DISCOUNT AND ADVANCE RATES -- Requests by nine Reserve Banks to lower the primary credit rate; requests by three Reserve Banks to maintain the existing rate.

Existing rate maintained.
December 15, 2008.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Minneapolis, and San Francisco had voted on December 11, 2008, to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 1/2 percent (a reduction from 1-1/4 percent). The directors of the Federal Reserve Bank of Philadelphia had voted on December 4 and the directors of the Federal Reserve Banks of Boston and Chicago had voted on December 11 to establish a primary credit rate of 3/4 percent. The directors of the Federal Reserve Banks of St. Louis, Kansas City, and Dallas had voted on December 11 to maintain the existing rate.

Federal Reserve Bank directors supporting a 75-basis-point reduction in the primary credit rate viewed the severe strains in financial markets as exerting increased restraint on economic activity and the outlook for activity as having deteriorated notably. Given the already considerable--and rising--slack in labor and product markets and falling prices for energy and other commodities, these directors viewed inflation pressures as having abated markedly. Under these circumstances, the directors concluded that monetary policy makers should act decisively to stimulate aggregate demand. Other Federal Reserve Bank directors also saw economic prospects as weaker and inflation pressures as diminishing but concluded that a 50-basis-point decrease in the primary credit rate would provide the appropriate amount of stimulus at this time.

Federal Reserve Bank directors in favor of maintaining the existing primary credit rate agreed that the outlook for economic activity had weakened further. Rather than change the stance of monetary policy, they preferred for now to use other Federal Reserve tools to stimulate the economy.

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, Kroszner, and Duke.

Background: Office of the Secretary memorandum, December 12, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, December 15, 2008.

DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks 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.

Approved.
December 15, 2008.

The Board approved renewal by the Federal Reserve Bank of Philadelphia on December 4, 2008, and by the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on December 11 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs and renewal of the auction procedure for determining the rate for the Term Auction Facility.

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

Background: Office of the Secretary memorandum, December 12, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, December 15, 2008.

DISCOUNT AND ADVANCE RATES -- Reduction in the primary credit rate from 1-1/4 percent to 1/2 percent.

Approved.
December 16, 2008.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Minneapolis, and San Francisco had voted on December 11, 2008, to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 1/2 percent (a reduction from 1-1/4 percent). The directors of the Federal Reserve Bank of Philadelphia had voted on December 4 and the directors of the Federal Reserve Banks of Boston and Chicago had voted on December 11 to establish a primary credit rate of 3/4 percent. The directors of the Federal Reserve Banks of St. Louis, Kansas City, and Dallas had voted on December 11 to maintain the existing rate. At its meeting on December 15, the Board had taken no action on the requests to lower the primary credit rate.

At today's meeting, there was a consensus for a 75-basis-point reduction, and the Board approved a reduction in the primary credit rate from 1-1/4 percent to 1/2 percent, effective immediately for the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Minneapolis, and San Francisco. Earlier today, the Federal Open Market Committee had decided to lower its target for the federal funds rate from 1 percent by establishing a target range of 0 to 1/4 percent. It was understood that a press release announcing the reductions in the two rates would be issued.

In addition, the Secretary was authorized to inform the remaining Reserve Banks, on their establishment of a primary credit rate of 1/2 percent, of the Board's approval. (NOTE: Subsequently, the remaining Reserve Banks established that rate and were informed of the Board's approval, effective December 16 for the Federal Reserve Banks of Chicago and Kansas City, effective December 17 for the Federal Reserve Banks of Boston, St. Louis, and Dallas, and effective December 18, 2008, for the Federal Reserve Bank of Philadelphia.)

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

Background: Office of the Secretary memorandum, December 12, 2008.

Implementation: Press releases and wires from Ms. Johnson to the Reserve Banks, December 16, 17, and 18, and Federal Register document, December 22, 2008.