DISCOUNT AND ADVANCE RATES -- Increase in the primary credit rate.

Discussed.
February 17, 2010.

Today, Board members discussed increasing the primary credit rate and the communication of such an action. A 25-basis-point increase in the rate (to 3/4 percent) would widen to 50 basis points 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. The spread between the primary credit rate and the Committee's target federal funds rate had been 100 basis points before the financial crisis, and widening the spread would be consistent with other steps being taken by the Federal Reserve to normalize its lending programs as financial conditions improved. (NOTE: On February 18, 2010, the Board announced approval of requests by twelve Reserve Banks to establish a primary credit rate of 3/4 percent, which the Board had approved by notation voting on February 17.)

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

Background: None.

Implementation: None.

Notation Voting Item: The notation voting entry for the Board's action on discount and advance rates, discussed at the Board meeting earlier in the day, and on matters related to the Term Auction Facility is provided below.

Approved.
February 17, 2010.

DISCOUNT AND ADVANCE RATES and TERM AUCTION FACILITY (TAF) -- Effective February 19, 2010, the Board approved establishment of the rate for discounts and advances under the primary credit program (primary credit rate) of 3/4 percent (an increase from 1/2 percent) for the twelve Reserve Banks and renewal of the formulas for calculating the rates applicable to discounts and advances under the secondary credit program and of the auction procedure for determining the rate for the TAF.

Effective March 18, 2010, the Board approved a reduction in the maximum maturity of primary credit loans for most depository institutions from 28 days to overnight. The Board also approved an increase in the TAF minimum bid rate to 1/2 percent for the final scheduled auction on March 8, 2010.

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

Background: Staff memorandum, February 16, 2010.

Implementation: Press release and transmissions from Ms. Johnson to the Reserve Banks, February 18, and Federal Register document, February 23, 2010.

DISCOUNT AND ADVANCE RATES -- Establishment without change by one Reserve Bank of the existing primary credit rate and renewal by that Bank of the formulas for calculating the secondary and seasonal credit rates and of the auction procedure for determining the rate for the Term Auction Facility; renewal by eleven Reserve Banks of the formula for calculating the seasonal credit rate; 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.
February 22, 2010.

The Board approved the establishment without change of the rate for discounts and advances under the primary credit program (3/4 percent) by the Federal Reserve Bank of Chicago on February 18, 2010. The Board also approved renewal by that Reserve Bank, on the date indicated above, 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. The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, St. Louis, Kansas City, Dallas, and San Francisco on February 11 and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Minneapolis on February 18 of the formula for calculating the rates applicable to discounts and advances under the seasonal credit program. In addition, the Board approved renewal by the Federal Reserve Bank of New York on February 18 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, February 19, 2010.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, and transmission from Ms. Beattie to the Federal Reserve Bank of New York, February 22, 2010.

DISCOUNT AND ADVANCE RATES -- Requests by eleven Reserve Banks to maintain the existing rate; request by one Reserve Bank to increase the primary credit rate.

Existing rate maintained.
March 15, 2010.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, Chicago, and Minneapolis had voted on March 4, 2010, and the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and San Francisco had voted on March 11 to reestablish the existing rate for discounts and advances (3/4 percent) under the primary credit program (primary credit rate). The directors of the Federal Reserve Bank of Dallas had voted on March 11 to establish a rate of 1 percent (an increase from 3/4 percent).

Federal Reserve Bank directors viewed recent information on economic activity as mixed. While suggesting that a modest recovery was under way, the data also raised questions about its sustainability. Some directors noted improved year-over-year performance in several sectors, but they also observed that business conditions remained fairly weak. As a result, businesses continued to be cautious about their capital spending and hiring plans. Although layoffs had declined, there was little indication that significant hiring had resumed, and labor markets were generally regarded as flat. Substantial slack in resource utilization continued to restrain cost pressures and inflation. Given the outlook for a gradual recovery and persistent downside risks, and with inflation moderate and inflation expectations stable, most directors agreed that the current accommodative stance of monetary policy remained appropriate.

Some directors favored taking a further step at this time toward the discount rate structure that existed before the crisis. Those directors favored increasing the primary credit rate by 25 basis points (to 1 percent), which would result in a spread of 75 basis points between the primary credit rate and the upper end of the Federal Open Market Committee's target range for the federal funds rate.

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 tomorrow. 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, March 12, 2010.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, March 15, 2010.

DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates 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.
March 15, 2010.

The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, Chicago, and Minneapolis on March 4, 2010, and by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, Dallas, and San Francisco on March 11 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. In addition, the Board approved renewal by the Federal Reserve Bank of New York on March 4 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, March 12, 2010.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, and transmission from Ms. Beattie to the Federal Reserve Bank of New York, March 15, 2010.