For immediate release

The Federal Reserve Board on Tuesday announced that the Federal Reserve Banks distributed approximately $28.547 billion of their $37.838 billion total income to the U.S. Treasury during 2006.

Federal Reserve System income is derived primarily from interest earned on U.S. government securities that the Federal Reserve has acquired through open market operations. This income amounted to $36.452 billion in 2006. Additionally, income from fees for the provision of priced services to depository institutions totaled $909 million. The remaining income of $477 million includes earnings on foreign currencies, earnings from loans, and other income.

The operating expenses of the twelve Reserve Banks totaled $2.420 billion in 2006. In addition, the cost of earnings credits granted to depository institutions amounted to $277 million. Assessments against Reserve Banks for Board expenditures totaled $301 million and the cost of currency amounted to $492 million.

Net deductions to income amounted to $159 million, primarily representing interest expense on securities sold under agreements to repurchase, which is offset, in part, by unrealized gains on assets denominated in foreign currencies that are revalued to reflect current market exchange rates.

Total net income for the Federal Reserve Banks in 2006 amounted to $34.189 billion. Under the Board's policy, each Reserve Bank's net income is transferred to the U.S. Treasury, after providing for statutory dividends to member banks and the amount necessary to equate surplus to paid-in capital. In 2006, statutory dividends amounted to $871 million. The implementation of Financial Accounting Standards Board Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, required a reduction to surplus of $2.347 billion. As a result, the amount required to equate surplus to paid-in capital totaled $4.771 billion.

2007 Other announcements