

**THE FEDERAL RESERVE SYSTEM**

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**Date:** April 28, 2017

**To:** Federal Open Market Committee

**From:** Thomas Laubach and Simon Potter

**Subject:** Revised staff proposal for reinvestment policy

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In consultation with the Chair, we are circulating a revised staff proposal for changing the Committee's reinvestment policy for consideration during the reinvestment go-round (item 4 of the meeting agenda). This proposal implements a gradual and predictable process of normalization of the size of the balance sheet through a sequence of increasing caps on redemptions and maintains the fully phased in caps throughout the normalization of the size of the balance sheet. During the go-round, policymakers may wish to provide their views on this revised proposal, as suggested by the questions for discussion circulated in our memo dated April 21, 2017.