

The Federal Reserve

The Federal Reserve System is the central bank of the United States, founded by Congress in 1913 to provide the nation with a safe, flexible, and stable monetary and financial system.

The Federal Reserve System comprises twelve regional Federal Reserve Banks and the Board of Governors in Washington, D.C. The System's primary functions are to formulate and implement U.S. monetary policy, provide a structure for supervising and regulating banking institutions, maintain stability in the financial system, and provide financial services to U.S. and foreign institutions.

The Federal Reserve Bank of New York serves a unique function among the twelve Reserve Banks by executing the policy decisions of the Federal Open Market Committee (FOMC), a policymaking body of the Federal Reserve System. The FOMC meets eight times a year in Washington, D.C., to develop monetary policy that promotes full employment, sustainable economic growth, and stable prices.

The FOMC's policy decisions influence money and credit conditions that affect businesses and consumers alike. The initial link between monetary policy and the economy occurs in the market for "reserves," or those funds that banks are required to hold by law. To manage their reserves, banks borrow and lend funds to each other in the federal funds market. The FOMC's policy decisions are expressed as a "target rate" for trading in the federal funds market.

The principal tool used to maintain trading in the federal funds market near the target rate is open market operations. Open market operations are the purchase and sale of government securities by the Federal Reserve. These operations adjust the amount of reserves in the banking system: a purchase of securities increases the supply of reserves and a sale reduces it. The Markets Group of the Federal Reserve Bank of New York is responsible for planning and executing open market operations.



THE MARKETS GROUP



THE FEDERAL RESERVE BANK OF NEW YORK

The Markets Group

The Markets Group of the Federal Reserve Bank of New York comprises six business areas that fulfill a range of responsibilities, from planning and executing open market operations to managing foreign customer accounts. Through its analytical and operational areas, the Markets Group

- manages the size and composition of the Federal Reserve System's balance sheet consistent with the directives and the authorization of the Federal Open Market Committee (FOMC),
- supports debt issuance and debt management on behalf of the U.S. Treasury,
- provides foreign exchange services to the U.S. Treasury, and
- provides account services to foreign central banks, international agencies, and U.S. government agencies.

Markets Group Business Areas

Automation Services provides data analysis and software

engineering/development services. This area researches, tests, and implements automation-related projects and facilitates data collection and distribution. It also maintains the Markets Group data network and provides desktop and contingency-site support.

Central Bank & International Account Services provides cash manage-

ment, payment, securities clearing, custody, specialized investment, and settlement and confirmation services for Federal Reserve accounts held by foreign central banks and international agencies. In addition, this business area acts as a fiscal agent to the U.S. Treasury by providing settlement services in support of government securities auctions.

Domestic Reserves Management monitors and analyzes the domestic money markets, focusing on movements in the federal funds rate. It prepares reserve balance and required reserve projections, and it formulates and executes temporary open market operations in support of monetary policy directives of the FOMC.

Fixed Income & Foreign Exchange implements the foreign exchange policy of the U.S. government and monitors foreign financial market developments. The area manages the foreign currency portfolios of the U.S. monetary authorities and executes foreign exchange interventions when appropriate. It monitors and provides analysis of the domestic

government securities market and implements the monetary policy directives of the FOMC through permanent open market operations.

Financial Management & Discount Window provides various accounting services in support of U.S. domestic and foreign security transactions and investments. It designs investment objectives for the U.S. domestic reserve portfolio and the U.S. foreign currency reserve portfolios in support of U.S. monetary authorities. This area develops and maintains L0d performance of the domestic and foreign currency reserve portfolios. This business area includes the discount window, which provides loans to eligible institutions experiencing temporary liquidity needs and determines eligibility and valuation for discount collateral.

Treasury Relationship Management and Office of Management

& Budget acts as a fiscal agent to the U.S. Treasury by conducting auctions of government securities. It provides groupwide budget support, expenditure control, and tracking. In addition, this business area has responsibility for vendor relations and contracts, personnel management, operational risk initiatives, and administrative support.



To access Markets Group publications, please visit the Federal Reserve Bank of New York's web site at www.newyorkfed.org.