

# Press Release

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January 26, 2022

## Principles for Reducing the Size of the Federal Reserve's Balance Sheet

For release at 2:00 p.m. EST

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The Federal Open Market Committee agreed that it is appropriate at this time to provide information regarding its planned approach for significantly reducing the size of the Federal Reserve's balance sheet. All participants agreed on the following elements:

- The Committee views changes in the target range for the federal funds rate as its primary means of adjusting the stance of monetary policy.
- The Committee will determine the timing and pace of reducing the size of the Federal Reserve's balance sheet so as to promote its maximum employment and price stability goals. The Committee expects that reducing the size of the Federal Reserve's balance sheet will commence after the process of increasing the target range for the federal funds rate has begun.
- The Committee intends to reduce the Federal Reserve's securities holdings over time in a predictable manner primarily by adjusting the amounts reinvested of principal payments received from securities held in the System Open Market Account (SOMA).
- Over time, the Committee intends to maintain securities holdings in amounts needed to implement monetary policy efficiently and effectively in its ample reserves regime.
- In the longer run, the Committee intends to hold primarily Treasury securities in the SOMA, thereby minimizing the effect of Federal Reserve holdings on the allocation of credit across sectors of the economy.
- The Committee is prepared to adjust any of the details of its approach to reducing the size of the balance sheet in light of economic and financial developments.

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