

Treasury Rollovers

Effective May 6, 2020

The following frequently asked questions (FAQs) provide further information about the Federal Reserve's exchange of maturing Treasury securities for newly issued Treasury securities.

What is a System Open Market Account (SOMA) Treasury rollover?

A SOMA Treasury rollover describes the process by which principal payments from maturing Treasury securities held by the SOMA are reinvested in newly auctioned securities. Specifically, the Open Market Trading Desk (the Desk) at the Federal Reserve Bank of New York places non-competitive bids at Treasury auctions, in an amount equal to all or a portion of the maturing Treasury securities, that will settle on the maturity date of the maturing Treasury securities. On the auction settlement date, the maturing Treasury securities are exchanged for the newly issued Treasury securities.

How does the Desk conduct Treasury rollovers?

Since August 2019, the Federal Open Market Committee (FOMC) has directed the Desk to roll over at auction all principal payments from maturing Treasury securities held by the SOMA. The Desk rolls over the SOMA's maturing Treasury security holdings by replacing maturing holdings with securities issued at Treasury auctions. In accordance with long-standing practice, these rollovers are typically accomplished by placing bids for the SOMA at Treasury auctions equal in par amount to the value of holdings maturing on the issue date of the securities being auctioned, allocated proportionally across those securities by announced offering amount. Bids at Treasury auctions are placed as non-competitive tenders and are treated as add-ons to announced auction sizes.

For example, consider the situation where the SOMA holds \$1 billion in Treasury note securities that mature on July 15. In this example, assume the Treasury is auctioning a 3-year, a 10-year, and a 30-year security for \$38 billion, \$24 billion, and \$16 billion, respectively, on that same day. The \$1 billion would be allocated across these three securities in proportion to their announced offering amounts, as shown below:

AMOUNT OF PRINCIPAL BEING EXCHANGED	SECURITY BEING AUCTIONED	ANNOUNCED OFFER SIZE	PROPORTIONAL ALLOCATION	SOMA ROLLOVER
\$1,000,000,000	3-year	\$38,000,000,000	48.7%	\$487,179,500
	10-year	\$24,000,000,000	30.8%	\$307,692,300
	30-year	\$16,000,000,000	20.5%	\$205,128,200
TOTAL		\$78,000,000,000	100.0%	\$1,000,000,000

How does the Desk manage different issue types for rollovers?

SOMA holdings of Treasury notes, bonds, Treasury Inflation-Protected Securities (TIPS), and Floating Rate Notes (FRNs) that are being rolled over are exchanged at auction across all Treasury notes, bonds, TIPS, and FRNs issued on that day in proportion to their issuance amounts. With respect to TIPS, the maturing principal amount includes the inflation adjustment.

As a result of the FOMC's plan to reinvest principal payments from agency debt and agency MBS in Treasury securities, SOMA holdings will include Treasury bills. SOMA holdings of Treasury bills that are being rolled over are exchanged at auction across all Treasury bills issued on a given day in proportion to their issuance amounts. Specifically, 4-week and 8-week bills, which mature on Tuesdays, will roll proportionally into new Tuesday issuances, while 13-week, 26-week, and 52-week bills, which mature on Thursdays, will roll proportionally into new Thursday issuances.

How does the Desk manage a month-end maturity that occurs on a weekend or a holiday?

If a month-end maturity occurs on a weekend or holiday, the Desk will include that maturity in the total maturing funds for the month corresponding with the stated maturity date, not for the month in which the funds are actually received. For example, if December 31 occurs on a Sunday, any SOMA maturities that occur on December 31 will be treated as part of the December maturities, even though the cash flow associated with that maturity will occur on the next business day in January.

What are the limits on the SOMA holdings of any one Treasury issue?

The Desk will limit SOMA holdings to a maximum of 70 percent of the total outstanding amount of any individual Treasury security.

Is there a minimum amount of maturing securities required for rollover?

The Desk exchanges all maturing holdings of Treasury securities at auction, subject to the U.S. Treasury's \$100 minimum bid requirement.

How do SOMA rollovers affect the price of the auctioned securities?

SOMA tenders are entered as noncompetitive bids and therefore do not affect the stop-out rate of the auction. Noncompetitive bidders receive the stop-out rate, yield or discount margin determined by the competitive auction process. When the SOMA is awarded securities at auction, the Treasury Department increases the total issue size by the amount of the SOMA's award.

How are SOMA holdings of Treasury securities reported?

SOMA Treasury holdings are reported on a weekly basis in the [H.4.1 statistical release](#). Over any period, changes in the H.4.1 line item "U.S. Treasury securities" reflect the net effect of rollovers, purchases, and sales of Treasury securities, as well as movements in inflation compensation.

Where can I find more information on rollovers and SOMA's Treasury holdings?

The latest data on the SOMA's holdings can be found on the New York Fed's [website](#). The amount that was awarded to the SOMA at auction is reported in the Auction Results released by the [Treasury Department](#) upon the conclusion of each auction.

System Open Market Account Holdings of Domestic Securities

The Federal Reserve System Open Market Account (SOMA) contains dollar-denominated assets acquired through [open market operations](#). These securities serve several purposes. They are:

- collateral for U.S. currency in circulation and other liabilities on the Federal Reserve System's balance sheet;
- a tool for the Federal Reserve's management of reserve balances; and
- a tool for achieving the Federal Reserve's macroeconomic objectives.

The New York Fed has been selected by the Federal Open Market Committee (FOMC) as the Reserve Bank that executes transactions for the SOMA. SOMA holdings are [allocated](#) to each of the Reserve Banks on a percentage basis.

The SOMA also contains the Federal Reserve's [foreign currency reserves](#), which are currently held in investments denominated in euros and Japanese yen.

On March 27, 2020 the New York Fed began purchases of agency commercial mortgage-backed securities (agency CMBS) for the SOMA.

Historical data for the SOMA's domestic securities holdings are available for download. See the [Data Export Builder below](#).

Domestic Security Holdings as of January 12, 2022

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SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,869,224,338.0
US Treasury Floating Rate Notes (FRNs)	27,581,816.9
US Treasury Inflation-Protected Securities (TIPS)*	387,911,449.3
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,606,329,437.4
Agency Commercial Mortgage-Backed Securities***	9,237,435.9
Total SOMA Holdings	8,228,675,477.5
Change From Prior Week	22,914,001.1

*Does not reflect inflation compensation of 73,975,673.8

**Fannie Mae, Freddie Mac and Federal Home Loan Bank

***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

¹ Changes in par may reflect primary and secondary market transactions and/or custodial account activity.

² Spread to the current reference rate, as determined at each security's initial auction.