
DISCOUNT AND ADVANCE RATES -- Requests by ten Reserve Banks to maintain the existing rate; requests by two Reserve Banks to increase the primary credit rate.

Existing rate maintained.
January 25, 2010.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Dallas, and San Francisco had voted on January 14, 2010, and the directors of the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Minneapolis had voted on January 21 to reestablish the existing rate for discounts and advances (1/2 percent) under the primary credit program (primary credit rate). The directors of the Federal Reserve Banks of St. Louis and Kansas City had voted on January 14 to establish a rate of 3/4 percent (an increase from 1/2 percent).

Federal Reserve Bank directors noted positive developments that included gains in real activity as well as further improvements in financial markets. Nonetheless, overall economic activity remained weak, with substantial slack in resource utilization. Directors also expected that ongoing constraints in the availability of credit to smaller businesses and households, a higher household saving rate, and weak conditions in labor markets were likely to restrain household income and outlays for a time. Given the outlook for a gradual recovery and persistent downside risks, and with inflation and inflation expectations moderate and stable, directors generally agreed that the current accommodative stance of monetary policy remained appropriate. In light of improving conditions in financial markets, some Federal Reserve Bank directors indicated that they favored increasing the primary credit rate by 25 basis points in order to begin to restore a more normal discount rate structure. The proposed increase would widen the spread between the primary credit rate and the upper end of the Federal Open Market Committee's target range for the federal funds rate to 50 basis points. Before the financial crisis, the spread between the primary credit rate and the Committee's target federal funds rate was 100 basis points. Thus, the widening of the spread would be a move toward normalization of the spread, consistent with other steps being taken by the Federal Reserve to normalize its lending programs as financial conditions improved.

Today, Board members considered the primary credit rate and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the meeting of the Federal Open Market Committee this week. No sentiment was expressed for changing the primary credit rate before the Committee's meeting, and the existing rate was maintained.

Participating in this determination: Chairman Bernanke, Vice Chairman Kohn,
and Governors Warsh, Duke, and Tarullo.

Background: Office of the Secretary memorandum, January 22, 2010.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks,
January 25, 2010.

DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates; renewal by those Banks of the auction procedure for determining the rate for the Term Auction Facility; and renewal by the Federal Reserve Bank of New York of the formulas for calculating the rates for the Term Asset-Backed Securities Loan Facility.

Approved.
January 25, 2010.

The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, St. Louis, Kansas City, Dallas, and San Francisco on January 14, 2010, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Minneapolis on January 21 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs and of the auction procedure for determining the rate for the Term Auction Facility. In addition, the Board approved renewal by the Federal Reserve Bank of New York on January 21 of the formulas for calculating the rates for the Term Asset-Backed Securities Loan Facility.

Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and
Governors Warsh, Duke, and Tarullo.

Background: Office of the Secretary memorandum, January 22, 2010.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, and
transmission from Ms. Beattie to the Federal Reserve Bank of
New York, January 25, 2010.