



Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

March 31, 2021



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Board of Governors of the Federal Reserve System
Washington, DC 20551
(ph) 202-452-3245
(fax) 202-728-5886
(email) Publications-BOG@frb.gov

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Abbreviations

BAC	Committee on Federal Reserve Bank Affairs
CCF	Corporate Credit Facilities LLC
CPFF II	CP Funding Facility II LLC
CMBS	Commercial mortgage-backed securities
FRA	Federal Reserve Act
FOMC	Federal Open Market Committee
FRBNY	Federal Reserve Bank of New York
GSE	Government-sponsored enterprise
HLBV	Hypothetical liquidation basis of valuation
LLC	Limited Liability Company
MBS	Mortgage-backed securities
MMLF	Money Market Mutual Fund Liquidity Facility
Main Street	MS Facilities LLC
MLF	Municipal Liquidity Facility LLC
PDCF	Primary Dealer Credit Facility
PPPLF	Paycheck Protection Program Liquidity Facility
RMBS	Residential mortgage-backed securities
SOMA	System Open Market Account
TALF II	Term Asset-Backed Securities Loan Facility II LLC
VIE	Variable interest entity

Combined Quarterly Financial Statements

Combined statements of condition (in millions)		
	March 31, 2021	December 31, 2020
Assets		
Gold certificates	\$ 11,037	\$ 11,037
Special drawing rights certificates	5,200	5,200
Coin	1,484	1,563
Loans:	Note 2	
Loans to depository institutions	828	1,602
Other loans	60,360	54,535
System Open Market Account:	Note 3	
Securities purchased under agreements to resell	—	1,000
Treasury securities, net (of which \$42,587 and \$33,603 is lent as of March 31, 2021, and December 31, 2020, respectively)	5,210,316	4,955,871
Federal agency and government-sponsored enterprise mortgage-backed securities, net	2,257,869	2,109,715
Government-sponsored enterprise debt securities, net (of which \$0 is lent as of March 31, 2021, and December 31, 2020)	2,628	2,634
Foreign currency denominated investments, net	21,068	22,204
Central bank liquidity swaps	2,510	17,883
Accrued interest receivable	29,578	30,057
Other assets	3	2
Consolidated variable interest entities: Investments, net (including \$9,140 and \$9,345 measured at fair value as of March 31, 2021, and December 31, 2020)	82,132	140,335
Other accrued interest receivable	99	122
Bank premises and equipment, net	2,591	2,596
Items in process of collection	57	132
Deferred asset — remittances to the Treasury	—	926
Other assets	980	978
Total assets	<u>\$7,688,740</u>	<u>\$7,358,392</u>
Liabilities and capital		
Federal Reserve notes outstanding, net	Note 5	\$2,095,105
System Open Market Account:		
Securities sold under agreements to repurchase	Note 3	352,177
Other liabilities	3,481	5,781
Deposits:		
Depository institutions	Note 6	3,672,702
Treasury, general account	Note 7	1,121,951
Other deposits	348,332	216,165
Interest payable to depository institutions and others	78	9
Consolidated variable interest entities: Other liabilities	Note 4	194
Deposit — Treasury funding of lending facility credit protection	Note 2	1,500
Accrued benefit costs	3,779	3,886
Deferred credit items	1,107	698
Accrued remittances to the Treasury	359	—
Other liabilities	589	466
Total liabilities	<u>\$7,601,354</u>	<u>\$7,208,545</u>
Reserve Bank capital	Note 8	
Capital paid-in	\$ 32,469	\$ 32,376
Surplus (including accumulated other comprehensive loss of \$4,386 and \$4,419 at March 31, 2021, and December 31, 2020, respectively)	6,785	6,825
Total Reserve Bank capital	39,254	39,201
Consolidated variable interest entities formed to administer credit and liquidity facilities: Non-controlling interest	Note 4	48,132
Total Reserve Bank capital and consolidated variable interest entities non-controlling interest	87,386	149,847
Total liabilities and capital	<u>\$7,688,740</u>	<u>\$7,358,392</u>

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Combined statements of operations		
(in millions)		
	Three months ended	
	March 31, 2021	March 31, 2020
Interest income		
Loans:	Note 9(A)	
Loans to depository institutions	\$ 1	\$ 4
Other loans	49	11
System Open Market Account:	Note 9(B)	
Securities purchased under agreements to resell	1	637
Treasury securities, net	17,710	15,385
Federal agency and government-sponsored enterprise mortgage-backed securities, net	5,474	9,418
Government-sponsored enterprise debt securities, net	33	34
Foreign currency denominated investments, net	(11)	(10)
Central bank liquidity swaps	6	35
Total interest income	<u>\$23,263</u>	<u>\$25,514</u>
Interest expense		
System Open Market Account:	Note 9(B)	
Securities sold under agreements to repurchase	\$ —	\$ 711
Other	1	1
Deposits:		
Depository institutions and others	894	5,519
Total interest expense	<u>895</u>	<u>6,231</u>
Net interest income	<u>22,368</u>	<u>19,283</u>
Other items of income (loss)		
System Open Market Account:		
Federal agency and government-sponsored enterprise mortgage-backed securities (losses) gains, net	\$ (90)	\$ 1
Foreign currency translation (losses), net	(1,134)	(138)
Other	16	13
Income from services	115	113
Reimbursable services to government agencies	184	176
Other components of net benefit costs	88	79
Other	12	17
Total other items of (loss) income	<u>(809)</u>	<u>261</u>
Operating expenses		
	Note 9(E)	
Salaries and benefits	\$ 945	\$ 867
System pension service cost	233	164
Occupancy	79	84
Equipment	54	44
Other	179	183
Assessments:		
Board of Governors operating expenses and currency costs	418	365
Bureau of Consumer Financial Protection	119	98
Total operating expenses	<u>2,027</u>	<u>1,805</u>
Total Reserve Bank net income from operations	19,532	17,739
Consolidated variable interest entities: (loss) income, net	(299)	—
Consolidated variable interest entities: Non-controlling interest loss (income), net	292	—
Reserve Bank and consolidated variable interest entities net income before providing for remittances to the Treasury	19,525	17,739
Earnings remittances to the Treasury	19,496	17,596
Net income after providing for remittances to the Treasury	29	143
Change in prior service costs related to benefit plans	(14)	(7)
Change in actuarial gains related to benefit plans	47	31
Total other comprehensive income	33	24
Comprehensive income	<u>\$ 62</u>	<u>\$ 167</u>

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Combined statements of changes in capital

(in millions, except share data)

	Reserve Bank Capital				Total Reserve Bank capital	Consolidated variable interest entities: Non-controlling interest	Total Reserve Bank capital and consolidated variable interest entities non-controlling interest
	Capital paid-in	Surplus					
		Net income retained	Accumulated other comprehensive income (loss)	Total surplus			
Balance at December 31, 2019 (633,961,957 shares of Reserve Bank capital stock)	\$31,698	\$ 9,968	\$(3,143)	\$ 6,825	\$38,523	\$ —	\$ 38,523
Net change in capital stock issued (13,563,424 shares)	678	—	—	—	678	—	678
Comprehensive income:	—	—	—	—	—	—	—
Reserve Bank net income after providing remittances to the Treasury	—	1,593	—	1,593	1,593	—	1,593
Consolidated variable interest entities: income, net	—	69	—	69	69	(1,854)	(1,785)
Other comprehensive (loss)	—	—	(1,276)	(1,276)	(1,276)	—	(1,276)
Dividends on capital stock	—	(386)	—	(386)	(386)	—	(386)
Consolidated variable interest entities: Non-controlling interest—capital contribution	—	—	—	—	—	112,500	112,500
Net change in Reserve Bank capital and non-controlling interest	678	1,276	(1,276)	—	678	110,646	111,324
Balance at December 31, 2020 (647,525,381 shares of Reserve Bank capital stock)	\$32,376	\$11,244	\$(4,419)	\$ 6,825	\$39,201	\$110,646	\$149,847
Net change in capital stock issued (1,859,184 shares)	93	—	—	—	93	—	93
Comprehensive income:	—	—	—	—	—	—	—
Reserve Bank net income after providing for remittances to the Treasury	—	36	—	36	36	—	36
Consolidated variable interest entities: (loss), net	—	(7)	—	(7)	(7)	(292)	(299)
Other comprehensive income	—	—	33	33	33	—	33
Dividends on capital stock	—	(102)	—	(102)	(102)	—	(102)
Consolidated variable interest entities: Non-controlling interest—capital contribution (distribution)	—	—	—	—	—	(62,222)	(62,222)
Net change in Reserve Bank capital and non-controlling interest	93	(73)	33	(40)	53	(62,514)	(62,461)
Balance at March 31, 2021 (649,384,565 shares of Reserve Bank capital stock)	\$32,469	\$11,171	\$(4,386)	\$ 6,785	\$39,254	\$ 48,132	\$ 87,386

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Supplemental Financial Information

(1) Credit and Liquidity Facilities

The Board of Governors authorized several lending facilities under section 13(3) of the Federal Reserve Act (FRA) to support the flow of credit to households and businesses. The structure and objective of these lending facilities are outlined below:

Table 1. 13(3) Lending facilities established by the Board of Governors to support the economy

Facility	Structure and term of facility	Targeted economic sector
Commercial Paper Funding Facility	CP Funding Facility II LLC (CPFF II) ceased purchasing commercial paper on March 31, 2021.	Through US dollar-denominated commercial paper issuance; which supplied credit and funding for auto loans and mortgages and liquidity to meet operational needs of a range of companies, supported flow of credit to households and businesses.
Corporate Credit Facilities Primary Market Corporate Credit Facility Secondary Market Corporate Credit Facility	Corporate Credit Facilities LLC (CCF) ceased purchasing eligible assets on December 31, 2020.	Provide liquidity to employers by purchasing Original corporate bond and loan issuances Outstanding corporate bonds and exchange traded funds
Main Street Lending Program Main Street New Loan Facility Main Street Priority Loan Facility Main Street Expanded Loan Facility Nonprofit Organization New Loan Facility Nonprofit Organization Expanded Loan Facility	MS Facilities LLC (Main Street) ceased purchasing participations on January 8, 2021.	Through purchase of loan participations, supported small and medium sized businesses and nonprofit organizations in sound financial condition before the onset of the coronavirus pandemic.
Municipal Liquidity Facility	Municipal Liquidity Facility LLC (MLF) ceased purchasing eligible assets on December 31, 2020.	Through purchase of municipal notes, supported lending to state, city, and county governments, certain multistate entities, and other issuers of municipal securities.
Money Market Mutual Fund Liquidity Facility (MMLF)	Reserve Bank loans to eligible financial institutions secured by high-quality assets purchased by the borrowing financial institution from money market mutual funds. Ceased extending credit on March 31, 2021.	Supported flow of credit to businesses and households by meeting demands for money market fund redemptions by households and other investors.
Paycheck Protection Program Liquidity Facility (PPPLF)	Reserve Bank loans to eligible borrowers participating in the Small Business Administration's (SBA) Paycheck Protection Program. Credit extensions available until June 30, 2021.	Helps flow of loans to small businesses to keep their workers on the payroll.
Primary Dealer Credit Facility (PDCF)	Reserve Bank supplied overnight and term funding to primary dealers with maturities of up to 90 days. Ceased purchasing assets on March 31, 2021.	Supported smooth market functioning and facilitate availability of credit to businesses and households.
Term Asset-Backed Securities Loan Facility	TALF II LLC (TALF II) ceased extending new loans on December 31, 2020.	Supported flow of credit to consumers and businesses by enabling issuance of asset-backed securities backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA and certain other assets.

The combined financial statements include the accounts and result of operations of the consolidated variable interest entities (VIEs) formed to administer certain lending facilities. A Reserve Bank consolidates a VIE if it has a controlling financial interest.

Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Treasury provided credit protection for CCF, MUNI, TALF II, and Main Street. The Treasury is a non-controlling member of and contributed equity to function as credit protection for the LLCs. Additionally, the Treasury provided credit protection to CFFF and MMLF. MMLF returned its credit protection to the Treasury on April 12, 2021.

(2) Loans

Loans to Depository Institutions

The Reserve Banks offer primary, secondary, and seasonal loans to eligible borrowers (depository institutions that maintain reservable transaction accounts or nonpersonal time deposits and have established discount window borrowing privileges). Primary and secondary loans are extended on a short-term basis, typically overnight, whereas seasonal loans may be extended for a period of up to nine months.

Other Loans

MMLF, PPPLF, and PDCF were established under section 13(3) of the FRA (Note 1). The Treasury contributed \$1.5 billion as credit protection for the MMLF, which is reported on the Combined statements of condition as “Deposit – Treasury funding of lending facility protection.” Facility fees attributable to the MMLF were \$134 million as of March 31, 2021, and are reported as a component of “Other items of income (loss): Other” in the Combined statements of operations. On April 12, 2021, the MMLF facility fees were paid to the Treasury.

The PPPLF program extends credit to eligible financial institutions that originate Paycheck Protection Program loans, taking the loans as collateral at face value.

The amounts outstanding at March 31, 2021, and December 31, 2020, for loans to depository institutions and other loans were as follows (in millions):

Table 2. Loans to depository institutions and other loans		
(in millions)		
	March 31, 2021	December 31, 2020
Loans to depository institutions		
Primary, secondary, and seasonal credit	\$ 828	\$ 1,602
Other loans		
MMLF	200	3,621
PPPLF	60,135	50,429
PDCF	25	485
Total other loans	60,360	54,535
Total loans	\$61,188	\$56,137

The remaining maturity distribution of loans to depository institutions and other loans outstanding as of March 31, 2021, and December 31, 2020, was as follows:

Table 3. Maturity distribution of loans to depository institutions and other loans					
(in millions)					
	Remaining maturity				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
March 31, 2021					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$ 137	\$ 691	\$ —	\$ —	\$ 828
Other loans					
MMLF	200	—	—	—	200
PPPLF	—	—	16	60,119	60,135
PDCF	—	25	—	—	25
Total other loans	200	25	16	60,119	60,360
Total loans	\$ 337	\$ 716	\$ 16	\$60,119	\$61,188
December 31, 2020					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$ 821	\$ 781	\$ —	\$ —	\$ 1,602
Other loans					
MMLF	1,703	1,718	200	—	3,621
PPPLF	—	—	6,264	44,165	50,429
PDCF	235	250	—	—	485
Total other loans	\$1,938	\$1,968	\$6,464	\$44,165	\$54,535
Total loans	\$2,759	\$2,749	\$6,464	\$44,165	\$56,137

At March 31, 2021, and December 31, 2020, the Reserve Banks did not have any loans that were impaired, restructured, past due, or on non-accrual status, and no allowance for loan losses was required. There were no impaired loans during the period ended March 31, 2021, and year ended December 31, 2020.

(3) System Open Market Account (SOMA) Holdings

Treasury securities, federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS), and GSE debt securities are reported at amortized cost in the Combined statements of condition. SOMA portfolio holdings at March 31, 2021, and December 31, 2020, were as follows:

Table 4. Domestic SOMA portfolio holdings (in millions)						
	March 31, 2021			December 31, 2020		
	Amortized cost	Fair value	Cumulative unrealized gains (losses), net	Amortized cost	Fair value	Cumulative unrealized gains (losses), net
Treasury securities						
Bills	\$ 325,980	\$ 326,023	\$ 43	\$ 325,937	\$ 325,974	\$ 37
Notes	3,314,262	3,326,591	12,329	3,133,576	3,191,929	58,353
Bonds	1,570,074	1,620,628	50,554	1,496,358	1,736,653	240,295
Total Treasury securities	\$5,210,316	\$5,273,242	\$62,926	\$4,955,871	\$5,254,556	\$298,685
Federal agency and GSE MBS						
Residential	\$2,246,824	\$2,260,996	\$14,172	\$2,098,753	\$2,152,965	\$ 54,212
Commercial	11,045	10,761	(284)	10,962	11,152	190
Total federal agency and GSE MBS	\$2,257,869	\$2,271,757	\$13,888	\$2,109,715	\$2,164,117	\$ 54,402
GSE debt securities	2,628	3,340	712	2,634	3,544	910
Total domestic SOMA portfolio securities holdings	\$7,470,813	\$7,548,339	\$77,526	\$7,068,220	\$7,422,217	\$353,997
Memorandum—Commitments for purchases of:						
Treasury securities	\$ 15,323	\$ 15,313	\$ (10)	\$ 5,232	\$ 5,232	\$ —
Federal agency and GSE MBS	177,637	176,733	(904)	202,127	203,084	957
Memorandum—Commitments for sales of:						
Treasury securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal agency and GSE MBS	—	—	—	88	88	—

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at March 31, 2021, and December 31, 2020:

Table 5. Detail of federal agency and GSE MBS holdings—distribution of MBS holdings by coupon rate (in millions)				
	March 31, 2021		December 31, 2020	
	Amortized cost	Fair value	Amortized cost	Fair value
Residential				
1.50%	\$ 104,057	\$ 101,136	\$ 20,021	\$ 20,156
2.00%	573,909	558,729	331,252	334,549
2.50%	515,659	510,914	517,579	525,374
3.00%	494,661	504,246	583,681	596,178
3.50%	325,986	338,728	380,033	395,114
4.00%	173,062	181,512	200,003	208,717
4.50%	42,463	46,383	47,732	51,934
5.00%	13,353	15,172	14,523	16,481
5.50%	3,167	3,599	3,390	3,853
6.00%	443	506	471	534
6.50%	64	71	68	75
Total	<u>\$2,246,824</u>	<u>\$2,260,996</u>	<u>\$2,098,753</u>	<u>\$2,152,965</u>
Commercial				
1.00%–1.50%	\$ 92	\$ 86	\$ 84	\$ 83
1.51%–2.00%	564	540	451	452
2.01%–2.50%	1,303	1,272	1,330	1,352
2.51%–3.00%	1,831	1,791	1,874	1,907
3.01%–3.50%	3,311	3,221	3,263	3,330
3.51%–4.00%	3,645	3,564	3,661	3,726
4.01%–4.50%	299	287	299	302
Total	<u>\$ 11,045</u>	<u>\$ 10,761</u>	<u>\$ 10,962</u>	<u>\$ 11,152</u>
Total MBS	<u>\$2,257,869</u>	<u>\$2,271,757</u>	<u>\$2,109,715</u>	<u>\$2,164,117</u>

The Federal Reserve Bank of New York (FRBNY) may engage in purchases of securities under agreements to resell (repurchase agreements) with primary dealers and foreign official account holders. The FRBNY may also engage in sales of securities under agreements to repurchase (reverse repurchase agreements) with primary dealers and with a set of expanded counterparties that includes banks, savings associations, GSEs, and domestic money market funds (primary dealer and expanded counterparties reverse repurchase agreements). Reverse repurchase agreements may also be executed with foreign official and international account holders as part of a service offering. Financial information related to repurchase agreements and reverse repurchase agreements at March 31, 2021, and December 31, 2020, was as follows:

Table 6. Repurchase Agreements and Reverse Repurchase Agreements
(in millions)

	March 31, 2021	December 31, 2020
Repurchase agreements conducted with		
Primary dealers:		
Contract amount outstanding, end of period	\$ —	\$ —
FIMA Repo Facility:		
Contract amount outstanding, end of period	—	1,000
Total repurchase agreement contract amount outstanding, end of period	\$ —	\$ 1,000
Reverse repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$134,307	\$ 9,651
Securities pledged (par value), end of period	109,962	6,351
Securities pledged (fair value), end of period	133,977	9,666
Foreign official and international accounts:		
Contract amount outstanding, end of period	217,870	206,400
Securities pledged (par value), end of period	213,508	200,673
Securities pledged (fair value), end of period	217,862	206,410
Total reverse repurchase agreement contract amount outstanding, end of period	\$352,177	\$216,051

The remaining maturity distribution of Treasury securities, federal agency and GSE MBS bought outright, GSE debt securities, repurchase agreements, and reverse repurchase agreements at March 31, 2021, and December 31, 2020, was as follows:

Table 7. Maturity distribution of SOMA domestic portfolio securities, securities purchased under agreements to resell, and securities sold under agreements to repurchase
(in millions)

	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
March 31, 2021:							
Treasury securities (par value)	\$ 71,018	\$317,893	\$655,501	\$1,881,534	\$889,019	\$1,127,312	\$4,942,277
Federal agency and GSE residential MBS (par value) ¹	—	—	7	1,794	64,097	2,108,842	2,174,740
Federal agency and GSE commercial MBS (par value) ¹	—	—	—	145	4,736	5,062	9,943
GSE debt securities (par value)	—	—	—	—	2,134	213	2,347
Securities purchased under agreements to resell (contract amount)	—	—	—	—	—	—	—
Securities sold under agreements to repurchase (contract amount)	352,177	—	—	—	—	—	352,177
December 31, 2020:							
Treasury securities (par value)	\$ 49,850	\$323,013	\$661,325	\$1,759,737	\$836,893	\$1,058,111	\$4,688,929
Federal agency and GSE residential MBS (par value) ¹	—	—	4	1,913	67,584	1,960,126	2,029,627
Federal agency and GSE commercial MBS (par value) ¹	—	—	—	103	4,460	5,277	9,840
GSE debt securities (par value)	—	—	—	—	1,818	529	2,347
Securities purchased under agreements to resell (contract amount)	1,000	—	—	—	—	—	1,000
Securities sold under agreements to repurchase (contract amount)	216,051	—	—	—	—	—	216,051

¹ The par amount shown for federal agency and GSE residential MBS and commercial MBS is the remaining principal balance of the securities.

Federal agency and GSE residential MBS (RMBS) and commercial MBS (CMBS) are reported at stated maturity in Table 7 above. The estimated weighted-average lives of these securities differ from the stated maturity in Table 7 primarily because these estimated weighted-average lives factor in scheduled payments and prepayment assumptions. The estimated weighted-average life of RMBS was approximately 5.1 years and 3.1 years as of March 31, 2021, and December 31, 2020, respectively. The estimated weighted-average life of CMBS was approximately 8.7 years and 8.8 years as of March 31, 2021, and December 31, 2020, respectively.

Information about transactions related to Treasury securities, federal agency and GSE MBS, and GSE debt securities held in the SOMA during the three months ended March 31, 2021, and during the year ended December 31, 2020, is summarized as follows:

Table 8a. Domestic portfolio transactions of SOMA securities—bills, notes, and bonds

(in millions)

	Bills	Notes	Bonds	Total Treasury securities
Balance at December 31, 2019	\$ 168,461	\$1,290,201	\$ 942,942	\$ 2,401,604
Purchases ¹	961,511	2,297,336	586,011	3,844,858
Sales ¹	—	(53)	—	(53)
Realized gains (losses), net ²	—	2	—	2
Principal payments and maturities	(806,405)	(437,890)	(23,880)	(1,268,175)
Amortization of premiums and accretion of discounts, net	2,370	(17,816)	(10,447)	(25,893)
Inflation adjustment on inflation-indexed securities	—	1,796	1,732	3,528
Subtotal of activity	157,476	1,843,375	553,416	2,554,267
Balance at December 31, 2020	\$ 325,937	\$3,133,576	\$1,496,358	\$ 4,955,871
Purchases ¹	231,464	360,757	82,948	675,169
Sales ¹	—	—	—	—
Realized gains (losses), net ²	—	—	—	—
Principal payments and maturities	(231,511)	(174,918)	(7,053)	(413,482)
Amortization of premiums and accretion of discounts, net	90	(6,105)	(2,935)	(8,950)
Inflation adjustment on inflation-indexed securities	—	952	756	1,708
Subtotal of activity	43	180,686	73,716	254,445
Balance at March 31, 2021	\$ 325,980	\$3,314,262	\$1,570,074	\$ 5,210,316
Year-ended December 31, 2020				
Supplemental information—par value of transactions				
Purchases ³	\$ 962,924	\$2,209,074	\$ 452,695	\$ 3,624,693
Sales	—	(50)	—	(50)
Three months ended March 31, 2021				
Supplemental information—par value of transactions				
Purchases	\$ 231,512	\$ 355,081	\$ 78,530	\$ 665,123
Sales	—	—	—	—

¹ Purchases and sales may include payments and receipts related to principal, premiums, discounts, and inflation compensation adjustments to the basis of inflation-indexed securities. The amount reported as sales includes the realized gains and losses on such transactions.

² Realized gains (losses), net is the offset the amount of realized gains and losses included in the reported sales amount.

³ Includes inflation compensation.

Table 8b. Domestic portfolio transactions of SOMA securities—residential and commercial MBS and GSE debt securities
(in millions)

	Residential MBS	Commercial MBS	Total federal agency and GSE MBS	GSE debt securities
Balance December 31, 2019	\$1,446,989	\$ —	\$1,446,989	\$2,657
Purchases ¹	1,335,062	11,375	1,346,437	—
Sales ¹	(167)	—	(167)	—
Realized gains, net ²	5	—	5	—
Principal payments and maturities	(659,968)	(330)	(660,298)	—
Amortization of premiums and accretion of discounts, net	(23,168)	(83)	(23,251)	(23)
Subtotal of activity	651,764	10,962	662,726	(23)
Balance December 31, 2020	\$2,098,753	\$10,962	\$2,109,715	\$2,634
Purchases ¹	402,441	328	402,769	—
Sales ¹	(85)	—	(85)	—
Realized gains, net ²	1	—	1	—
Principal payments and maturities	(245,080)	(210)	(245,290)	—
Amortization of premiums and accretion of discounts, net	(9,206)	(35)	(9,241)	(6)
Subtotal of activity	148,071	83	148,154	(6)
Balance March 31, 2021	\$2,246,824	\$11,045	\$2,257,869	\$2,628
Year-ended December 31, 2020				
Supplemental information—par value of transactions				
Purchases	\$1,281,077	\$10,170	\$1,291,247	\$ —
Sales	(158)	—	(158)	—
Three months ended March 31, 2021				
Supplemental information—par value of transactions				
Purchases	\$ 390,275	\$ 313	\$ 390,588	\$ —
Sales	(82)	—	(82)	—

¹ Purchases and sales may include payments and receipts related to principal, premiums, and discounts. The amount reported as sales includes the realized gains and losses on such transactions. Purchases and sales exclude MBS TBA transactions that are settled on a net basis.

² Realized gains, net is the offset the amount of realized gains and losses included in the reported sales amount.

Information about foreign currency denominated investments recorded at amortized cost and valued at foreign currency market exchange rates held in the SOMA at March 31, 2021, and December 31, 2020, was as follows:

Table 9. Foreign currency denominated investments
(in millions)

	March 31, 2021	December 31, 2020
Euro:		
Foreign currency deposits	\$ 6,357	\$ 6,597
Dutch government debt instruments	2,617	2,738
French government debt instruments	2,625	2,746
German government debt instruments	1,018	1,066
Japanese yen:		
Foreign currency deposits	7,870	8,436
Japanese government debt instruments	581	621
Total	\$21,068	\$22,204

The remaining maturity distribution of foreign currency denominated investments at March 31, 2021, and December 31, 2020, was as follows:

Table 10. Maturity distribution of foreign currency denominated investments						
(in millions)						
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Total
March 31, 2021:						
Euro	\$ 1,569	\$382	\$6,060	\$1,492	\$3,114	\$12,617
Japanese yen	7,870	574	1	6	—	8,451
Total	\$ 9,439	\$956	\$6,061	\$1,498	\$3,114	\$21,068
December 31, 2020:						
Euro	\$ 1,635	\$235	\$5,822	\$2,202	\$3,253	\$13,147
Japanese yen	8,435	578	38	6	—	9,057
Total	\$10,070	\$813	\$5,860	\$2,208	\$3,253	\$22,204

At March 31, 2021, and December 31, 2020, the fair value of foreign currency denominated investments held in the SOMA was \$21,183 million and \$22,374 million, respectively.

Because of the global character of bank funding markets, the Federal Reserve System has, at times, coordinated with other central banks to provide liquidity. As of March 31, 2021, the Federal Open Market Committee (FOMC) authorized and directed the FRBNY to maintain standing U.S. dollar liquidity swap arrangements with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank in order to provide U.S. dollar liquidity to foreign markets. The FOMC established temporary swap U.S. dollar liquidity lines with the Reserve Bank of Australia, the Banco Central do Brasil, the Danmarks National bank (Denmark), the Bank of Korea, the Banco de Mexico, the Norges Bank (Norway), the Reserve Bank of New Zealand, the Monetary Authority of Singapore, and the Sveriges Riksbank (Sweden). The temporary swap lines will expire on September 30, 2021.

The remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Reserve Banks at March 31, 2020, and December 31, 2020, was as follows:

Table 11. Maturity distribution of U.S. dollar liquidity swaps			
(in millions)			
	Within 15 days	16 days to 90 days	Total
March 31, 2021			
Euro	\$ 341	\$ 169	\$ 510
Mexican peso	—	400	400
Swiss franc	1,550	50	1,600
Total	\$1,891	\$ 619	\$ 2,510
December 31, 2020			
Danish krone	\$ —	\$ 350	\$ 350
Euro	3,161	1,029	4,190
Mexican peso	—	1,130	1,130
Singapore dollar	972	1,203	2,175
Swiss franc	3,033	7,005	10,038
Total	\$7,166	\$10,717	\$17,883

The following table presents the realized gains (losses) and the change in the cumulative unrealized gains related to SOMA domestic securities holdings during the periods ended March 31, 2021, and March 31, 2020:

Table 12. Realized gains (losses) and change in unrealized gain position				
(in millions)				
	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Realized gains (losses), net ^{1, 2}	Change in cumulative unrealized gains (losses) ³	Realized gains (losses), net ^{1, 2}	Change in cumulative unrealized gains (losses) ³
Treasury securities	\$ —	\$(235,759)	\$ —	\$197,207
Federal agency and GSE MBS				
Residential	(90)	(40,040)	1	33,200
Commercial	—	(474)	—	—
Total federal agency and GSE MBS	(90)	(40,514)	1	33,200
GSE debt securities	—	(198)	—	237
Total	\$(90)	\$(276,471)	\$ 1	\$230,644

¹ Realized gains (losses) for Treasury securities are reported in "Other items of income (loss): System Open Market Account: Treasury securities gains (losses), net" in the Combined statements of operations.

² Realized gains (losses) for federal agency and GSE MBS are reported in "Other items of income (loss): System Open Market Account: Federal agency and government-sponsored enterprise mortgage-backed securities gains (losses), net" in the Combined statements of operations.

³ Because SOMA securities are recorded at amortized cost, the change in the cumulative unrealized gains (losses) is not reported in the Combined statements of operations.

(4) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and operations of CPFF II, CCF, Main Street, MLF, and TALF II. The Reserve Banks that are controlling members have extended loans to the VIEs under the authority of section 13(3) of the FRA. Intercompany balances and transactions are eliminated in consolidation.

Purchases of each LLC's portfolio assets are funded by loans extended by the controlling Reserve Bank. The assets of the VIE and the amounts provided by the Treasury as credit protection are used to secure the loan from the Reserve Bank. In January 2021, CCF, Main Street, MLF, and TALF II returned a portion of the Treasury's equity investment in each facility as reported in table 15.

The classification of assets and liabilities of the consolidated VIEs as of March 31, 2021, are as follows:

Table 13. Net portfolio assets and liabilities of consolidated VIEs
(in millions)

	CPFF II	CCF	Main Street	MLF	TALF II	Total
As of March 31, 2021:						
Assets						
Cash and cash equivalents ¹	\$ 10	\$ 186	\$ 2,733	\$ 150	\$ 18	\$ 3,097
Short-term investments in non-marketable securities ²	8,505	11,791	13,990	5,282	3,003	42,571
Short-term investments ³	41	225	—	9	—	275
Corporate bonds ⁴	—	5,281	—	—	—	5,281
Exchange-traded funds ³	—	8,507	—	—	—	8,507
Loan participations ⁵	—	—	13,981	—	—	13,981
Municipal notes ⁴	—	—	—	6,058	—	6,058
Loans ⁶	—	—	—	—	2,135	2,135
Other assets	—	45	—	56	126	227
Total assets, net	\$8,556	\$26,035	\$30,704	\$11,555	\$5,282	\$82,132
Liabilities	2	2	182	5	3	194
Net assets and liabilities	\$8,554	\$26,033	\$30,522	\$11,550	\$5,279	\$81,938

¹ Includes \$2,603 million of cash and \$494 million of cash equivalents.

² Represents the portion of the Treasury preferred equity contribution to the credit facilities, which are held as short-term investments in non-marketable securities at amortized cost and the related earnings on those investments.

³ Reported at fair value.

⁴ Reported at amortized cost.

⁵ Reported at principal amount outstanding, net of allowance.

⁶ Reported at principal amount outstanding.

Investments held by the CPFF II, CCF, and MLF are subject to review each reporting period to identify indications of other-than-temporary impairment, and no impairments were indicated as of March 31, 2021. TALF II loans and Main Street loan participations are evaluated for impairment in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 310-10. No impairments were indicated for loans and there were no loans in non-accrual status extended by TALF II as of March 31, 2021. The evaluation of loan participations purchased by Main Street resulted in recording a loan loss allowance as of March 31, 2021, in the amount of \$2,663 million, of which loan participations in non-accrual status were \$2,441 million.

The maturity distribution of major asset categories in the consolidated VIEs net portfolio holdings, which have set maturity terms is as follows:

Table 14. Maturity distribution of major asset categories of consolidated VIEs

(in millions)

	Remaining maturity					Total
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Non-specified term	
March 31, 2021						
Cash equivalents	\$ 444	\$ 50	\$ —	\$ —	\$ —	\$ 494
Short-term investments in non-marketable securities	42,571	—	—	—	—	42,571
Short-term investments	2	139	134	—	—	275
Corporate bonds	59	131	423	4,668	—	5,281
Exchange-traded funds	—	—	—	—	8,507	8,507
Loan participations	—	—	—	13,981	—	13,981
Municipal notes	300	400	—	5,358	—	6,058
Loans	—	—	—	2,135	—	2,135
Total	\$43,376	\$720	\$557	\$26,142	\$8,507	\$79,302

The following table presents information related to the portfolio holdings of the VIEs and the funding provided by the Reserve Bank and Treasury.

Table 15. Analysis of Reserve Bank funding and Treasury non-controlling interests of VIEs

(in millions)

	March 31, 2021					
	CPFF II	CCF	Main Street	MLF	TALF II	Total
Outstanding amount of facility assets	\$ —	\$ 13,788	\$ 13,981	\$ 6,058	\$ 2,135	\$ 35,962
Treasury contribution, including deposits and non-marketable Treasury securities ¹	10,005	13,897	16,587	6,283	3,552	50,324
Other assets and liabilities, net	49	454	(46)	210	141	808
Unconsolidated variable interest entities: Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net	\$10,054	\$ 28,139	\$ 30,522	\$ 12,551	\$ 5,828	\$ 87,094
Reserve Bank funding:²						
Loans outstanding	\$ —	\$ 13,956	\$ 16,488	\$ 6,203	\$ 2,256	\$ 38,903
Plus: Outstanding interest accrued	—	10	6	2	1	19
Total controlling interests outstanding	\$ —	\$ 13,966	\$ 16,494	\$ 6,205	\$ 2,257	\$ 38,922
Consolidated variable interest entities: Non-controlling interest—capital contribution	\$10,000	\$ 37,500	\$ 37,500	\$ 17,500	\$10,000	\$112,500
Return of Treasury equity investment	—	(23,619)	(20,928)	(11,224)	(6,451)	(62,222)
Non-controlling interest—Treasury capital contributions	\$10,000	\$ 13,881	\$ 16,572	\$ 6,276	\$ 3,549	\$ 50,278
Excess of net unconsolidated VIE assets³	\$ 54	\$ 292	\$ (2,544)	\$ 70	\$ 22	\$ (2,106)
allocated to non-controlling Treasury interest	49	265	(2,544)	64	20	(2,146)
allocated to Reserve Banks	5	27	—	6	2	40
Memo: Consolidated variable interest entities—Non-controlling interest	10,049	14,146	14,028	6,340	3,569	48,132

¹ Included earnings on non-marketable Treasury securities and deposits from the Treasury as of March 31, 2021. Treasury contributions held in deposit, which eliminate in consolidation, are \$1.5 billion for CPFF II, \$2.1 billion for CCF, \$1.0 billion for MLF, and \$0.5 billion for TALF II.

² Eliminates in consolidation.

³ Includes \$22 million of interest income, which eliminates in consolidation, on loans extended by the Reserve Bank to the LLC.

The allocation of the excess of net unconsolidated VIE assets is determined in accordance with the limited liability company agreement for each entity. The hypothetical liquidation basis of valuation (HLBV) is applied in determining the allocation. Under the HLBV, the hypothetical liquidation of the VIE at

book value forms the basis for allocating income or loss and net assets between its controlling and non-controlling interest holders.

(5) Federal Reserve Notes

Federal Reserve notes are the circulating currency of the United States. These notes, which are identified as issued to a specific Reserve Bank, must be fully collateralized. All of the Reserve Banks' assets are eligible to be pledged as collateral. At March 31, 2021, and December 31, 2020, all Federal Reserve notes, net, were fully collateralized.

(6) Depository Institution Deposits

Depository institutions' deposits primarily represent the balances in the master accounts and excess balance accounts that depository institutions hold at the Reserve Banks. Required reserve balances are those that a depository institution must hold to satisfy its reserve requirement. Reserve requirements are the amount of funds that a depository institution must hold in reserve against specified deposit liabilities. Excess reserves are those held by the depository institutions in excess of their required reserve balances. Effective March 26, 2020, reserve requirements were removed, and all balances held are excess balances.

(7) Treasury Deposits

The Treasury holds deposits at the Reserve Banks in a general account pursuant the Reserve Banks' role as fiscal agent and depository of the United States.

(8) Capital and Surplus

The FRA requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. These shares have a par value of \$100 and may not be transferred or hypothecated. As a member bank's capital and surplus changes, its holdings of Reserve Bank stock must be adjusted. Currently, only one-half of the subscription is paid in, and the remainder is subject to call. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

The FRA requires each Reserve Bank to pay each member bank an annual dividend on paid in capital stock. By law member banks with more than \$10 billion of total consolidated assets, adjusted annually for inflation, receive a dividend on paid in capital stock equal to the smaller of 6 percent or the rate equal to the high yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend. Member banks with \$10 billion or less of total consolidated assets, adjusted annually for inflation, receive a dividend on paid in capital stock equal to 6 percent. The dividend is paid semiannually and is cumulative.

The FRA limits aggregate Reserve Bank surplus to \$6.785 billion. On January 1, 2021, the National Defense Authorization Act for 2021 reduced the aggregate Reserve Bank surplus from \$6.825 billion to \$6.785 billion. On February 5, 2021, Reserve Banks made a \$40 million lump sum payment to the Treasury.

The Treasury equity contribution to the consolidated VIEs is reported as an element of "Consolidated variable interest entities formed to administer credit and liquidity facilities: Non-controlling interest" in the Combined statements of condition. The reported amount also includes Treasury's allocated portion of undistributed net VIE assets as of March 31, 2021, determined in accordance with VIE agreements and accounting policies adopted by the VIEs.

(9) Income and Expense

(A) Loans to Depository Institutions and Other Loans

Interest income on primary, secondary, and seasonal credit is accrued using the applicable rate established at least every 14 days by the Reserve Banks' boards of directors, subject to review and determination by the Board of Governors. Interest income on advances made under the MMLF, PPPLF, and PDCF is accrued using the applicable rate as outlined by the term sheets of the respective programs.

Supplemental information on interest income on loans and other loans is as follows:

Table 16. Interest income on loans to depository institutions and other loans		
(in millions)		
	Three months ended March 31, 2021	Three months ended March 31, 2020 ¹
Interest income:		
Primary, secondary, and seasonal credit	\$ 1	\$ 4
MMLF	5	9
PPPLF	44	— ¹
PDCF	*	2
Total interest income	\$ 50	\$ 15
Average daily loan balance:		
Primary, secondary, and seasonal credit	\$ 1,569	\$ 6,923
MMLF	1,474	36,039
PPPLF	51,230	— ¹
PDCF	333	25,404
Average interest rate:		
Primary, secondary, and seasonal credit	0.25%	0.23%
MMLF	1.25%	1.04%
PPPLF	0.35%	— ¹
PDCF	0.25%	0.22%
¹ The MMLF, PPPLF, and PDCF commenced March 23, 2020; April 16, 2020; and March 20, 2020, respectively. MMLF and PDCF expired on March 31, 2021. * Less than \$500 thousand.		

(B) SOMA Holdings

The amount reported as interest income on SOMA portfolio holdings includes the amortization of premiums and discounts. Supplemental information on interest income on SOMA portfolio holdings is as follows:

Table 17. Interest income on SOMA portfolio
(in millions)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest income:		
Securities purchased under agreements to resell	\$ 1	\$ 637
Treasury securities, net	17,710	15,385
Federal agency and GSE MBS, net	5,474	9,418
GSE debt securities, net	33	34
Foreign currency denominated investments, net ¹	(11)	(10)
Central bank liquidity swaps	6	35
Total interest income	\$ 23,213	\$ 25,499
Average daily balance:		
Securities purchased under agreements to resell	\$ 654	\$ 224,797
Treasury securities, net ²	5,082,965	2,590,432
Federal agency and GSE MBS, net ³	2,204,200	1,427,125
GSE debt securities, net ²	2,631	2,654
Foreign currency denominated investments, net ⁴	21,854	20,539
Central bank liquidity swaps ⁵	7,152	34,738
Average interest rate:		
Securities purchased under agreements to resell	0.35%	1.13%
Treasury securities, net	1.40%	2.39%
Federal agency and GSE MBS, net	0.99%	2.64%
GSE debt securities, net	5.10%	5.10%
Foreign currency denominated investments, net	-0.20%	-0.19%
Central bank liquidity swaps	0.33%	0.40%

¹ As a result of negative interest rates on certain foreign currency denominated investments held in the SOMA, interest income on foreign currency denominated investments, net contains negative interest of \$13 million and \$12 million for the three months ended March 31, 2021, and 2020, respectively.

² Face value, net of unamortized premiums and discounts.

³ Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities, net of premiums and discounts.

⁴ Foreign currency denominated investments are revalued daily at market exchange rates.

⁵ Dollar value of foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank. This exchange rate equals the market exchange rate used when the foreign currency was acquired from the foreign central bank.

Supplemental information on interest expense on securities sold under agreement to repurchase (reverse repurchase agreements) is as follows:

Table 18. Interest expense on securities sold under agreement to repurchase
(in millions)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest expense:		
Primary dealers and expanded counterparties ¹	\$ —	\$ 14
Foreign official and international accounts ²	—	697
Total interest expense	\$ —	\$ 711
Average daily balance:		
Primary dealers and expanded counterparties ¹	\$ 6,847	\$ 20,526
Foreign official and international accounts ²	206,843	241,597
Average interest rate:		
Primary dealers and expanded counterparties ¹	0.00%	0.27%
Foreign official and international accounts ²	0.00%	1.15%

¹ Overnight and term reverse repurchase agreements arranged as open market operations are settled through a set of expanded counterparties that includes banks, savings associations, GSEs, and domestic money market funds.

² Reverse repurchase agreements are entered into as part of a service offering to foreign official and international account holders.

(C) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and results of operations of consolidated VIEs formed under the authority of section 13(3) of the FRA (Notes 1 and 3). Net income and losses from operations of the consolidated VIEs are reported as “Consolidated variable interest entities: (loss), net” in the Combined statements of operations. The portion of consolidated VIE net income and loss that is allocated to the non-controlling interests is reported as “Consolidated variable entities: Non-controlling interest loss, net” in the Combined statements of operations.

Supplemental information on consolidated VIE income is as follows:

Table 19. Net operating income (loss) of consolidated VIEs
(in millions)

	CPFF II	CCF	Main Street	MLF	TALF II	Total
Three months ended March 31, 2021:						
Interest income ¹	\$ —	\$ 16	\$ 116	\$37	\$ 8	\$ 177
Other items of income (loss):						
Dividends	—	35	—	—	—	35
Fees	12	—	9	1	1	23
Portfolio holdings (losses) ²	—	(268)	—	—	—	(268)
Provision for loan losses	—	—	(239)	—	—	(239)
Other	—	—	—	—	—	—
Total other items of income (loss)	12	(233)	(230)	1	1	(449)
Less: Expenses ³	1	1	23	1	1	27
Net income (loss) attributable to consolidated VIEs	\$ 11	\$(218)	\$(137)	\$37	\$ 8	\$(299)
Allocated to non-controlling Treasury interest	\$ 10	\$(199)	\$(142)	\$32	\$ 7	\$(292)
Allocated to Reserve Banks	\$ 1	\$(19)	\$ 5	\$ 5	\$ 1	\$(7)

¹ Recorded when earned and includes amortization of premiums and accretion of discounts.

² Includes realized and unrealized gains and losses on portfolio holdings.

³ Includes fees, participation loan servicing costs, and other expenses.

(D) Depository Institution Deposits

The Reserve Banks pay interest to depository institutions on qualifying balances held at the Reserve Banks. The interest rates paid on required reserve balances and excess balances are determined by the Board of Governors, based on a FOMC-established target range for the federal funds rate. Effective March 26, 2020, the Board of Governors has reduced reserve requirements ratios to zero. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.

The Reserve Banks also offer term deposits through the Term Deposit Facility, and all depository institutions that are eligible to receive interest on their balances at the Reserve Banks may participate in the term deposit program. The interest rate paid on these deposits is determined by auction.

(E) Operating Expenses

The Federal Reserve Banks have established procedures for budgetary control and monitoring of operating expenses as part of their efforts to ensure appropriate stewardship and accountability. Reserve Bank and Board governance bodies provide budget guidance for major functional areas for the upcoming budget year. The Board's Committee on Federal Reserve Bank Affairs (BAC) reviews the Banks' budgets and the BAC chair submits the budgets to Board members for review and final action. Throughout the year, Reserve Bank and Board staffs monitor actual performance and compare it with approved budgets and forecasts.

Additional information regarding Reserve Bank operating expenses is available each year in the Annual Report of the Board of Governors of the Federal Reserve System at <https://www.federalreserve.gov/publications/annual-report.htm>, and on the Audit webpage of the Board's website at <https://www.federalreserve.gov/regreform/audit.htm>.

