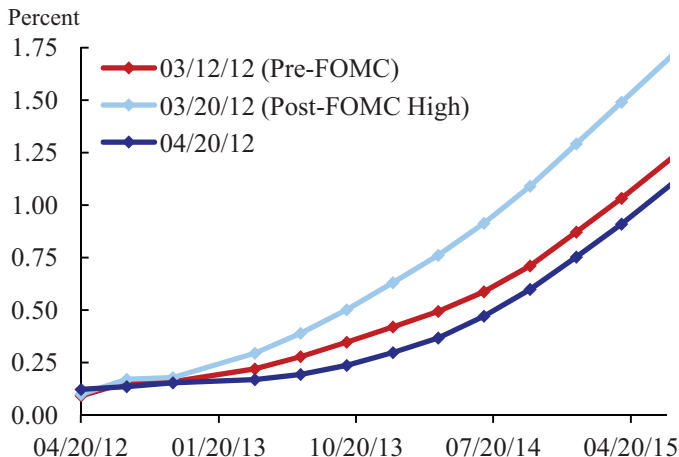
April 24, 2012

(1) Ten-Year Treasury Yield



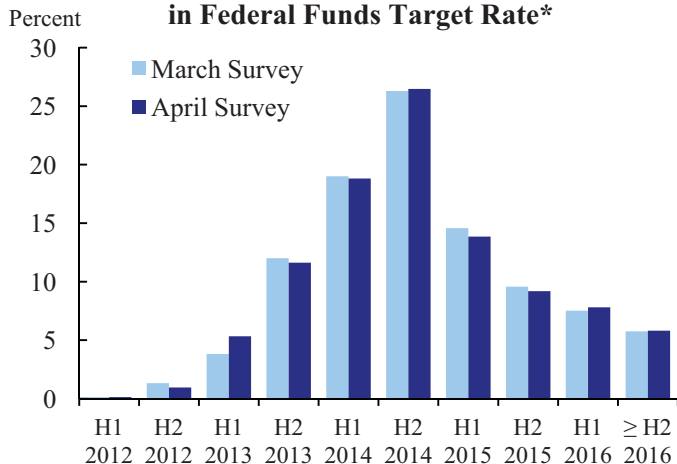
Source: Bloomberg

(2) Implied Federal Funds Rate Path*



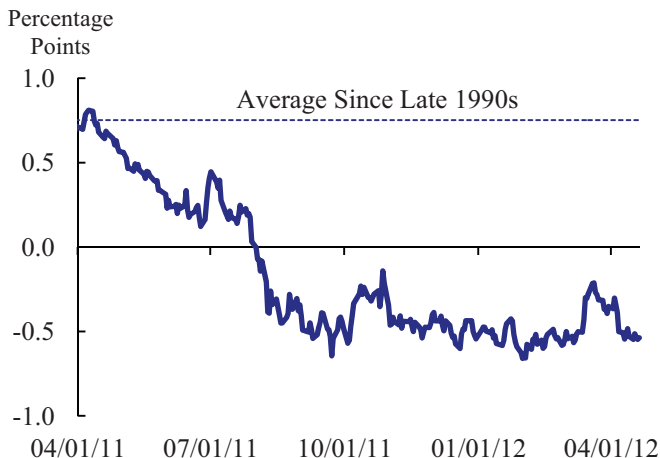
*Derived from federal funds futures and eurodollar futures.
Source: Bloomberg, Federal Reserve Bank of New York

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



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

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



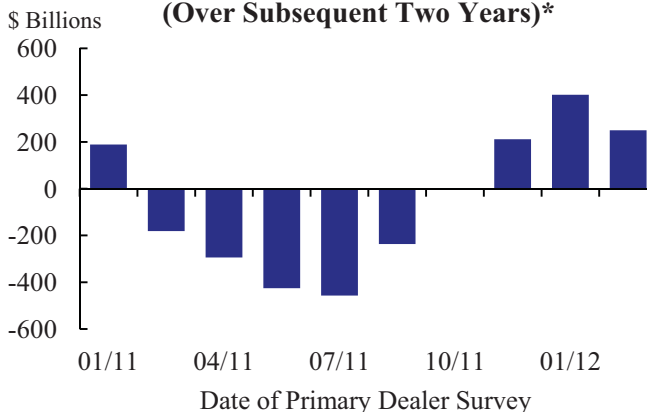
*Estimate from Kim-Wright model.
Source: Federal Reserve Board of Governors

(5) Decomposition of Decline in Ten-Year Yield Since June 2011* (Tealbook Estimates)

Expected Path of Fed Funds Rate	-31
Term Premium Due To:	
Rate Uncertainty	-22
SOMA Holdings	-22
European Risk	-21
Other Factors	-11

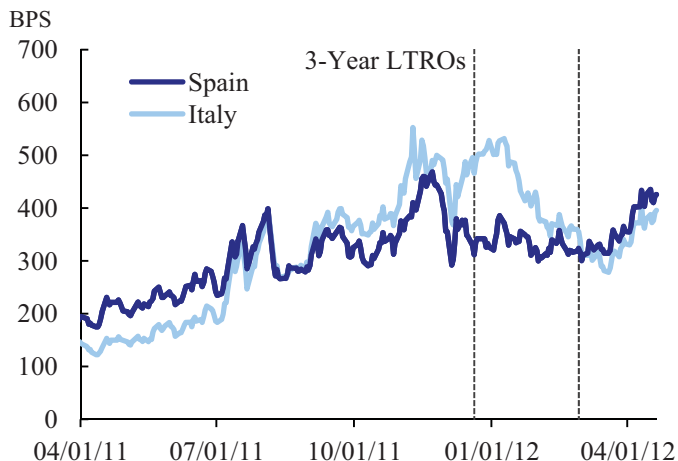
*Changes in BPS.
Source: Federal Reserve Board of Governors

(6) Expected Change in SOMA Holdings (Over Subsequent Two Years)*



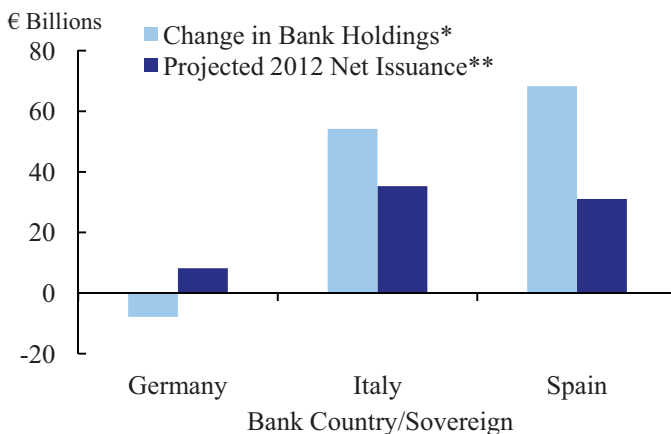
*Based on median response from FRBNY primary dealer survey. The observation for March 2012 is based on a similar survey conducted by Macroeconomic Advisers.
Source: Federal Reserve Bank of New York Survey, Macroeconomic Advisers

(7) Euro Area Sovereign Debt Spreads*



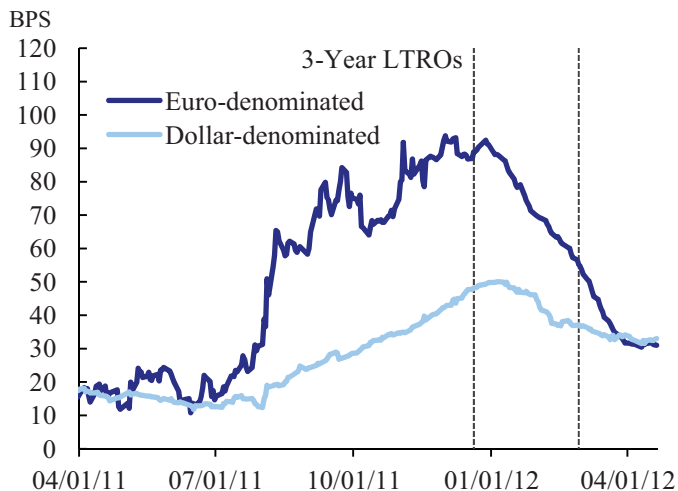
*10-year spreads to Germany.
Source: Bloomberg

(8) Patterns in Euro Area Sovereign Debt



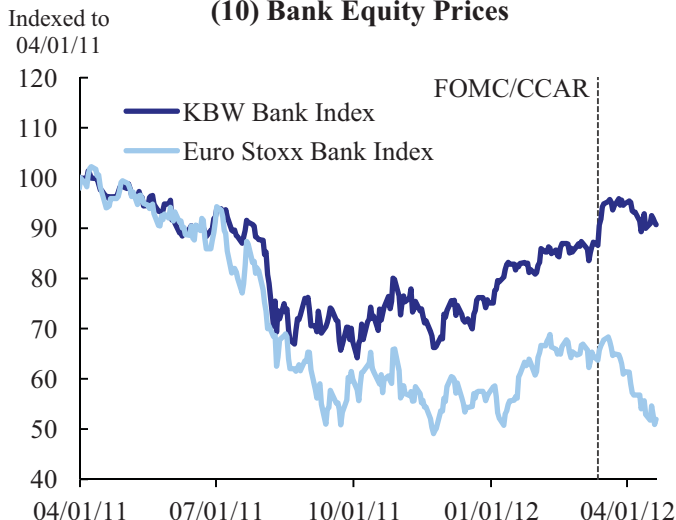
*Change in holdings of all euro area sovereign debt by banks in that country, from November 2011 to February 2012.
**Estimates of net issuance by sovereign.
Source: ECB, Barclays

(9) 3-Month Libor-OIS Spreads



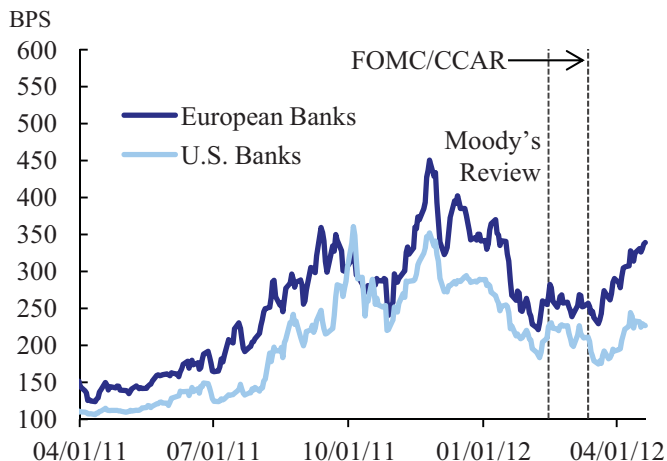
Source: Bloomberg

(10) Bank Equity Prices



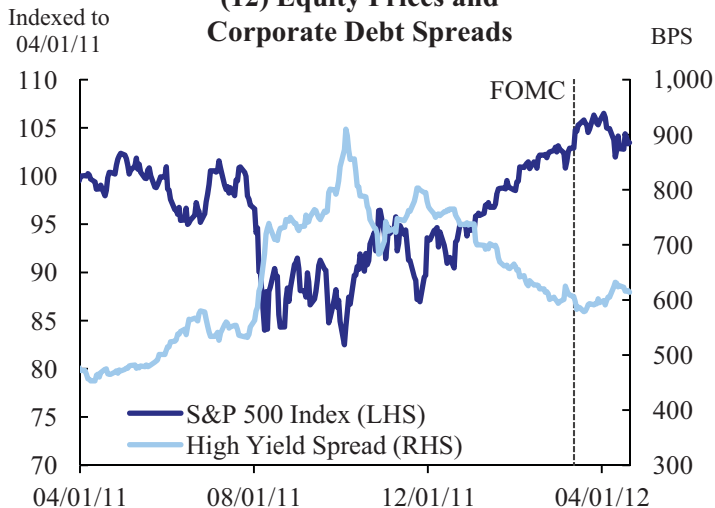
Source: Bloomberg

(11) Financial CDS Spreads*



*Average 5-year CDS spreads of major financials.
Source: Bloomberg

(12) Equity Prices and Corporate Debt Spreads



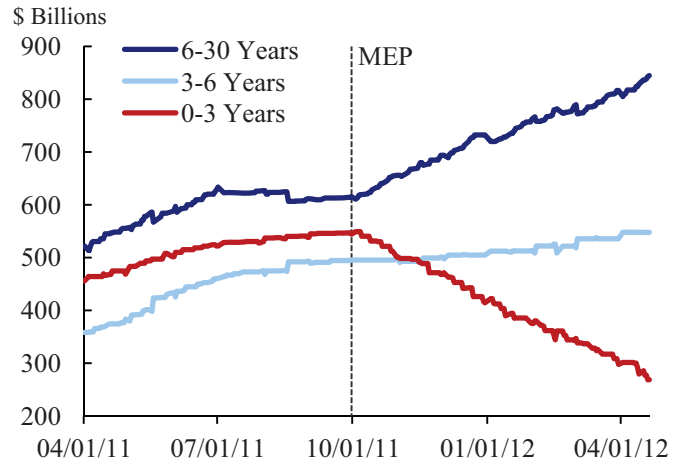
Source: Bloomberg, Bank of America-Merrill Lynch

**(13) Operations for Maturity Extension Program
(Through 04/23/12)**

	Purchases	Sales
Par Amount (\$ Bil.)	302.3	303.7
Bid-to-Cover (Median)	3.0	7.4
Duration (Years)	10.4	1.5
10-Year Equivalents (\$ Bil.)	370.8	53.9

Source: Federal Reserve Bank of New York

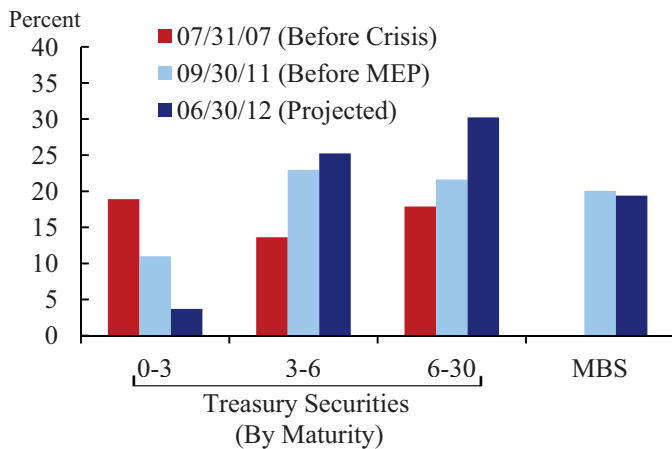
(14) SOMA Treasury Holdings by Maturity*



*Par values.

Source: Federal Reserve Bank of New York

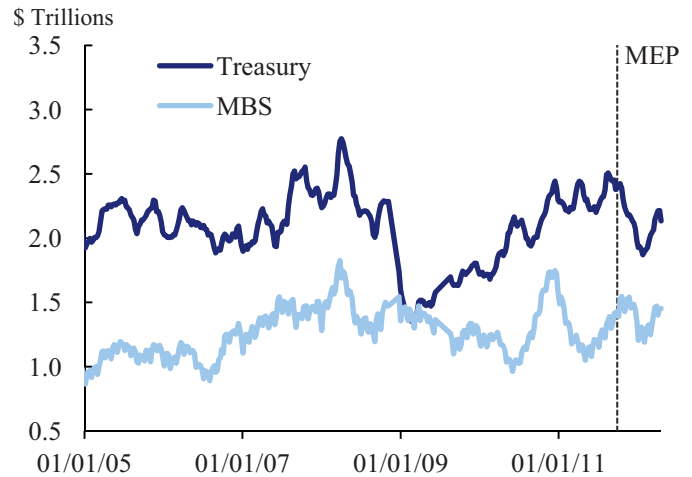
(15) SOMA Holdings as Percent of Outstanding*



*Par values as percent of outstanding. Includes only 15- and 30-year FNMA, FHLMC, and GNMA securities for MBS.

Source: Federal Reserve Bank of New York, eMBS

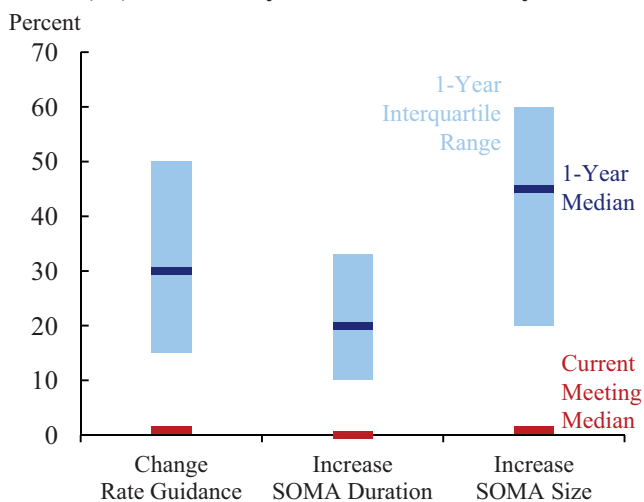
(16) Treasury and MBS Trading Volumes*



*12-week moving averages of total weekly volumes.

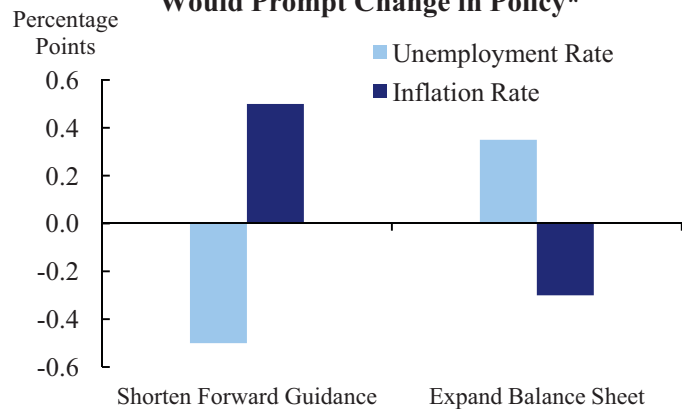
Source: FR 2004

(17) Probability of Additional Policy Actions



Source: Federal Reserve Bank of New York Survey

(18) Changes to Macroeconomic Forecasts That Would Prompt Change in Policy*



*Required change to the projection for 2014Q4 holding the projection of the other variable fixed, based on median responses from primary dealer survey.

Source: Federal Reserve Bank of New York Survey

Appendix 3: Materials used by Mr. Wilcox

Class II FOMC – Restricted (FR)

Material for

Forecast Summary

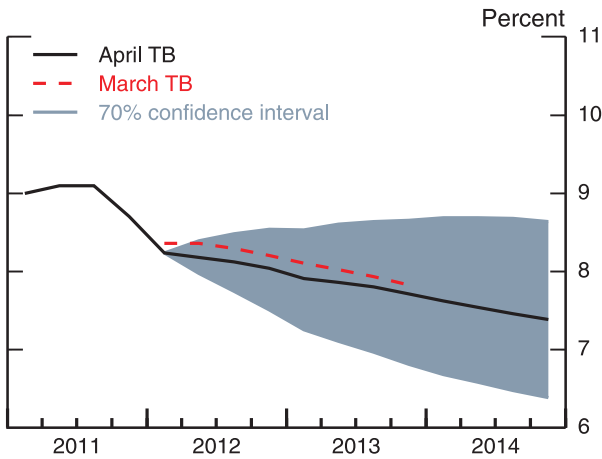
David Wilcox

April 24, 2012

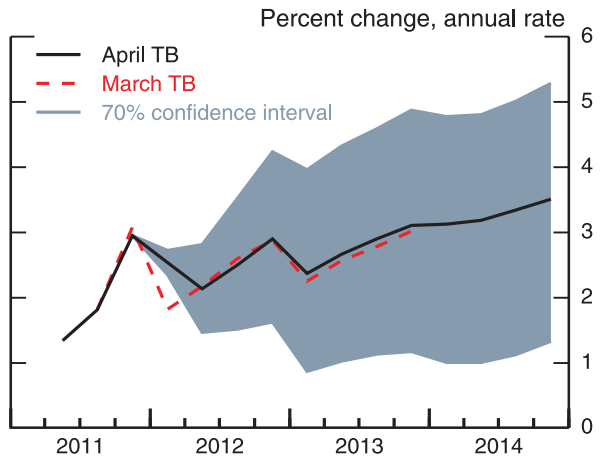
Forecast Summary

Confidence Intervals Based on Tealbook Track Record

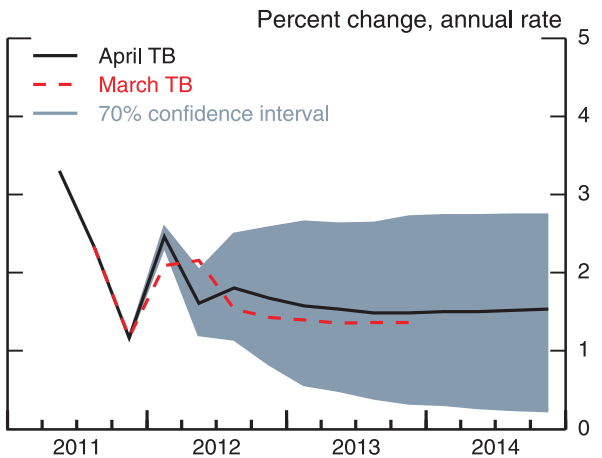
Unemployment Rate



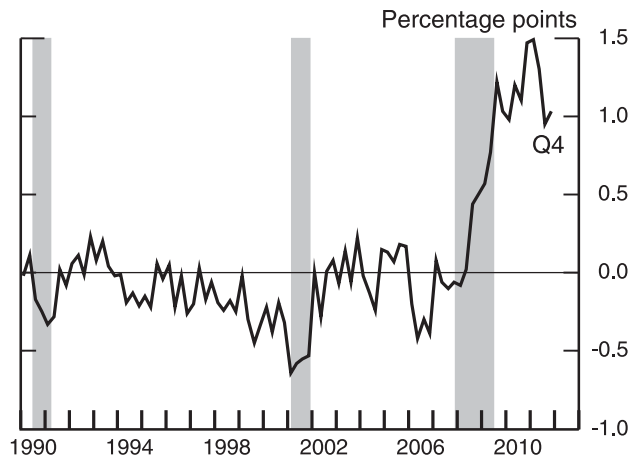
Real GDP



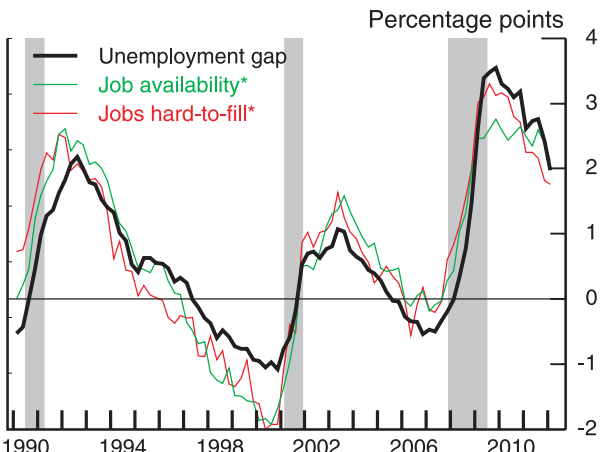
PCE Prices



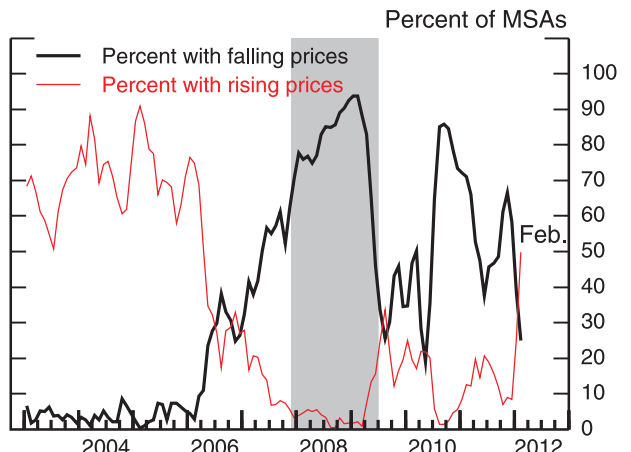
Unemployment Effects of Matching Efficiency



Measures of Labor Market Slack



Dispersion of House Price Changes across 383 Metropolitan Areas



* Job availability: proportion of households believing jobs are plentiful, minus proportion believing jobs are hard to get. Job availability and jobs hard-to-fill are inverted and scaled for best fit over the period 1990:Q1 to 2011:Q4.
Source: For job availability, Conference Board; for jobs hard-to-fill, NFIB.

Note: An MSA's price level is defined as having risen (declined) if its three-month percent increase (decrease) exceeds one percent.
Source: FirstAmerican Core Logic. All series seasonally adjusted by FRB staff.

Appendix 4: Materials used by Ms. Liang

Class II FOMC – Restricted (FR)

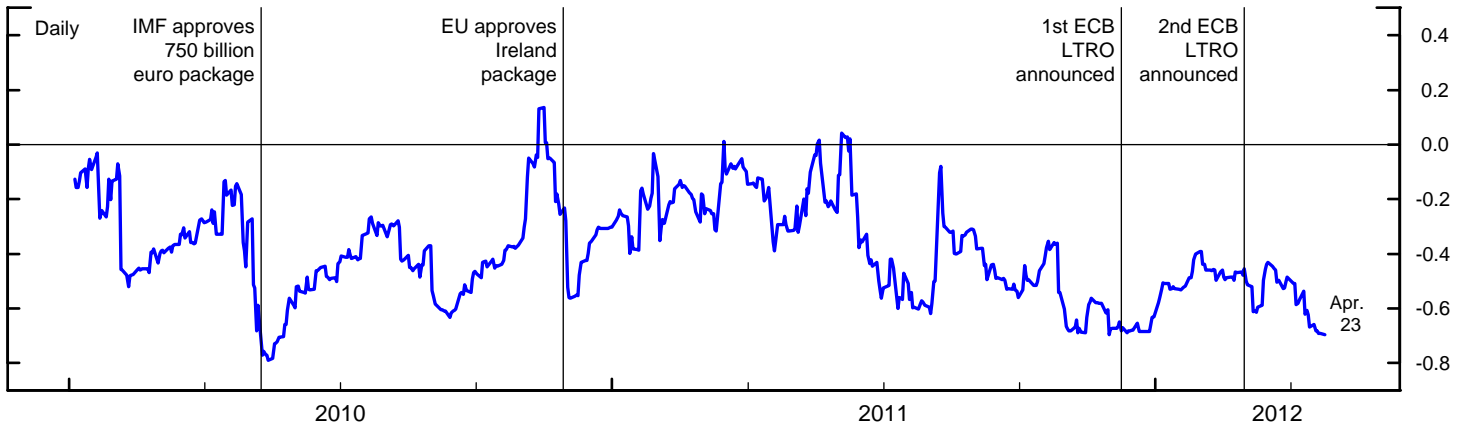
Material for

FOMC Presentation:
Financial Stability

Nellie Liang
April 24, 2012

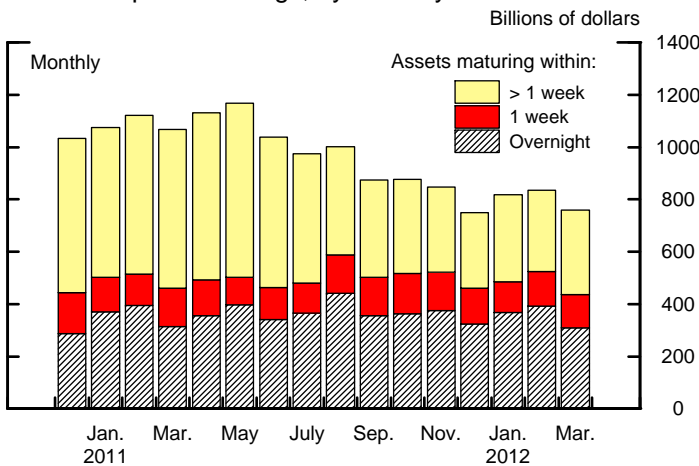
Exhibit 1
Risks and Vulnerabilities of MMFs and BHCs

U.S. Equity Correlation with Selected European CDS Premiums*

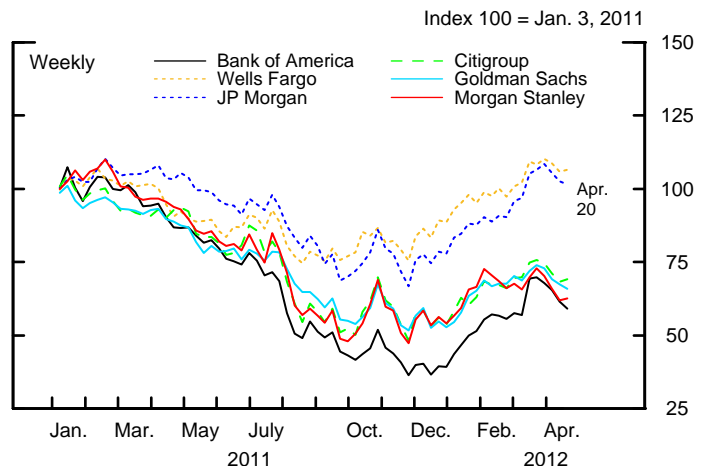


* Average percent change in CDS premiums on 5-year foreign currency sovereign debt of France, Italy, and Spain (FIS).
Note: 1-day stock price returns are used to construct exponentially-weighted moving-average correlation with 1-day percent change in CDS premiums, with 75% of weight distributed over the most recent 22 days.

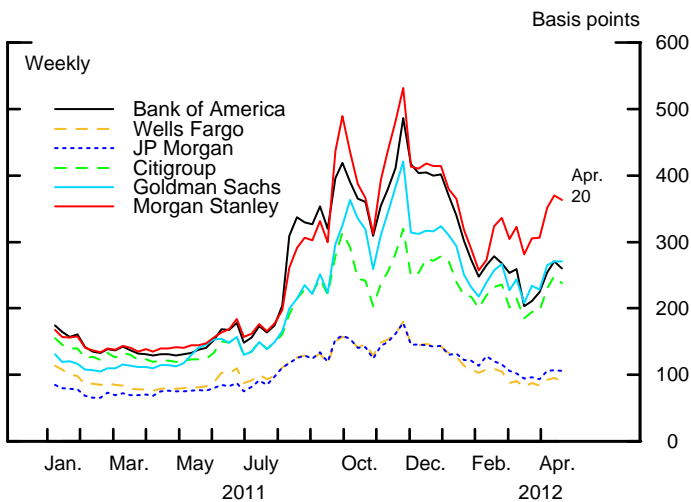
MMF European Holdings, by Maturity



Stock Prices for Select U.S. Banks



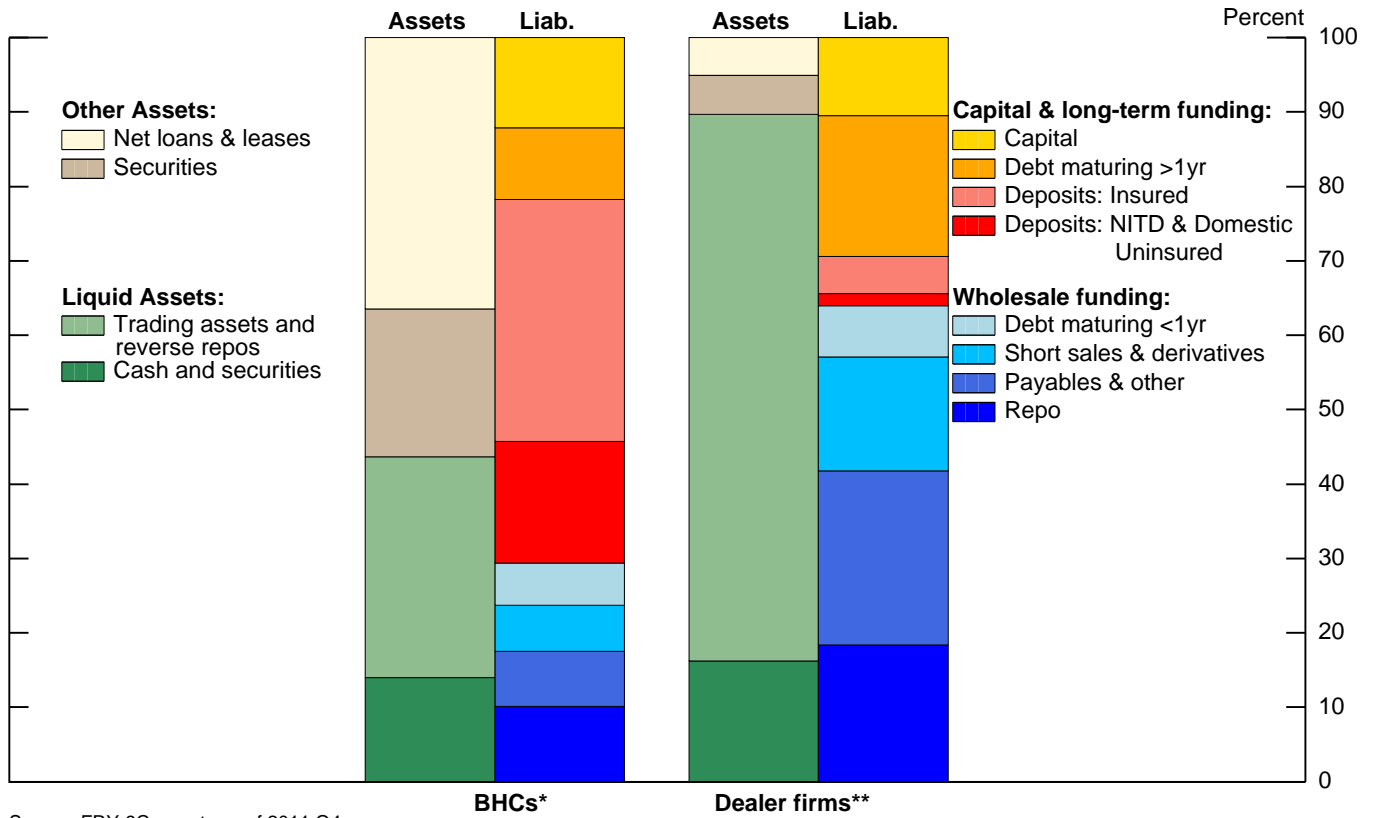
5-Year CDS Premiums for Select U.S. Banks



Moody's Ratings Review, Feb. 2012

- Five of the largest U.S. BHCs on review for downgrades
 - Related to structural vulnerabilities of global capital markets business
- Possible P-2 and Baa ratings for:
 - Morgan Stanley
 - Bank subsidiaries of:
 - Bank of America
 - Citigroup

Balance Sheet Structure of BHCs and Dealer Firms

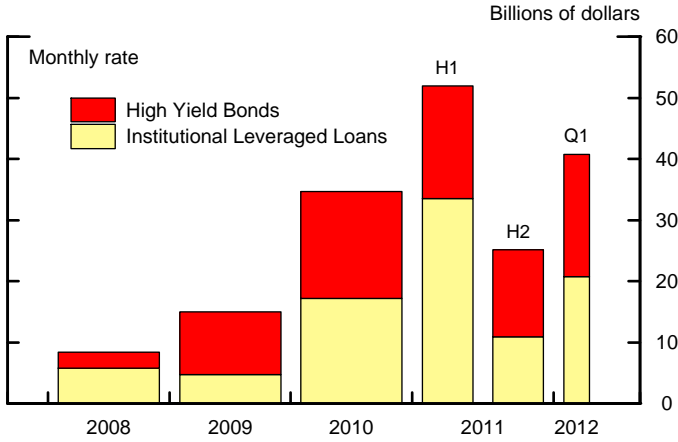


Source: FRY-9C reports as of 2011:Q4.

* BHCs include J.P. Morgan, Bank of America, and Citigroup.

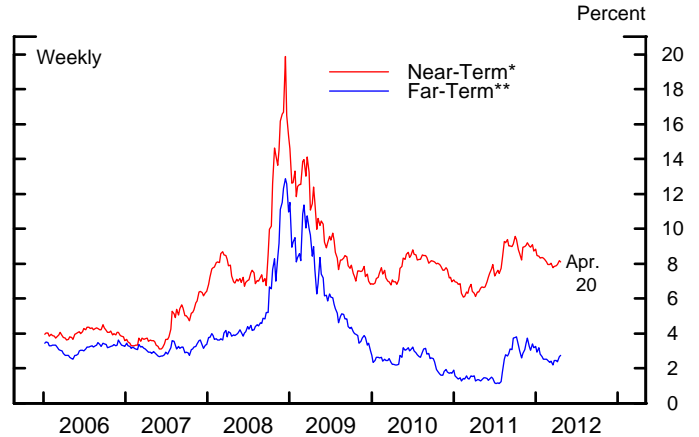
** Dealer firms include Goldman Sachs and Morgan Stanley.

Gross Issuance by Nonfinancial U.S. Corporations



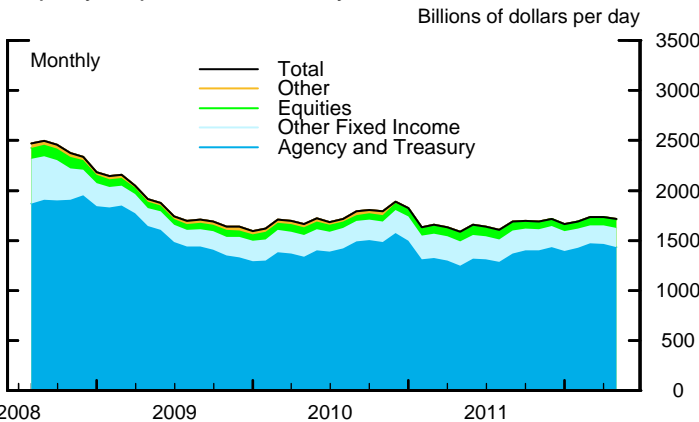
Source: Reuters Loan Pricing Corporation, Depository Trust & Clearing Corporation, and Thomson Financial.

High Yield Bond Near- and Far-Term Spreads



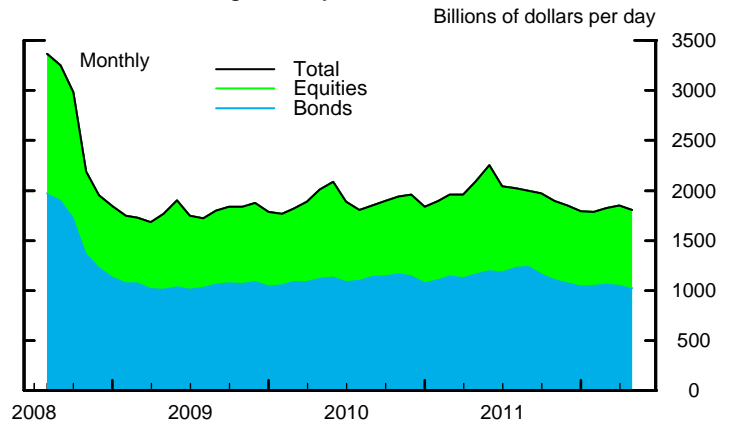
* Near-term spread between years two and three.
** Far-term spread between years nine and ten.
Source: Staff estimates.

Triparty Repo Market Activity



Note: Data are through April 13, 2012.
Source: Federal Reserve Bank of New York.

Securities Lending Activity



Note: Data through April 16, 2012. Bonds include corporate bonds, ABS, convertible bonds, US government bonds, the bonds of most Western European countries in addition to Japan, Australia, Canada, and emerging market bonds.
Source: Data Explorers Inc.

Low Interest Rates Could Create New Vulnerabilities

- Could be one impetus for new financial products
 - For example, Exchange Traded Notes offer leveraged returns
 - Limited aggregate size, but will monitor growth and complexity

- Financial institutions look to enhance returns
 - Pension funds or insurance companies with target returns may take on excessive risk
 - Depository institutions could mismanage the risks of unexpected shifts in the yield curve

Appendix 5: Materials used by Ms. Weinbach

Class I FOMC – Restricted Controlled (FR)

Material for Briefing on the

Summary of Economic Projections

Gretchen Weinbach

April 24, 2012

Exhibit 1. Central tendencies and ranges of economic projections, 2012–14 and over the longer run

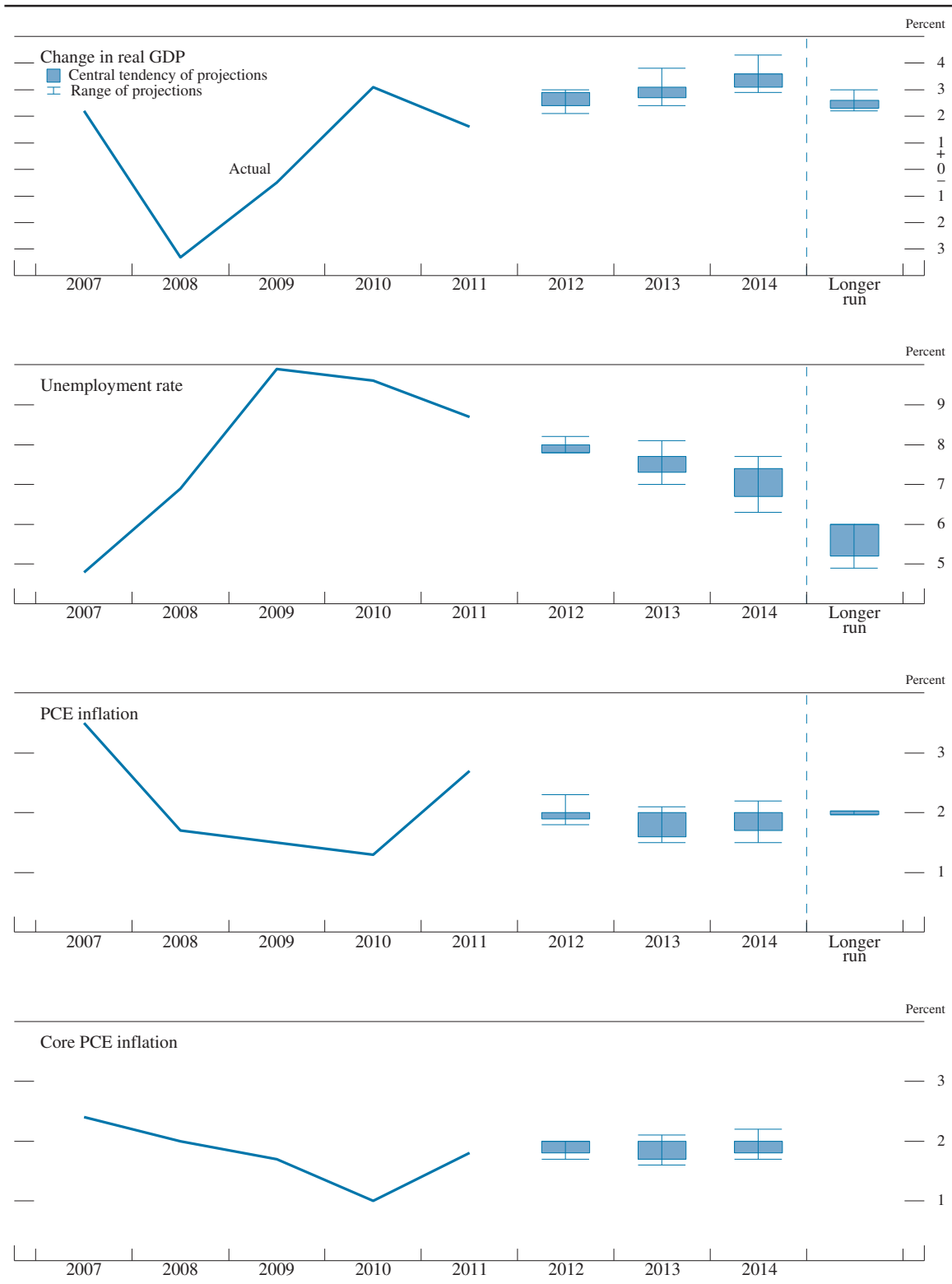
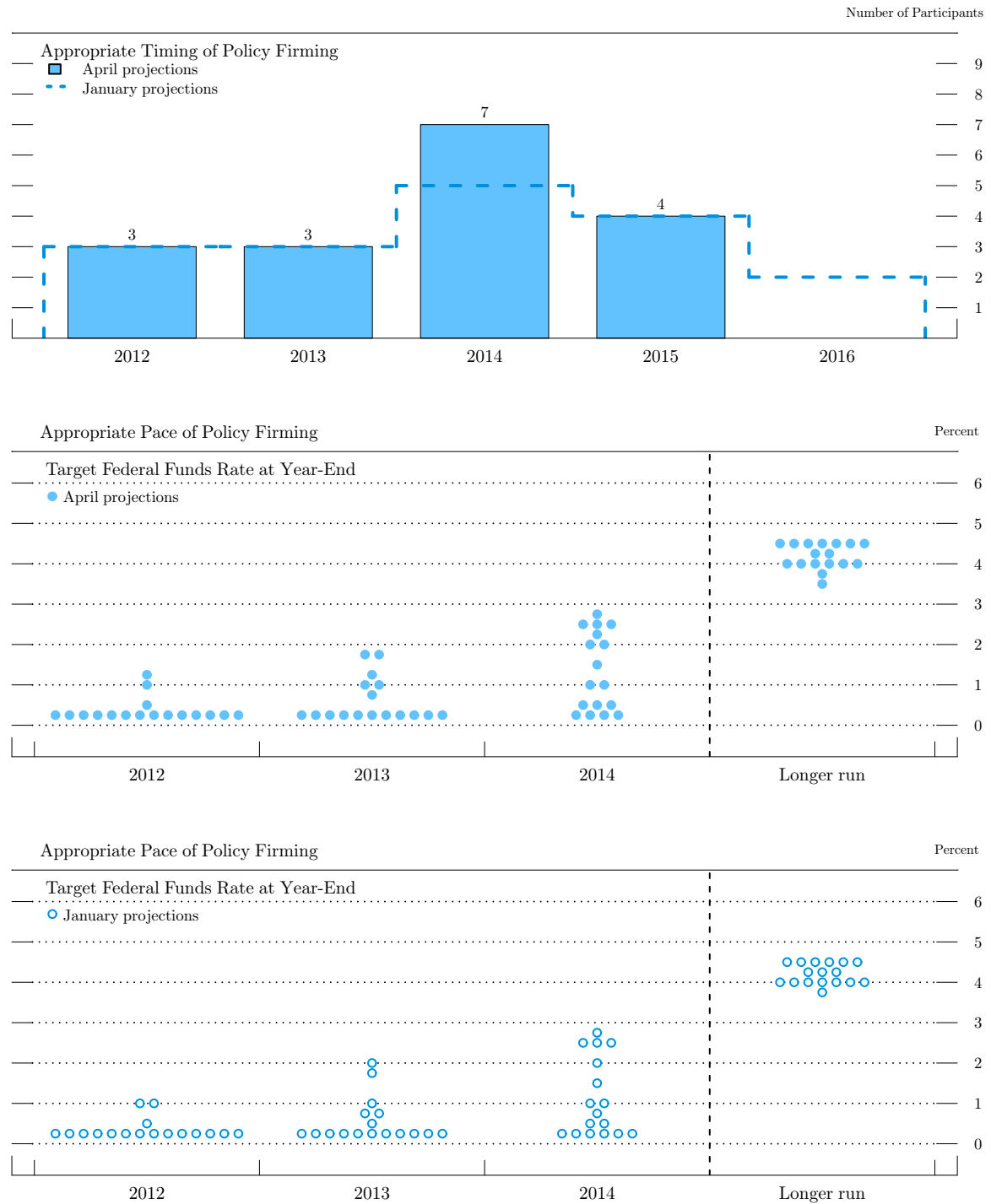
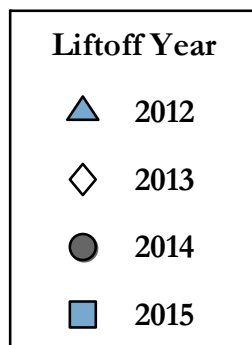
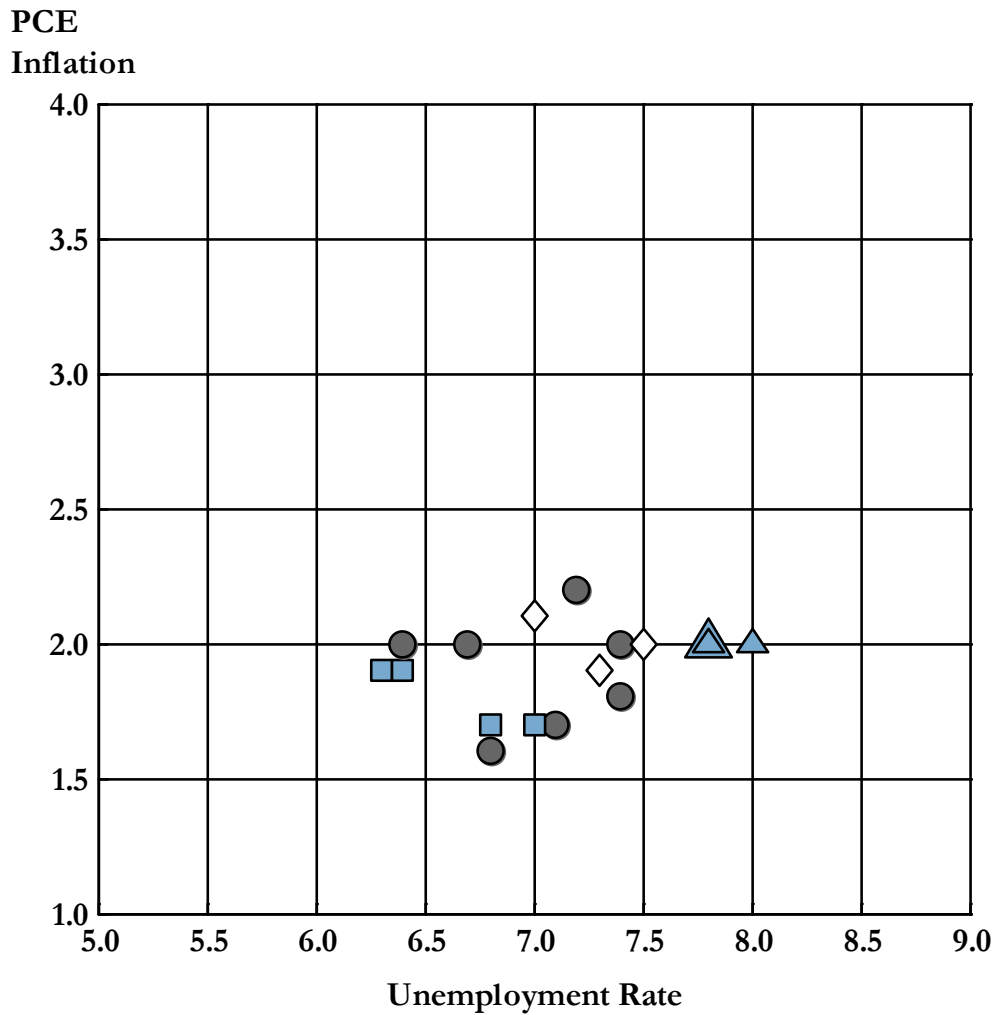


Exhibit 2. Overview of FOMC participants' assessments of appropriate monetary policy, April 2012



NOTE: In the upper panel, the height of each bar denotes the number of FOMC participants who judge that, under appropriate monetary policy and in the absence of further shocks to the economy, the first increase in the target federal funds rate from its current range of 0 to 1/4 percent will occur in the specified calendar year. In the middle and lower panels, each circle indicates the value (rounded to the nearest 1/4 percent) of an individual participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.

Exhibit 3. Scatter Plot of Unemployment and PCE Inflation Rates in the Liftoff Year



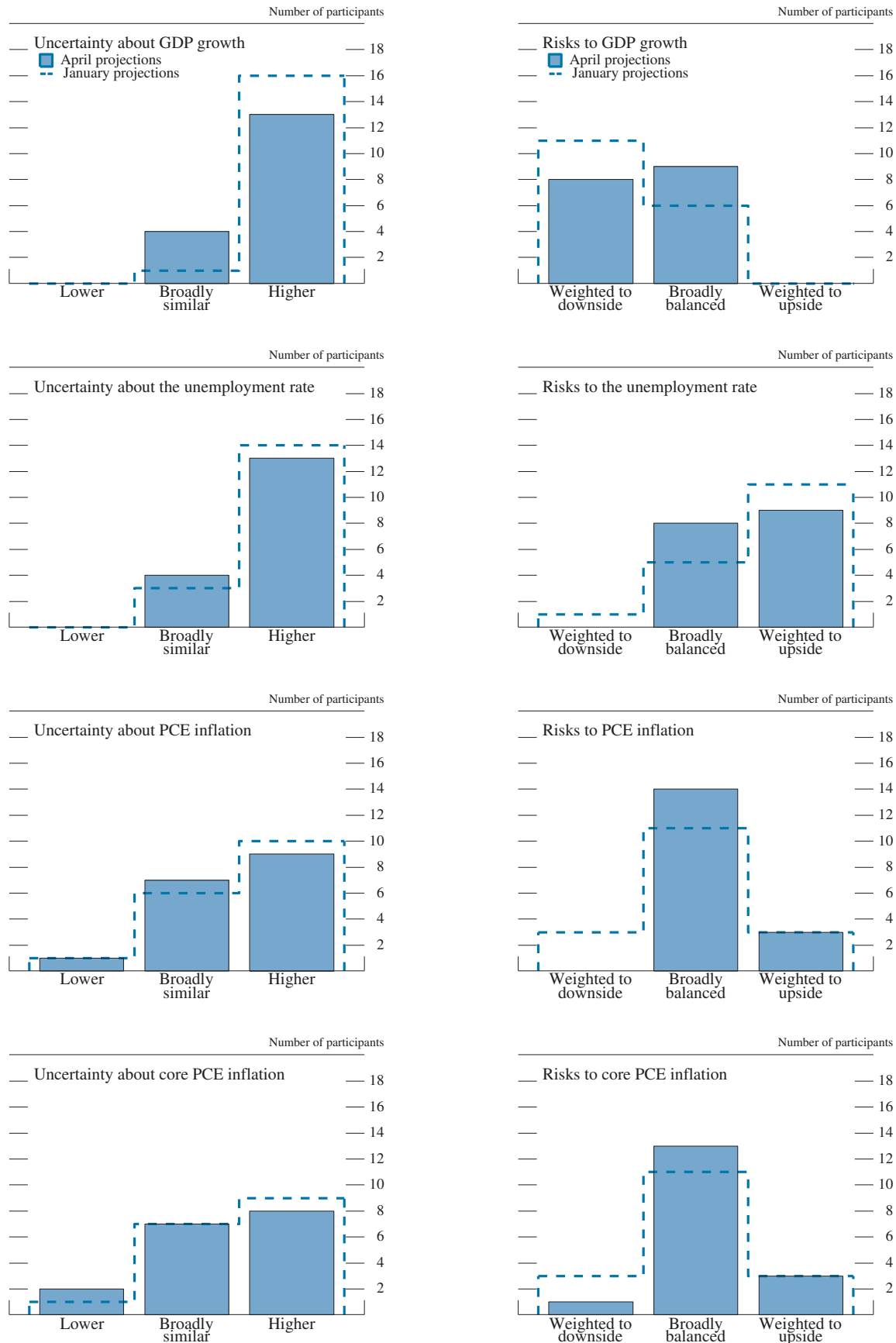
NOTE: Larger markers are used when the projections of two participants are identical.

Exhibit 4. Economic projections for 2012-2014 and over the longer run (percent)

Change in real GDP				
	2012	2013	2014	Longer run
Central Tendency	2.4 to 2.9	2.7 to 3.1	3.1 to 3.6	2.3 to 2.6
<i>January projections</i>	2.2 to 2.7	2.8 to 3.2	3.3 to 4.0	2.3 to 2.6
Range	2.1 to 3.0	2.4 to 3.8	2.9 to 4.3	2.2 to 3.0
<i>January projections</i>	2.1 to 3.0	2.4 to 3.8	2.8 to 4.3	2.2 to 3.0
Memo: Tealbook	2.5	2.8	3.3	2.5
<i>January Tealbook</i>	2.1	2.4	3.6	2.5
Unemployment rate				
	2012	2013	2014	Longer run
Central Tendency	7.8 to 8.0	7.3 to 7.7	6.7 to 7.4	5.2 to 6.0
<i>January projections</i>	8.2 to 8.5	7.4 to 8.1	6.7 to 7.6	5.2 to 6.0
Range	7.8 to 8.2	7.0 to 8.1	6.3 to 7.7	4.9 to 6.0
<i>January projections</i>	7.8 to 8.6	7.0 to 8.2	6.3 to 7.7	5.0 to 6.0
Memo: Tealbook	8.0	7.7	7.4	5.2
<i>January Tealbook</i>	8.6	8.2	7.8	5.2
PCE inflation				
	2012	2013	2014	Longer run
Central Tendency	1.9 to 2.0	1.6 to 2.0	1.7 to 2.0	2.0 to 2.0
<i>January projections</i>	1.4 to 1.8	1.4 to 2.0	1.6 to 2.0	2.0 to 2.0
Range	1.8 to 2.3	1.5 to 2.1	1.5 to 2.2	2.0 to 2.0
<i>January projections</i>	1.3 to 2.5	1.4 to 2.3	1.5 to 2.1	2.0 to 2.0
Memo: Tealbook	1.9	1.5	1.5	2.0
<i>January Tealbook</i>	1.4	1.3	1.5	2.0
Core PCE inflation				
	2012	2013	2014	
Central Tendency	1.8 to 2.0	1.7 to 2.0	1.8 to 2.0	
<i>January projections</i>	1.5 to 1.8	1.5 to 2.0	1.6 to 2.0	
Range	1.7 to 2.0	1.6 to 2.1	1.7 to 2.2	
<i>January projections</i>	1.3 to 2.0	1.4 to 2.0	1.4 to 2.0	
Memo: Tealbook	1.8	1.7	1.7	
<i>January Tealbook</i>	1.5	1.4	1.4	

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

Exhibit 5. Uncertainty and risks in economic projections



NOTE: For definitions of uncertainty and risks in economic projections, see the box "Forecast Uncertainty." Definitions of variables are in the general note to table 1.

Appendix 6: Materials used by Mr. English

Class I FOMC – Restricted Controlled (FR)

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English

April 24-25, 2012

MARCH FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in January suggests that the economy has been expanding moderately. Labor market conditions have improved further; the unemployment rate has declined notably in recent months but remains elevated. Household spending and business fixed investment have continued to advance. The housing sector remains depressed. Inflation has been subdued in recent months, 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 and consequently anticipates that the unemployment rate will decline gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets have eased, though they 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 anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate.
3. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with 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.

APRIL FOMC STATEMENT—ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in ~~January~~ **March** suggests that the economy has been expanding moderately. Labor market conditions have improved ~~further~~ **in recent months**; the unemployment rate has declined ~~notably in recent months~~ but remains elevated. Household spending and business fixed investment have continued to advance. The housing sector remains depressed. Inflation has ~~been subdued~~ **picked up somewhat** in recent months, although **mainly reflecting higher** prices of crude oil and gasoline ~~have increased lately~~. **However**, 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~~ **anticipates that, absent further policy stimulus, economic growth over coming quarters would be unacceptably slow** and ~~consequently anticipates~~ that the unemployment rate ~~will~~ **would** decline **only very** gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets ~~have eased, though they~~ continue to pose significant downside risks to the economic outlook. The ~~recent~~ increase in oil and gasoline prices **earlier this year** ~~will push up~~ **is reducing consumers' purchasing power while boosting** inflation temporarily, but the Committee anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate.
- 3.1 To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee ~~expects to maintain a highly accommodative stance for monetary policy~~. In particular, the Committee decided today to ~~continue~~ **expand** its program to extend the average maturity of its holdings of securities as announced in September. **After completing the transactions that it announced last September, the Committee intends to purchase, between July 2012 and the end of March 2013, an additional \$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 4 years or less. These transactions should put downward pressure on longer-term interest rates and help to make broader financial conditions more accommodative.** 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.

OR

-
- 3.2 To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee ~~expects to maintain a highly accommodative stance for monetary policy.~~ In particular, the Committee decided today to ~~continue its~~ **purchase an additional \$500 billion of agency mortgage-backed securities by the end of April 2013.** **The Committee also will complete the** program to extend the average maturity of its holdings of securities as **that it** announced in September. **These transactions should put downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative.** 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.
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. **In judging the appropriate stance of monetary policy, the Committee will consider a range of factors, including rates of resource utilization, the projected pace of improvement in labor market conditions, the contours of the medium-run inflation outlook, the stability of longer-run inflation expectations, and the balance of risks that could impede the attainment of the Committee's goals.**

APRIL FOMC STATEMENT—ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~January~~ **March** suggests that the economy has been expanding moderately. Labor market conditions have improved ~~further~~ **in recent months**; the unemployment rate has declined ~~notably in recent months~~ but remains elevated. Household spending and business fixed investment have continued to advance. **Despite some tentative signs of improvement**, the housing sector remains depressed. Inflation has ~~been subdued~~ **picked up somewhat** ~~in recent months, although~~ **mainly reflecting higher** prices of crude oil and gasoline ~~have increased lately~~. **However**, 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 **to remain moderate** over coming quarters and **then to pick up gradually, supported by highly accommodative monetary policy**. Consequently, **the Committee** anticipates that the unemployment rate will decline gradually toward levels that ~~the Committee~~ **it** judges to be consistent with its dual mandate. Strains in global financial markets ~~have eased, though they~~ continue to pose significant downside risks to the economic outlook. The ~~recent~~ increase in oil and gasoline prices **earlier this year** ~~will push up~~ **is expected to affect** inflation **only** temporarily, ~~but~~ **and** the Committee anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate.
3. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with 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.

APRIL FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~January~~ **March** suggests that the ~~economy has been expanding moderately~~ **economic recovery has continued to strengthen**. Labor market conditions have improved further; the unemployment rate has declined ~~notably in recent months but remains elevated~~ **somewhat more, and private payrolls have expanded moderately on average in recent months**. Household spending and business fixed investment have continued to advance. The housing sector remains depressed **but has shown some signs of improvement**. **Sizable increases in the prices of crude oil and gasoline have pushed up** inflation **somewhat** has been subdued in recent months, 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 pick up over time** and consequently anticipates that the unemployment rate will ~~decline gradually~~ **move appreciably closer, over the next few years, to** ~~toward~~ levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets ~~have eased, though they continue to pose significant~~ downside risks to the economic outlook. The ~~recent~~ increase in oil and gasoline prices **earlier this year** will ~~push up~~ **is expected to affect** inflation **only** temporarily, ~~but~~; the Committee anticipates that ~~subsequently,~~ **with appropriate monetary policy,** inflation **over the medium term** will run at or below **close to** the rate that it judges most consistent with its dual mandate.
- 3.1 To support a ~~stronger~~ **sustainable** economic recovery and to help ensure that inflation, over time, is at the rate most consistent with 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.~~ **In judging when to first increase its target for the federal funds rate, the Committee will consider a range of factors, including rates of resource utilization, the projected pace of improvement in labor market conditions, the contours of the medium-run inflation outlook, the stability of longer-run inflation expectations, and the balance of risks that could impede the attainment of the Committee's goals.**

OR

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- 3.2 To support a stronger **sustainable** economic recovery and to help ensure that inflation, over time, is at the rate most consistent with 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 **In light of the improvement in the economic outlook, the Committee** 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 late 2014~~ **until mid-2013**.
4. The Committee also decided to ~~continue its~~ **complete in June the** program to extend the average maturity of its holdings of securities as **that it** 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 **necessary** to promote a stronger economic recovery in a context of **maximum employment and** price stability.

MARCH 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.

APRIL 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. **In addition, the Committee directs the Desk to purchase, between July 2012 and the end of March 2013, 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 4 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~~ **these actions are intended** 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 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. **In addition, the Committee 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 to approximately \$3.1 trillion by the end of April 2013.** 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.

APRIL 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.

APRIL 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 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.