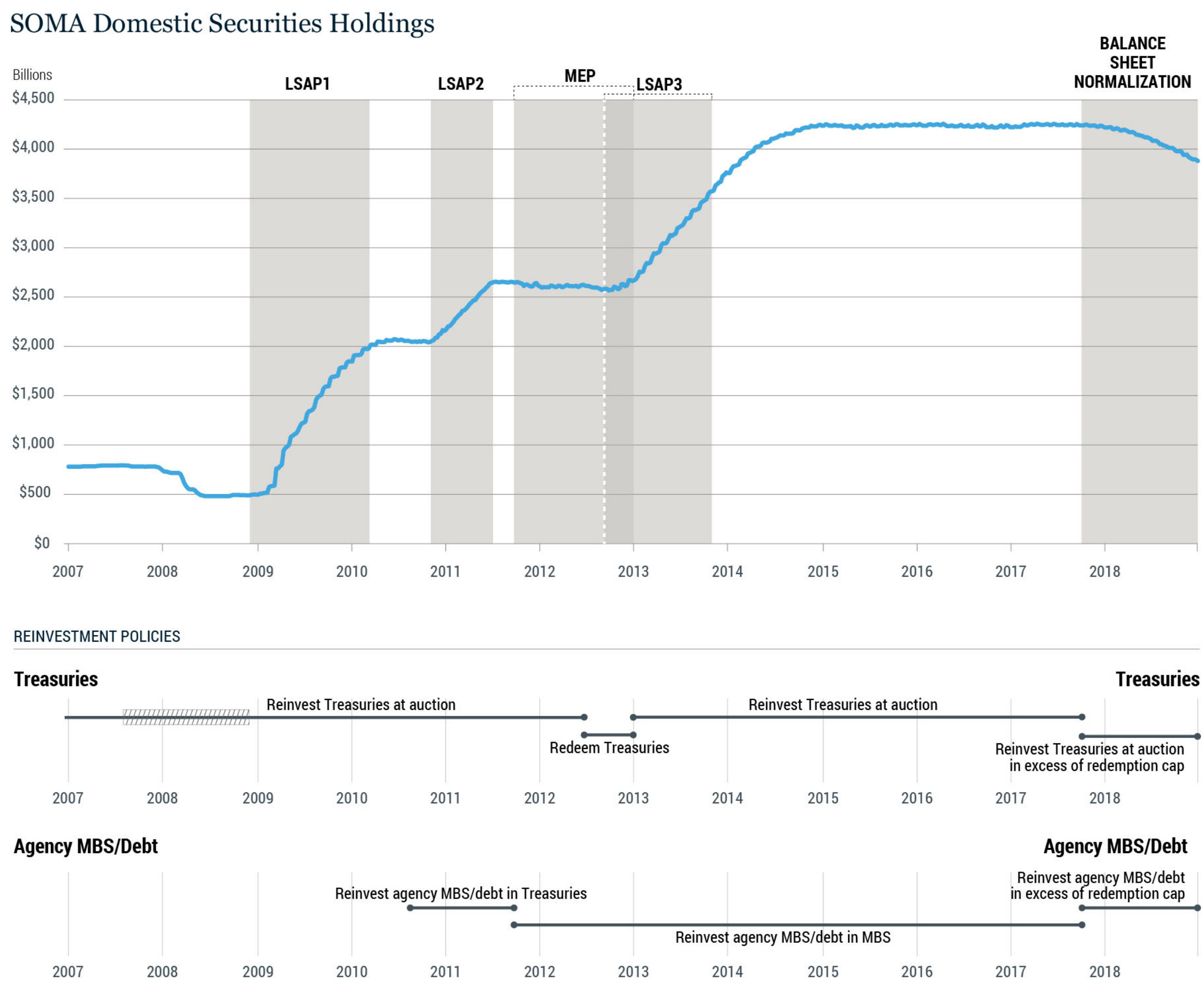
FEDERAL RESERVE BANK *of* NEW YORK *Serving the Second District and the Nation*

# Large-Scale Asset Purchases

**Between 2008 and 2014, to ease the stance of monetary policy, the Federal Open Market Committee (FOMC) authorized three rounds of large-scale asset purchases as well as a program to extend the average maturity of Treasury securities in the Federal Reserve's portfolio. Through late 2017, the FOMC also kept holdings of longer-term securities at sizable levels to help maintain accommodative financial conditions.**

GRAPHIC: SOMA DOMESTIC SECURITIES HOLDINGS




Between August 2007 and November 2008, the Federal Reserve intermittently redeemed and sold Treasuries to offset the reserve-adding effects of credit operations during the financial crisis.

Updated as of Dec. 31, 2018.

Outright purchases or sales of Treasury securities were used historically as a tool to manage the supply of bank reserves to maintain conditions consistent with the federal funds target rate set by the FOMC.

During the period from late 2008 through late 2014, the FOMC provided further monetary policy easing by authorizing three rounds of large-scale asset purchase programs–often referred to as quantitative easing–and a maturity extension program, which lengthened the maturity profile of the Federal Reserve's holdings of Treasury securities. The FOMC directed the New York Fed's Open Market Trading Desk (the Desk) to purchase longer-term securities, with the goal of putting downward pressure on longer-term interest rates, supporting mortgage markets, and making broader financial market conditions more accommodative. The longer-term securities purchased during these programs included: U.S. Treasury securities; mortgage-backed securities backed by Fannie Mae, Freddie Mac, and Ginnie Mae (agency MBS); and direct obligations of housing-related government sponsored enterprises (GSEs) Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (agency debt).

In addition, from 2010 through September 2017, the FOMC directed the Desk to reinvest principal payments received on securities held in the System Open Market Account, keeping holdings of longer-term securities at sizable levels, which helped maintain accommodative financial conditions during and after the financial crisis.

### First Round of Large-Scale Asset Purchases (2008-2010)

From November 2008 to March 2010, the first round of large-scale asset purchases included purchases of $175 billion in agency debt, $1.25 trillion in agency MBS, and $300 billion in longer-term Treasury securities. Following completion of the program, the Federal Reserve rolled over maturing Treasury securities (consistent with historical practice) and, starting in August 2010, maintained the then-current total level of securities by also reinvesting principal payments from agency debt and agency MBS (initially, in longer-term Treasury securities).

**TIMELINE OF FIRST ROUND**

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| Nov. 25, 2008 | The FOMC announces that it will initiate a program to purchase up to $100 billion in agency debt securities and $500 billion of agency MBS to reduce the cost and increase the availability of credit for the purchase of houses. |
| Dec. 5, 2008 | Large-scale purchases of agency debt begin. |
| Jan. 5, 2009 | Large-scale purchases of agency MBS begin. |
| March 18, 2009 | The FOMC announces an expansion of its asset purchase program, saying it will purchase a total of up to $1.25 trillion of agency MBS (an additional $750 billion) and up to $200 billion of agency debt (an additional $100 billion) by the end of the year to provide greater support to mortgage lending and housing markets. To help improve conditions in private credit markets, the FOMC also announces it will purchase up to $300 billion of longer-term Treasury securities over the next six months. |
| March 25, 2009 | Large-scale purchases of Treasury securities begin. |
| Aug. 12, 2009 | To promote a smooth transition in markets, the FOMC announces that it will gradually slow the pace of its Treasury purchase operations and that it anticipates completing these purchases by the end of October 2009. Following this announcement, the Desk decreases both the size of individual operations and the frequency of operations, moving from two operations per week to one operation per week and gradually reducing the size of its operations. |
| Sept. 23, 2009 | The FOMC announces its intention to gradually slow the pace of purchases of agency debt and MBS in anticipation that purchases will be completed by the end of the first quarter of 2010. |
| Oct. 29, 2009 | The Desk reaches $300 billion in outright Treasury securities purchases. |
| Nov. 4, 2009 | The FOMC announces an adjustment in its total agency debt purchases from $200 billion to $175 billion, consistent with the recent path of purchases and reflecting the limited availability of agency debt. |
| March 2010 | The Desk ends the first round of large-scale asset purchases. The initial reinvestment practice associated with the securities acquired under this purchase program is to exchange all maturing Treasury debt for new issues at Treasury auctions, consistent with historical practice, and to receive agency MBS and agency debt principal payments without reinvestment. |
| Aug. 10, 2010 | The FOMC announces its intention to keep constant the Federal Reserve's holdings of securities at their current level by reinvesting principal payments from agency debt and agency MBS in longer-term Treasury securities. It will also continue to roll over the Federal Reserve's holdings of Treasury securities as they mature. |

### Second Round of Large-Scale Asset Purchases (2010-2011)

From November 2010 to June 2011, the second round of large-scale asset purchases included $600 billion in longer-term Treasury securities. Principal payments received from holdings of all domestic securities continue to be reinvested in Treasury securities.

**TIMELINE OF SECOND ROUND**

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| Nov. 3, 2010 | The FOMC announces it will expand its holdings of securities to promote a stronger pace of economic recovery and to help ensure that inflation, over time, remains at levels consistent with its mandate. The FOMC announces its intent to purchase a further $600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about $75 billion per month. |
| June 22, 2011 | The FOMC announces it will complete purchases of $600 billion of longer-term Treasury securities by the end of the month and directs the Desk to continue reinvesting principal payments on all domestic securities in longer-term Treasury securities to maintain the size of the Federal Reserve's portfolio at approximately $2.6 trillion. |

### Maturity Extension Program (2011-2012)

From September 2011 through 2012, the Maturity Extension Program, commonly known as Operation Twist, included purchases of $667 billion in Treasury securities with remaining maturities of 6 years to 30 years, offset by sales of $634 billion in Treasury securities with remaining maturities of 3 years or less and $33 billion of Treasury security redemptions. It also included reinvesting principal payments from agency debt and agency MBS in agency MBS.

At the commencement of the Maturity Extension Program, the Federal Reserve also shifted its reinvestment policy to reinvestment principal payments from holdings of agency debt and agency MBS in agency MBS rather than Treasury securities.

**TIMELINE OF MATURITY EXTENSION PROGRAM**

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| Sept. 21, 2011 | The FOMC announces it will extend the average maturity of its securities holdings as a means to put further downward pressure on longer-term interest rates and help make financial conditions more accommodative. The FOMC announces its intent to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years of less.<br><br>To help support conditions in mortgage markets, the FOMC announces it will now reinvest principal payments from its holdings of agency debt and agency MBS in agency MBS. It will maintain its existing policy of rolling over Treasury securities at auction. |
| June 20, 2012 | The FOMC announces it will continue through the end of the year its program to extend the average maturity of its holdings of the Federal Reserve's securities. It intends to purchase Treasury securities with remaining maturities of 6 years to 30 years at the current pace and to sell or redeem an equal amount of securities with remaining maturities of approximately 3 years or less. |
| December 2012 | The Desk ends the Maturity Extension Program. |

## Third Round of Large-Scale Asset Purchases (2012-2014)

From September 2012 through 2013, the third round of large-scale asset purchases included monthly purchases of $40 billion in agency MBS, dropping to monthly purchases of $35 billion in January 2014 and decreasing by $5 billion after each FOMC meeting until October 2014. Starting in January 2013, it also included monthly purchases of $45 billion in longer-term Treasury securities, dropping to monthly purchases of $40 billion in January 2014 and decreasing by $5 billion after each FOMC meeting until October 2014. In total, the Federal Reserve purchased $790 billion in Treasury securities and $823 billion in agency MBS in the third purchase program.

The Federal Reserve resumed Treasury rollovers at the start of the third large-scale asset purchase program, and maintained its existing Treasury and agency debt and agency MBS reinvestment practices throughout and following the conclusion of the program.

**TIMELINE OF THIRD ROUND**

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| Sept. 13, 2012 | The FOMC announces it will increase policy accommodation by purchasing additional agency mortgage-backed securities at a pace of $40 billion per month. The FOMC says that agency MBS purchases will continue, and it will undertake additional asset purchases, until the outlook for the labor market improves substantially in a context of price stability. |
| Dec. 12, 2012 | The FOMC announces it will continue purchasing agency MBS at a pace of $40 billion per month. The FOMC also announces it will purchase longer-term Treasury securities after its program to extend the maturity of its holdings of Treasury securities is completed at the end of 2012, initially at a pace of $45 billion per month. The FOMC says that purchases of Treasury securities and agency MBS will continue until the outlook for the labor market improves substantially in a context of price stability.<br><br>The FOMC announces it will maintain its existing policy of reinvesting principal payments from its holdings of agency debt and agency MBS in agency MBS and, in January 2013, will resume rolling over maturing Treasury securities at auction. |
| Dec. 18, 2013 | The FOMC announces plans to begin to slow the pace of asset purchases, adding to its holdings of agency mortgage-backed securities at a pace of $35 billion per month rather than $40 billion per month, and adding to its holdings of longer-term Treasury securities at a pace of $40 billion per month rather than $45 billion per month, starting in January 2014. |
| January—September 2014 | The FOMC reduces the pace of Treasury and MBS purchases by $5 billion per month at each of its meetings. |
| Sept. 17, 2014 | The FOMC publishes its Policy Normalization Principles and Plans, in which the Committee lays out its plans for reducing its holdings in a gradual and predictable manner primarily by ceasing to reinvest repayments of principal on securities held in the SOMA. |
| Oct. 29, 2014 | The FOMC announces it will conclude its asset purchase program this month in light of substantial improvement in the outlook for the labor market since the program's inception and sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment in a context of price stability.<br><br>The FOMC announces it is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency MBS in agency MBS and of rolling over maturing Treasury securities at auction. |

## Balance Sheet Normalization

Starting in October 2017, the FOMC began to reduce its securities holdings to normalize the size of its balance sheet by decreasing reinvestments of principal payments from the Federal Reserve's securities holdings.

**TIMELINE OF BALANCE SHEET NORMALIZATION**

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| Dec. 16, 2015 | The FOMC announces an increase in its federal funds target range for the first time since the financial crisis. It maintains its existing reinvestment policy and says it anticipates doing to until normalization of the level of the federal funds rate is well under way. |
| June 14, 2017 | The FOMC announces that it expects to begin implementing a balance sheet normalization program this year, provided the economy evolves broadly as anticipated. |

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| | The FOMC publishes an Addendum to its Policy Normalization Principles and Plans in which it details a program for gradually reducing the Federal Reserve's securities holdings by decreasing reinvestment of principal payments from those securities. Such payments will be reinvested only to the extent that they exceed gradually rising caps. |
| Sept. 20, 2017 | The FOMC announces it will initiate the balance sheet normalization program in October 2017. |
| October 2017 | The Desk begins to slow the pace of reinvestments. |