

THE FEDERAL RESERVE SYSTEM

Date: April 21, 2017
To: Federal Open Market Committee
From: Thomas Laubach and Simon Potter
Subject: Background Memos for FOMC Discussion of Reinvestment Issues

Attached are two staff memos intended as background for the Committee's discussion of reinvestment strategy at the upcoming meeting. The first memo, "Reinvestment Proposal," incorporates views expressed by participants during the March FOMC meeting and presents an 18-month phase-out proposal for the Committee's consideration. The memo also discusses the possibility of including a cap on Treasuries, MBS, or both. The second memo, "Communicating a Plan for Ceasing or Phasing Out Reinvestment," focuses on what additional information to provide the public about plans for ceasing or phasing out reinvestment and shrinking the balance sheet, and on when and how to release that information.

We anticipate that this agenda item will begin with a staff briefing on the proposal, followed by Q&A and a full go-round. During the go-round, policymakers may wish to comment on the questions below.

Questions for Discussion

- (1) What are your views on the staff's proposed operational plan for phasing out reinvestments?
 - a. Do you prefer phasing out reinvestment or ceasing it all at once?
 - b. Conditional on phasing out reinvestments, how long a phase-out period would you prefer?
 - c. Do you think that caps for redemptions of Treasury securities and/or MBS should be part of such a plan?
- (2) What are your views on the proposal for communicating to the public additional details of the Committee's plans for phasing out reinvestments and for the evolution of the balance sheet?
 - a. What guidance would you issue about the conditions that will trigger beginning to phase out (or ceasing) reinvestment?
 - b. How and when would you issue such guidance?