



Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

September 30, 2021



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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
FRBB	Federal Reserve Bank of Boston
FRBNY	Federal Reserve Bank of New York
GSE	Government-sponsored enterprise
HLBV	Hypothetical liquidation basis of value
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)		
	September 31, 2021	December 31, 2020
Assets		
Gold certificates	\$ 11,037	\$ 11,037
Special drawing rights certificates	5,200	5,200
Coin	1,215	1,563
Loans:	Note 2	
Loans to depository institutions	835	1,602
Other loans	59,119	54,535
System Open Market Account:	Note 3	
Securities purchased under agreements to resell	1	1,000
Treasury securities, net (of which \$40,612 and \$33,603 is lent as of September 30, 2021, and December 31, 2020, respectively)	5,700,471	4,955,871
Federal agency and government-sponsored enterprise mortgage-backed securities, net	2,566,144	2,109,715
Government-sponsored enterprise debt securities, net (of which \$0 is lent as of September 30, 2021, and December 31, 2020)	2,616	2,634
Foreign currency denominated investments, net	20,820	22,204
Central bank liquidity swaps	328	17,883
Accrued interest receivable	30,308	30,057
Other assets	59	2
Consolidated variable interest entities: Investments, net (including \$871 and \$9,345 measured at fair value as of September 30, 2021, and December 31, 2020)	Note 4	45,444
	140,335	140,335
Other accrued interest receivable	102	122
Bank premises and equipment, net	2,589	2,596
Items in process of collection	58	132
Deferred asset—remittances to the Treasury	—	926
Other assets	1,043	978
Total assets	<u>\$8,447,389</u>	<u>\$7,358,392</u>
Liabilities and capital		
Federal Reserve notes outstanding, net	Note 5	\$2,147,611
System Open Market Account:		
Securities sold under agreements to repurchase	Note 3	1,905,171
Other liabilities	2,016	5,781
Deposits:		
Depository institutions	Note 6	3,859,245
Treasury, general account	Note 7	215,160
Other deposits	246,475	216,165
Interest payable to depository institutions and others	144	9
Consolidated variable interest entities: Other liabilities	Note 4	174
Deposit—Treasury funding of lending facility credit protection	Note 2	—
Accrued benefit costs	3,813	3,886
Deferred credit items	758	698
Accrued remittances to the Treasury	1,347	—
Other liabilities	620	466
Total liabilities	<u>\$8,382,534</u>	<u>\$7,208,545</u>
Reserve Bank capital	Note 8	
Capital paid-in	\$ 33,089	\$ 32,376
Surplus (including accumulated other comprehensive loss of \$4,311 and \$4,419 at September 30, 2021, and December 31, 2020, respectively)	6,785	6,825
Total Reserve Bank capital	39,874	39,201
Consolidated variable interest entities formed to administer credit and liquidity facilities: Non-controlling interest	Note 4	24,981
Total Reserve Bank capital and consolidated variable interest entities non-controlling interest	64,855	149,847
Total liabilities and capital	<u>\$8,447,389</u>	<u>\$7,358,392</u>

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Combined statements of operations (in millions)				
	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest income				
Loans:	Note 9(A)			
Loans to depository institutions	\$ 1	\$ 2	\$ 2	\$ 21
Other loans	69	100	186	268
System Open Market Account:	Note 9(B)			
Securities purchased under agreements to resell	—	1	1	722
Treasury securities, net	26,518	19,793	69,253	49,664
Federal agency and government-sponsored enterprise mortgage-backed securities, net	8,362	7,541	20,343	26,084
Government-sponsored enterprise debt securities, net	34	33	101	101
Foreign currency denominated investments, net	(12)	(11)	(34)	(30)
Central bank liquidity swaps	1	80	7	480
Total interest income	<u>\$34,973</u>	<u>\$27,539</u>	<u>\$89,859</u>	<u>\$77,310</u>
Interest expense				
System Open Market Account:	Note 9(B)			
Securities sold under agreements to repurchase	\$ 165	\$ —	\$ 186	\$ 711
Other	7	1	8	3
Deposits:	Note 9(D)			
Depository institutions and others	1,649	744	3,649	7,077
Total interest expense	<u>1,821</u>	<u>745</u>	<u>3,843</u>	<u>7,791</u>
Net interest income	<u>33,152</u>	<u>26,794</u>	<u>86,016</u>	<u>69,519</u>
Other items of income (loss)				
System Open Market Account:	Note 9(E)			
Treasury securities gains, net	\$ —	\$ —	\$ —	\$ 1
Federal agency and government-sponsored enterprise mortgage-backed securities gains, net	16	247	1	418
Foreign currency translation gains (losses), net	(326)	707	(1,380)	789
Other	8	7	33	36
Income from services	114	112	342	335
Reimbursable services to government agencies	189	181	566	530
Other components of net benefit costs	48	55	222	211
Other	17	(10)	44	(70)
Total other items of income (loss)	<u>66</u>	<u>1,299</u>	<u>(172)</u>	<u>2,250</u>
Operating expenses				
Salaries and benefits	\$ 790	\$ 903	\$ 2,675	\$ 2,640
System pension service cost	250	168	716	496
Occupancy	77	88	236	252
Equipment	56	47	166	138
Other	349	190	720	616
Assessments:	Note 9(E)			
Board of Governors operating expenses and currency costs	487	460	1,419	1,268
Bureau of Consumer Financial Protection	108	79	393	314
Total operating expenses	<u>2,117</u>	<u>1,935</u>	<u>6,325</u>	<u>5,724</u>
Total Reserve Bank net income from operations	31,101	26,158	79,519	66,045
Consolidated variable interest entities: Income, net	368	61	544	207
Consolidated variable interest entities: Non-controlling interest (income), net	(355)	(43)	(504)	(172)
Reserve Bank and consolidated variable interest entities net income before providing for remittances to the Treasury	31,114	26,176	79,559	66,080
Earnings remittances to the Treasury	31,011	26,122	79,274	65,890
Net income after providing for remittances to the Treasury	<u>103</u>	<u>54</u>	<u>285</u>	<u>190</u>
Change in prior service costs related to benefit plans	(13)	(7)	(41)	(22)
Change in actuarial gains related to benefit plans	55	45	149	107
Total other comprehensive income	<u>42</u>	<u>38</u>	<u>108</u>	<u>85</u>
Comprehensive income	<u>\$ 145</u>	<u>\$ 92</u>	<u>\$ 393</u>	<u>\$ 275</u>

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Combined statements of changes in capital

(in millions, except share data)

	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			Total Reserve Bank capital		
		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 (loss), net	—	69	—	69	69	(1,854)	(1,785)
Other comprehensive income (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 (14,251,463 shares)	713	—	—	—	713	—	713
Comprehensive income:	—	—	—	—	—	—	—
Reserve Bank net income after providing for remittances to the Treasury	—	245	—	245	245	—	245
Consolidated variable interest entities: Income (loss), net	—	40	—	40	40	504	544
Other comprehensive income	—	—	108	108	108	—	108
Dividends on capital stock	—	(433)	—	(433)	(433)	—	(433)
Consolidated variable interest entities: Non-controlling interest—capital contribution (distribution)	—	—	—	—	—	(86,103)	(86,103)
Consolidated variable interest entities: Non-controlling interest—(earnings distribution)	—	—	—	—	—	(66)	(66)
Net change in Reserve Bank capital and non-controlling interest	713	(148)	108	(40)	673	(85,665)	(84,992)
Balance at September 30, 2021 (661,776,844 shares of Reserve Bank capital stock)	<u>\$33,089</u>	<u>\$11,096</u>	<u>\$(4,311)</u>	<u>\$ 6,785</u>	<u>\$39,874</u>	<u>\$ 24,981</u>	<u>\$ 64,855</u>

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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.	Provided 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 loan 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. Ceased extending credit on July 30, 2021.	Helped the 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 extending loans 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 Limited Liability Companies (LLCs).

(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, using the Exchange Stabilization Fund, committed \$10 billion as credit protection to the Federal Reserve Bank of Boston (FRBB) and advanced \$1.5 billion. Per the Credit Support Agreement with the Treasury, the FRBB agreed to pay to the Treasury a facility fee in respect of each MMLF loan. On April 12, 2021, the MMLF returned the credit protection of \$1.5 billion and paid facility fees of \$134 million 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 September 30, 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)		
	September 30, 2021	December 31, 2020
Loans to depository institutions		
Primary, secondary, and seasonal credit	\$ 835	\$ 1,602
Other loans		
MMLF	—	3,621
PPPLF	59,119	50,429
PDCF	—	485
Total other loans	59,119	54,535
Total loans	<u>\$59,954</u>	<u>\$56,137</u>

The remaining maturity distribution of loans to depository institutions and other loans outstanding as of September 30, 2021, and December 31, 2020, was as follows:

Table 3. Maturity distribution of loans to depository institutions and other loans					
(in millions)					
	Remaining maturity				Total
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	
September 30, 2021					
Loans to depository institutions					
Primary, secondary, and seasonal credit	\$ 560	\$ 275	\$ —	\$ —	\$ 835
Other loans					
PPPLF	—	—	4,139	54,980	59,119
Total loans	\$ 560	\$ 275	\$4,139	\$54,980	\$59,954
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 September 30, 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 September 30, 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 September 30, 2021, and December 31, 2020, were as follows:

Table 4. Domestic SOMA portfolio holdings (in millions)						
	September 30, 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	\$ 326,001	\$ 326,008	\$ 7	\$ 325,937	\$ 325,974	\$ 37
Notes	3,648,995	3,661,086	12,091	3,133,576	3,191,929	58,353
Bonds	1,725,475	1,844,200	118,725	1,496,358	1,736,653	240,295
Total Treasury securities	\$5,700,471	\$5,831,294	\$130,823	\$4,955,871	\$5,254,556	\$298,685
Federal agency and GSE MBS						
Residential	\$2,555,571	\$2,567,176	\$ 11,605	\$2,098,753	\$2,152,965	\$ 54,212
Commercial	10,573	10,481	(92)	10,962	11,152	190
Total federal agency and GSE MBS	\$2,566,144	\$2,577,657	\$ 11,513	\$2,109,715	\$2,164,117	\$ 54,402
GSE debt securities	2,616	3,338	722	2,634	3,544	910
Total domestic SOMA portfolio securities holdings	\$8,269,231	\$8,412,289	\$143,058	\$7,068,220	\$7,422,217	\$353,997
Memorandum—Commitments for purchases of:						
Treasury securities ¹	\$ 8,720	\$ 8,721	\$ 1	\$ 5,232	\$ 5,232	\$ —
Federal agency and GSE MBS ¹	106,625	106,110	(515)	202,127	203,084	957
Memorandum—Commitments for sales of:						
Treasury securities ²	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Federal agency and GSE MBS ²	—	—	—	88	88	—

¹ The amortized cost column presents unsettled purchase costs.

² The amortized cost column presents unsettled sales proceeds.

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at September 30, 2021, and December 31, 2020:

Table 5. Detail of Federal agency and GSE MBS holdings—distribution of MBS holdings by coupon rate (in millions)				
	September 30, 2021		December 31, 2020	
	Amortized cost	Fair value	Amortized cost	Fair value
Residential				
1.50%	\$ 157,701	\$ 155,410	\$ 20,021	\$ 20,156
2.00%	936,980	923,744	331,252	334,549
2.50%	665,837	662,979	517,579	525,374
3.00%	375,685	384,771	583,681	596,178
3.50%	243,312	253,226	380,033	395,114
4.00%	128,682	134,988	200,003	208,717
4.50%	33,138	36,107	47,732	51,934
5.00%	11,091	12,401	14,523	16,481
5.50%	2,704	3,051	3,390	3,853
6.00%	386	438	471	534
6.50%	55	61	68	75
Total	<u>\$2,555,571</u>	<u>\$2,567,176</u>	<u>\$2,098,753</u>	<u>\$2,152,965</u>
Commercial				
1.00%–1.50%	\$ 92	\$ 87	\$ 84	\$ 83
1.51%–2.00%	511	497	451	452
2.01%–2.50%	1,185	1,170	1,330	1,352
2.51%–3.00%	1,670	1,656	1,874	1,907
3.01%–3.50%	3,261	3,236	3,263	3,330
3.51%–4.00%	3,557	3,544	3,661	3,726
4.01%–4.50%	297	291	299	302
Total	<u>\$ 10,573</u>	<u>\$ 10,481</u>	<u>\$ 10,962</u>	<u>\$ 11,152</u>
Total MBS	<u>\$2,566,144</u>	<u>\$2,577,657</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 expanded counterparties under the domestic standing repurchase agreement facility and foreign official account holders under the FIMA Repo Facility. 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 September 30, 2021, and December 31, 2020, was as follows:

Table 6. Repurchase Agreements and Reverse Repurchase Agreements		
(in millions)		
	September 30, 2021	December 31, 2020
Repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$ 1	\$ —
FIMA Repo Facility:		
Contract amount outstanding, end of period	—	1,000
Total repurchase agreement contract amount outstanding, end of period	<u>\$ 1</u>	<u>\$ 1,000</u>
Reverse repurchase agreements conducted with		
Primary dealers and expanded counterparties:		
Contract amount outstanding, end of period	\$1,604,881	\$ 9,651
Securities pledged (par value), end of period	1,548,445	6,351
Securities pledged (fair value), end of period	1,606,380	9,666
Foreign official and international accounts:		
Contract amount outstanding, end of period	300,290	206,400
Securities pledged (par value), end of period	294,264	200,673
Securities pledged (fair value), end of period	300,362	206,410
Total reverse repurchase agreement contract amount outstanding, end of period	<u>\$1,905,171</u>	<u>\$216,051</u>

The remaining maturity distribution of Treasury securities, federal agency and GSE MBS bought outright, GSE debt securities, repurchase agreements, and reverse repurchase agreements at September 30, 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
September 30, 2021:							
Treasury securities (par value)	\$ 51,992	\$280,172	\$750,159	\$2,074,534	\$990,964	\$1,285,335	\$5,433,156
Federal agency and GSE residential MBS (par value) ¹	—	—	18	1,482	58,786	2,424,866	2,485,152
Federal agency and GSE commercial MBS (par value) ¹	—	—	—	177	5,054	4,316	9,547
GSE debt securities (par value)	—	—	—	—	2,134	213	2,347
Securities purchased under agreements to resell (contract amount)	1	—	—	—	—	—	1
Securities sold under agreements to repurchase (contract amount)	1,905,171	—	—	—	—	—	1,905,171
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 5.4 years and 3.1 years as of September 30, 2021, and December 31, 2020, respectively. The estimated weighted-average life of CMBS was approximately 8.4 years and 8.8 years as of September 30, 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 nine months ended September 30, 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	745,378	1,068,244	249,704	2,063,326
Sales ¹	—	(25)	—	(25)
Realized gains (losses), net ²	—	—	—	—
Principal payments and maturities	(745,499)	(545,698)	(20,753)	(1,311,950)
Amortization of premiums and accretion of discounts, net	185	(17,760)	(8,055)	(25,630)
Inflation adjustment on inflation-indexed securities	—	10,658	8,221	18,879
Subtotal of activity	64	515,419	229,117	744,600
Balance at September 30, 2021	\$ 326,001	\$3,648,995	\$1,725,475	\$ 5,700,471
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)
Nine months ended September 30, 2021				
Supplemental information—par value of transactions				
Purchases ³	\$ 745,499	\$1,053,648	\$ 238,175	\$ 2,037,322
Sales	—	(25)	—	(25)

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 of 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	1,135,169	328	1,135,497	—
Sales ¹	(256)	—	(256)	—
Realized gains, net ²	1	—	1	—
Principal payments and maturities	(653,780)	(606)	(654,386)	—
Amortization of premiums and accretion of discounts, net	(24,316)	(111)	(24,427)	(18)
Subtotal of activity	456,818	(389)	456,429	(18)
Balance September 30, 2021	\$2,555,571	\$10,573	\$2,566,144	\$2,616
Year-ended December 31, 2020				
Supplemental information—par value of transactions				
Purchases	\$1,281,077	\$10,170	\$1,291,247	\$ —
Sales	(158)	—	(158)	—
Nine months ended September 30, 2021				
Supplemental information—par value of transactions				
Purchases	\$1,109,553	\$ 256	\$1,109,809	\$ —
Sales	(248)	—	(248)	—

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 (losses), net is the offset of 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 September 30, 2021, and December 31, 2020, was as follows:

Table 9. Foreign currency denominated investments
(in millions)

	September 30, 2021	December 31, 2020
Euro:		
Foreign currency deposits	\$ 7,312	\$ 6,597
Dutch government debt instruments	1,829	2,738
French government debt instruments	2,342	2,746
German government debt instruments	954	1,066
Japanese yen:		
Foreign currency deposits	8,377	8,436
Japanese government debt instruments	6	621
Total	\$20,820	\$22,204

The remaining maturity distribution of foreign currency denominated investments at September 30, 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
September 30, 2021:						
Euro	\$ 7,312	\$ 23	\$ 820	\$2,314	\$1,968	\$12,437
Japanese yen	8,377	—	3	3	—	8,383
Total	\$15,689	\$ 23	\$ 823	\$2,317	\$1,968	\$20,820
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 September 30, 2021, and December 31, 2020, the fair value of foreign currency denominated investments held in the SOMA was \$20,909 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 September 30, 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 swap U.S. dollar liquidity lines with the Reserve Bank of Australia, the Banco Central do Brasil, the Danmarks Nationalbank (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 remaining maturity distribution of U.S. dollar liquidity swaps that were allocated to the Reserve Banks at September 30, 2021, 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
September 30, 2021			
Euro	\$ 228	\$ —	\$ 228
Mexican peso	—	100	100
Total	\$ 228	\$ 100	\$ 328
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), net and the change in the cumulative unrealized gains (losses) related to SOMA domestic securities holdings during the periods ended September 30, 2021, and September 30, 2020:

Table 12. Realized gains (losses) and change in unrealized gain position				
(in millions)				
	Nine months ended September 30, 2021		Nine months ended September 30, 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	\$ —	\$(167,862)	\$ 1	\$211,314
Federal agency and GSE MBS				
Residential	1	(42,607)	418	32,241
Commercial	—	(282)	—	—
Total federal agency and GSE MBS	1	(42,889)	418	32,241
GSE debt securities	—	(188)	—	268
Total	\$ 1	\$(210,939)	\$419	\$243,823

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 were 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 Banks. In January 2021, CCF, Main Street, MLF, and TALF II returned a portion of the Treasury's equity investment in each facility.

CPFF II ceased purchasing commercial paper on March 31, 2021. Prior to the conclusion of CPFF II, when all obligations of CPFF II were repaid, the remaining net assets were allocated and distributed to FRBNY and Treasury, in accordance with the Amended and Restated LLC Agreement of CPFF II. On June 29, 2021, CPFF II returned in full the Treasury's equity investment of \$10 billion and Treasury's allocated portion of earnings of the LLC of \$49 million, as reported in table 15a.

Additionally, the Board announced in June 2021 plans to begin winding down the portfolio of CCF and begin sales to be conducted in a gradual and orderly manner. In accordance with the decision to wind down the portfolio, CCF reclassified investments in the portfolio from held-to-maturity to trading securities and recorded a net unrealized gain of \$20 million from the reclassification of corporate bonds to fair value measurement from amortized cost. CCF concluded sales of its ETFs and corporate bonds in August 2021. On September 24, 2021, CCF returned the Treasury's remaining equity investment of \$13.9 billion and the Treasury's earnings on non-marketable securities of \$17 million, as reported in table 15a.

The classification of assets and liabilities of the consolidated VIEs as of September 30, 2021, and December 31, 2020, respectively, are as follows:

Table 13a. Net portfolio assets and liabilities of consolidated VIEs

(in millions)

	CPFF II	CCF	Main Street	MLF	TALF II	Total
As of September 30, 2021:						
Assets						
Cash and cash equivalents ¹	\$ —	\$233	\$ 2,871	\$ 1	\$ 27	\$ 3,132
Short-term investments in non-marketable securities ²	—	—	13,991	5,283	3,004	22,278
Short-term investments ³	—	282	—	51	—	333
Corporate bonds ³	—	—	—	—	—	—
Exchange-traded funds ³	—	—	—	—	—	—
Loan participations ⁴	—	—	13,797	—	—	13,797
Municipal notes ⁵	—	—	—	4,373	—	4,373
Loans ⁶	—	—	—	—	1,456	1,456
Other assets	—	—	—	68	7	75
Total assets, net	\$ —	\$515	\$30,659	\$9,776	\$4,494	\$45,444
Liabilities	—	1	169	3	1	174
Net assets and liabilities	\$ —	\$514	\$30,490	\$9,773	\$4,493	\$45,270

¹ Includes \$2,595 million of cash and \$537 million cash equivalents at September 30, 2021.

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 principal amount outstanding, net of allowance including interest.

⁵ Reported at amortized cost.

⁶ Reported at principal amount outstanding.

Table 13b. Net portfolio assets and liabilities of consolidated VIEs

(in millions)

	CPFF II	CCF	Main Street	MLF	TALF II	Total
As of December 30, 2020:						
Assets						
Cash and cash equivalents ¹	\$ 4	\$ 238	\$ 5,754	\$ 81	\$ 13	\$ 6,090
Short-term investments in non-marketable securities ²	8,504	31,890	31,889	14,882	8,503	95,668
Short-term investments ³	49	50	—	6	—	105
Corporate bonds ⁴	—	5,540	—	—	—	5,540
Exchange-traded funds ³	—	8,776	—	—	—	8,776
Loan participations ⁵	—	—	14,147	—	—	14,147
Municipal notes ⁴	—	—	—	6,283	—	6,283
Loans ⁶	—	—	—	—	3,552	3,552
Other assets	—	41	—	26	107	174
Total assets, net	\$8,557	\$46,535	\$51,790	\$21,278	\$12,175	\$140,335
Liabilities	14	2	187	6	4	213
Net assets and liabilities	\$8,543	\$46,533	\$51,603	\$21,272	\$12,171	\$140,122

¹ Includes \$5,626 million of cash and \$464 million of cash equivalents at December 31, 2020.

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 including interest.

⁶ Reported at principal amount outstanding.

Investments held by the 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 September 30, 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 September 30, 2021. Main Street's allowance for loan losses consists of specific allowances for impaired loan participations and a general allowance for all other loan participations, and collectively reflects management's estimate of probable loan losses inherent in the loan portfolio at reporting date. The principal exposure of loan participations in non-accrual status as of September 30, 2021, was \$3,220 million. The evaluation of loan participations purchased by Main Street, including those in non-accrual status, resulted in recording a loan loss allowance of \$2,330 million as of September 30, 2021.

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	
September 30, 2021						
Cash equivalents	\$ 317	\$220	\$ —	\$ —	\$ —	\$ 537
Short-term investments in non-marketable securities	22,278	—	—	—	—	22,278
Short-term investments	96	186	51	—	—	333
Corporate bonds	—	—	—	—	—	—
Exchange-traded funds	—	—	—	—	—	—
Loan participations	—	—	—	13,797	—	13,797
Municipal notes	—	—	—	4,373	—	4,373
Loans	—	—	—	1,456	—	1,456
Total	\$22,691	\$406	\$ 51	\$19,626	\$ —	\$ 42,774
December 31, 2020						
Cash equivalents	\$ 410	\$ 54	\$ —	\$ —	\$ —	\$ 464
Short-term investments in non-marketable securities	95,668	—	—	—	—	95,668
Short-term investments	—	79	26	—	—	105
Corporate bonds	17	82	425	5,016	—	5,540
Exchange-traded funds	—	—	—	—	8,776	8,776
Loan participations	—	—	—	14,147	—	14,147
Municipal notes	—	—	925	5,358	—	6,283
Loans	—	—	—	3,552	—	3,552
Total	\$96,095	\$215	\$1,376	\$28,073	\$8,776	\$134,535

The following tables present information related to the portfolio holdings of the VIEs and the funding provided by the Reserve Bank and Treasury, as of September 30, 2021, and December 31, 2020, respectively.

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

(in millions)

	September 30, 2021					
	CPFF II	CCF	Main Street	MLF	TALF II	Total
Outstanding amount of facility assets	\$ —	\$ —	\$ 13,797	\$ 4,373	\$ 1,456	\$ 19,626
Treasury contribution, including deposits and non-marketable Treasury securities ¹	—	—	16,586	6,284	3,553	26,423
Other assets and liabilities, net	—	514	107	117	33	771
Unconsolidated variable interest entities: Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net	\$ —	\$ 514	\$ 30,490	\$ 10,774	\$ 5,042	\$ 46,820
Reserve Bank funding:						
Loans outstanding	\$ —	\$ —	\$ 15,921	\$ 4,373	\$ 1,462	\$ 21,756
Plus: Outstanding interest accrued	—	—	13	4	2	19
Total controlling interests outstanding	\$ —	\$ —	\$ 15,934	\$ 4,377	\$ 1,464	\$ 21,775
Non-controlling interest:						
Non-controlling interest—capital contribution	\$ 10,000	\$ 37,500	\$ 37,500	\$ 17,500	\$ 10,000	\$ 112,500
Return of non-controlling interest—capital contribution ²	(10,000)	(37,500)	(20,928)	(11,224)	(6,451)	(86,103)
Non-controlling interest—Treasury capital contributions	\$ —	\$ —	\$ 16,572	\$ 6,276	\$ 3,549	\$ 26,397
Excess of net unconsolidated VIE assets	\$ —	\$ 514	\$ (2,016)	\$ 121	\$ 29	\$ (1,352)
Allocated to non-controlling Treasury interest	—	463	(2,016)	109	28	(1,416)
Allocated to Reserve Banks	—	51	—	12	1	64
Consolidated variable interest entities: Non-controlling interest	\$ —	\$ 463	\$ 14,556	\$ 6,385	\$ 3,577	\$ 24,981
Memo: Earnings distribution³	\$ 54	\$ 17	\$ —	\$ —	\$ —	\$ 71
Non-controlling Treasury interest	49	17	—	—	—	66
Reserve Banks	5	—	—	—	—	5

¹ Includes earnings on non-marketable Treasury securities and deposits from the Treasury. Treasury contributions held in deposit, which eliminate in consolidation, are \$1.0 billion for MLF, and \$0.5 billion for TALF II.

² On November 19, 2021, Main Street, MLF, and TALF II returned Treasury's capital contributions of \$900 million, \$2.1 billion, and \$2.2 billion, respectively.

³ Represents distribution of cumulative LLC earnings upon wind down in accordance with the LLC's legal agreements. On November 19, 2021, CCF distributed earnings since inception to the Treasury and to the FRBNY.

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

	December 31, 2020					
	CPFF II	CCF	Main Street	MLF	TALF II	Total
Outstanding amount of facility assets	\$ —	\$14,316	\$14,147	\$ 6,283	\$ 3,552	\$ 38,298
Treasury contribution, including deposits and non-marketable Treasury securities ¹	10,004	37,515	37,515	17,507	10,003	112,544
Other assets and liabilities, net	39	327	(59)	107	116	530
Unconsolidated variable interest entities: Assets available to pay Reserve Bank loans and Treasury non-controlling interests, net	\$10,043	\$52,158	\$51,603	\$23,897	\$13,671	\$151,372
Reserve Bank funding:²						
Loans outstanding	\$ —	\$14,138	\$16,501	\$ 6,361	\$ 3,656	\$ 40,656
Plus: Outstanding interest accrued	—	7	2	1	1	11
Total controlling interests outstanding	\$ —	\$14,145	\$16,503	\$ 6,362	\$ 3,657	\$ 40,667
Non-controlling interest—Treasury capital contributions	\$10,000	\$37,500	\$37,500	\$17,500	\$10,000	\$112,500
Excess of net unconsolidated VIE assets	\$ 43	\$ 513	\$ (2,400)	\$ 35	\$ 14	\$ (1,795)
Allocated to non-controlling Treasury interest	40	463	(2,402)	32	13	(1,854)
Allocated to Reserve Banks	3	50	2	3	1	59
Consolidated variable interest entities: Non-controlling interest	\$10,040	\$37,963	\$35,098	\$17,532	\$10,013	\$110,646

¹ Includes earnings on non-marketable Treasury securities and deposits from the Treasury. Treasury contributions held in deposit, which eliminate in consolidation, are \$1.5 billion for CPFF, \$5.6 billion for CCF, \$2.6 billion for MLF, and \$1.5 billion for TALF II.

² Eliminates in consolidation.

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 September 30, 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. Effective July 29, 2021, the Board of Governors eliminated references to an interest on required reserves rate and to an interest on excess reserves rate and replaced them with a single interest on reserve balances rate.

(7) Treasury Deposits

The Treasury holds deposits at the Reserve Banks in a general account pursuant to 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 and is reported as a component of "Earnings remittances to the Treasury" in the Combined statements of operations.

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 September 30, 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)		
	Nine months ended September 30, 2021 ^{1, 2}	Nine months ended September 30, 2020
Interest income:		
Primary, secondary, and seasonal credit	\$ 2	\$ 21
MMLF	5	166
PPPLF	181	90
PDCF	*	12
Total interest income	\$ 188	\$ 289
Average daily loan balance:		
Primary, secondary, and seasonal credit	\$ 865	\$11,026
MMLF	1,394	25,698
PPPLF	69,426	56,129
PDCF	289	9,317
Average interest rate:		
Primary, secondary, and seasonal credit	0.25%	0.25%
MMLF	1.25%	1.23%
PPPLF	0.35%	0.35%
PDCF	0.25%	0.25%
¹ MMLF and PDCF ceased extending loans on March 31, 2021, and all outstanding loans were repaid by April 6, 2021, and April 15, 2021, respectively. ² PPPLF ceased extending loans on July 30, 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)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest income:		
Securities purchased under agreements to resell	\$ 1	\$ 722
Treasury securities, net	69,253	49,664
Federal agency and GSE MBS, net	20,343	26,084
GSE debt securities, net	101	101
Foreign currency denominated investments, net ¹	(34)	(30)
Central bank liquidity swaps	7	480
Total interest income	\$ 89,671	\$ 77,021
Average daily balance:		
Securities purchased under agreements to resell	\$ 216	\$ 130,573
Treasury securities, net ²	5,333,317	3,801,844
Federal agency and GSE MBS, net ³	2,341,301	1,743,423
GSE debt securities, net ²	2,625	2,648
Foreign currency denominated investments, net ⁴	21,541	20,882
Central bank liquidity swaps ⁵	2,711	176,311
Average interest rate:		
Securities purchased under agreements to resell	0.35%	0.74%
Treasury securities, net	1.74%	1.74%
Federal agency and GSE MBS, net	1.16%	1.99%
GSE debt securities, net	5.11%	5.11%
Foreign currency denominated investments, net	-0.21%	-0.19%
Central bank liquidity swaps	0.33%	0.36%

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 \$42 million and \$38 million for the nine months ended September 30, 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)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest expense:		
Primary dealers and expanded counterparties ¹	\$ 147	\$ 14
Foreign official and international accounts ²	39	697
Total interest expense	\$ 186	\$ 711
Average daily balance:		
Primary dealers and expanded counterparties ¹	\$458,104	\$ 11,627
Foreign official and international accounts ²	236,048	236,994
Average interest rate:		
Primary dealers and expanded counterparties ¹	0.04%	0.16%
Foreign official and international accounts ²	0.02%	0.39%

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 4). Net income and losses from operations of the consolidated VIEs are reported as “Consolidated variable interest entities: Income, 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 (income), net” in the Combined statements of operations.

Supplemental information on consolidated VIE income is as follows:

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

(in millions)

	CPFF II	CCF	Main Street	MLF	TALF II	Total
Nine months ended September 30, 2021:						
Interest income ¹	\$ 1	\$ 37	\$334	\$88	\$18	\$ 478
Other items of income (loss):						
Dividends	—	93	—	—	—	93
Fees	11	—	34	3	2	50
Portfolio holdings gains (losses) ²	—	(101)	—	—	—	(101)
Provision for loan losses	—	—	81	—	—	81
Total other items of income (loss)	11	(8)	115	3	2	123
Less: Expenses ³	2	1	51	1	2	57
Net income (loss) attributable to consolidated VIEs	\$10	\$ 28	\$398	\$90	\$18	\$ 544
Allocated to non-controlling Treasury interest	\$ 9	\$ 17	\$386	\$78	\$14	\$ 504
Allocated to Reserve Banks	\$ 1	\$ 11	\$ 12	\$12	\$ 4	\$ 40

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.

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

	CPFF II	CCF	Main Street	MLF	TALF II	Total
Nine months ended September 30, 2020:						
Interest income ¹	\$15	\$ 21	\$ 6	\$19	\$ 7	\$ 68
Other items of income (loss):						
Dividends and fees ²	23	68	9	—	—	100
Portfolio holdings gains (losses) ³	—	184	(96)	—	—	88
Total other items of income (loss)	23	252	(87)	—	—	188
Less: Professional fees	6	7	32	2	2	49
Net income (loss) attributable to consolidated VIEs	\$32	\$266	\$(113)	\$17	\$ 5	\$207
Allocated to non-controlling Treasury interest	\$29	\$237	\$(113)	\$15	\$ 4	\$172
Allocated to Reserve Banks	\$ 3	\$ 29	\$ —	\$ 2	\$ 1	\$ 35

¹ Recorded when earned and includes interest income, amortization of premiums, accretion of discounts, and paydown gains and losses.

² Includes dividend revenue, syndication fee revenue, registration fee revenue, facility fee revenue, and servicing fees.

³ Includes realized and unrealized gains and losses on portfolio holdings.

(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>.

