

Record of Policy Actions of the Board of Governors

Regulation B Equal Credit Opportunity

September 9, 1997—Amendments

The Board amended Regulation B to create a legal privilege for self-tests conducted voluntarily by creditors, effective January 30, 1998.

Votes for this action: Messrs. Greenspan and Kelley, Ms. Phillips, and Mr. Meyer. Absent and not voting: Ms. Rivlin.^{1,2}

The Board revised Regulation B to implement amendments to the Equal Credit Opportunity Act as part of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. That act created a legal privilege for information produced by creditors through voluntary self-tests they conduct to determine the level or effectiveness of their compliance with the Equal Credit Opportunity Act, provided that appropriate corrective action is taken to address any possible violations they discover. The Department of Housing and Urban Development issued a substantially similar regulation under the Fair Housing Act. The Board announced its revised regulation on December 11, 1997.

1. Throughout this chapter, note 1 indicates that two vacancies existed on the Board when the action was taken.

2. In voting records throughout this chapter, Board members, except the Chairman and Vice Chair, are listed by seniority.

Regulation C Home Mortgage Disclosure

January 16, 1997—Amendment

The Board approved an interim amendment to Regulation C to increase the exemption threshold for depository institutions, effective January 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Messrs. Kelley and Lindsey, Mses. Phillips and Yellen, and Mr. Meyer.

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 amended the Home Mortgage Disclosure Act to increase the asset-exemption threshold that determines which depository institutions are exempt from the act. The new asset-exemption threshold is based on the percentage by which the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIW) for 1996 exceeded the index for 1975. On the basis of the CPIW for December 1996, the Board approved a threshold of \$28 million. The Board also requested comment on the interim amendment.

May 19, 1997—Amendments

The Board amended Regulation C to increase the asset-exemption threshold for depository institutions, ease disclosure requirements, and extend data collection authority, effective July 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The revisions implement amendments to the Home Mortgage Disclosure Act included in the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The action makes final an interim amendment adopted in January 1997 that set the asset-exemption threshold for depository institutions at \$28 million. The amendments also establish an alternative method by which institutions may provide disclosure statements in metropolitan areas in which they have branch offices and extend data collection authority under the Paperwork Reduction Act for another three years.

Regulation D **Reserve Requirements** **of Depository Institutions**

October 26, 1997—Amendments

The Board amended Regulation D to allow U.S. branches and agencies of foreign banks and Edge Act and agreement corporations to choose whether to aggregate reserve balances on a nationwide basis with a single pass-through correspondent or to continue to maintain reserve balances on a same-state/same-District basis, effective January 1, 1998.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

To make interstate banking and branching easier, the Federal Reserve Banks began in January 1998 to implement a new account structure that provides a single Federal Reserve account for each domestic depository institution and enables the Federal Reserve Banks to establish a single debtor-creditor relationship with each chartered entity. The amendments allow foreign banks and Edge Act and agreement corporations to choose whether to aggregate required

reserve balances nationally or locally. The revisions also update and clarify the pass-through rules in Regulation D for all institutions.

November 7, 1997—Amendments

The Board amended Regulation D to decrease the amount of transaction balances to which the lower reserve requirement applies.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, and Ms. Phillips. Absent and not voting: Mr. Meyer.¹

Under the Monetary Control Act of 1980, depository institutions, Edge Act corporations, agreement corporations, and U.S. agencies and branches of foreign banks are subject to reserve requirements set by the Board. The act directs the Board to adjust annually the amount subject to the lower reserve requirement to reflect changes in transaction balances nationwide. Recent declines in transaction balances warranted a decrease to \$47.3 million, and the Board amended Regulation D accordingly.

The Garn-St Germain Depository Institutions Act of 1982 establishes a zero percent reserve requirement on the first \$2 million of an institution's reservable liabilities. The act also provides for annual adjustments to that exemption amount based on deposit growth nationwide. Recent growth in deposits warranted an increase to \$4.7 million, and the Board amended Regulation D accordingly.

For institutions reporting weekly, the amendments are effective with the reserve computation period beginning December 30, 1997, and the corresponding reserve maintenance period beginning January 1, 1998. For institutions reporting quarterly, the amendments are

effective with the reserve computation period beginning December 16, 1997, and the corresponding reserve maintenance period beginning January 15, 1998.

To reduce the reporting burden on small institutions, depository institutions with total deposits below specified levels are required to report their deposits and reservable liabilities quarterly or less frequently. To reflect increases in the growth rate of total deposits at all depository institutions, the Board increased the deposit cutoff levels used in determining the frequency and detail of deposit reporting to \$78.9 million for nonexempt depository institutions and to \$50.7 million for exempt depository institutions, beginning in September 1998.

Regulation D Reserve Requirements of Depository Institutions

Regulation I Issue and Cancellation of Capital Stock of Federal Reserve Banks

Rules Regarding Delegation of Authority

June 3, 1997—Amendments

The Board amended Regulations D and I to define the location of a depository institution for purposes of Federal Reserve membership and reserve account maintenance, effective October 1, 1997.

Votes for this action: Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer. Absent and not voting: Mr. Greenspan.¹

The Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 eliminated many barriers to interstate

banking, and the number of depository institutions with branches in more than one Federal Reserve District is expected to increase. The amendments clarify the Federal Reserve District in which a depository institution is eligible for Federal Reserve membership and the location of a depository institution's reserve account. The Board also delegated to the Secretary of the Board the authority to make a determination of location under Regulation D or Regulation I if (1) the relevant Federal Reserve Banks and the institution agree on the specific Reserve Bank in which the institution should hold stock or with which the institution should maintain a reserve account and (2) the location agreed upon does not raise any significant policy issues.

Regulation E Electronic Fund Transfers

August 8, 1997—Amendments

The Board amended Regulation E to exempt certain needs-tested electronic benefit transfer programs established or administered by state or local government agencies from requirements of the Electronic Fund Transfer Act and Regulation E, effective September 15, 1997.

Votes for this action: Messrs. Greenspan and Kelley, Ms. Phillips, and Mr. Meyer. Absent and not voting: Ms. Rivlin.¹

Electronic benefit transfer programs generally involve the issuance of access cards and personal identification numbers to recipients of government benefits so that they can obtain their benefits through automated teller machines and point-of-sale terminals. The amendments implement a provision of the Electronic Fund Transfer Act contained in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996

that exempted certain electronic benefit transfer programs from coverage under the Electronic Fund Transfer Act.

Regulation G

Securities Credit by Persons other than Banks, Brokers, or Dealers

Regulation T

Credit by Brokers and Dealers

Regulation U

Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks

Regulation X

Borrowers of Securities Credit

December 18, 1997—Amendments

The Board amended Regulations G, T, U, and X to reduce regulatory distinctions between broker-dealers, banks, and other lenders and to implement changes to the Board's securities credit regulations, effective April 1, 1998.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Messrs. Ferguson and Gramlich. Absent and not voting: Mr. Meyer.

The Board adopted the amendments to simplify the regulations and reduce burden as part of its periodic regulatory review and to implement changes to the Board's statutory authority contained in the National Securities Markets Improvement Act of 1996, which deregulated lending to certain broker-dealers. The amendments also provide for merging Regulation G into Regulation U, thereby eliminating Regulation G. The Board also will discontinue publication of its quarterly list of over-the-counter market stocks that are subject to its margin regulations for broker-dealers, effective January 1, 1999, and for other lenders, effective April 1,

1998. Compliance with the amendments to Regulation T is optional until July 1, 1998.

Regulation H

Membership of State Banking Institutions in the Federal Reserve System

February 24, 1997—Amendments

The Board adopted amendments to provisions of Regulation H related to recordkeeping and confirmation of certain securities transactions effected by state member banks, effective April 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The amendments update recordkeeping and confirmation requirements to conform them with rules of the Securities Exchange Commission and the Department of the Treasury and with principles of safe and sound banking.

Regulation H

Membership of State Banking Institutions in the Federal Reserve System

Regulation K

International Banking Operations

March 11, 1997—Amendments

The Board amended Regulations H and K to establish rules concerning government securities sales practices by depository institutions, effective July 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The rules, which were also adopted by the other federal banking agencies,

minimize regulatory burden to the extent feasible while providing consistent treatment for customers of bank and non-bank dealers and brokers in government securities.

August 22, 1997—Amendments

The Board amended Regulations H and K to implement the prohibition in section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 against establishing interstate branches primarily for the purpose of deposit production, effective October 10, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

As required by section 109 of the act, the Board, along with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, adopted uniform amendments to their regulations that prohibit any bank from establishing or acquiring, under the authority of the act, a branch or branches outside of its home state primarily for the purpose of deposit production. The amendments also provide guidelines for determining whether such a bank is reasonably helping to meet the credit needs of the communities served by its interstate branches.

Regulation H Membership of State Banking Institutions in the Federal Reserve System

Regulation Y Bank Holding Companies and Change in Bank Control

December 17, 1997—Interim Rule

The Board approved an interim amend-

ment to Regulations H and Y to reduce regulatory burden in risk-based capital guidelines that apply to banking organizations with significant trading activities, effective December 31, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Messrs. Meyer, Ferguson, and Gramlich.

The Board, along with the other federal banking agencies, amended the risk-based capital standards for market risk applicable to certain banks and bank holding companies with significant trading activities. The amendment eliminates the requirement that the total capital charge for specific risk must equal at least 50 percent of the standard capital charge for specific risk when an institution measures specific market risk using its internal model. The rule implements a revision to the Basle Accord and reduces regulatory burden for institutions with qualifying internal models because they will no longer be required to calculate a standard specific-risk capital charge.

Regulation J Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire

August 26, 1997—Amendment

The Board amended Regulation J to establish a policy under which each depository institution will have a single Federal Reserve account relationship, effective January 2, 1998.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, and Ms. Phillips. Absent and not voting: Mr. Meyer.¹

The Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994

eliminated many barriers to interstate banking, and the number of depository institutions operating branches in more than one Federal Reserve District is expected to increase. The amendment allows a depository institution to send checks to any Reserve Bank for collection, but all of its check-collection transactions through the Federal Reserve System will be reflected in a single account held at its Administrative Reserve Bank, regardless of where the institution has its branches. This account structure will establish a single debtor-creditor relationship between each institution and a Federal Reserve Bank and will make account management more efficient for banks having interstate branches.

Regulation M **Consumer Leasing**

March 26, 1997—Amendments

The Board amended Regulation M to implement legislation, revise certain disclosures, and make technical corrections, effective April 1, 1997, with compliance optional until October 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The amendments incorporate statutory changes that streamline lease advertising disclosures, revise the requirement to disclose certain costs due at the signing of the lease to parallel the statutory change to a similar advertising provision, and make several technical corrections.

September 25, 1997—Amendments

The Board delayed the date for mandatory compliance with revisions to Regu-

lation M that apply to automobile leasing from October 1, 1997, to January 1, 1998.

Votes for this action: Messrs. Greenspan and Kelley, Ms. Phillips, and Mr. Meyer. Absent and not voting: Ms. Rivlin.¹

On October 7, 1996, the Board had published revisions to Regulation M to take effect on October 1, 1997. Those revisions established a new disclosure scheme to improve consumer understanding of automobile-leasing transactions. The new scheme required the preparation of new forms and the reprogramming of computer software. The Board had been asked by representatives of the automobile leasing industry to delay the effective date of the new rules, to allow more time for installation of the software programs necessary to produce computer-generated disclosure statements.

Regulation O **Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks**

March 11, 1997—Amendment

The Board amended Regulation O to exclude from coverage certain extensions of credit by a bank to an executive officer or a director of an affiliate, effective April 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The amendment excludes from the requirements of Regulation O extensions of credit by a bank to an executive officer or a director of an affiliate, provided that the executive officer or director is not engaged in major policymaking functions of the lending bank and

that the affiliate does not account for more than 10 percent of the consolidated assets of the bank's parent holding company. The amendment also simplifies the procedure for a bank to implement this exclusion by resolution or bylaw.

Regulation Q Prohibition against Payment of Interest on Demand Deposits

May 6, 1997—Interpretation

The Board revised an interpretation of Regulation Q to provide an exception to the current limitations on premiums given on demand deposit accounts, effective May 15, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The Board revised an interpretation to provide an additional exception to the limitations on premiums that may be paid on demand deposit accounts. The revised interpretation permits the payment of premiums to depositors without any limit, provided the premiums are not related to or dependent on the balance in a demand deposit account and the duration of the account balance.

Regulation Y Bank Holding Companies and Change in Bank Control

February 19, 1997—Amendments

The Board amended Regulation Y to eliminate unnecessary regulatory burden and paperwork and to improve efficiency, effective April 21, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The amendments include a streamlined and expedited review process for bank and nonbanking proposals by well-run bank holding companies, a reorganized and expanded list of permissible nonbanking activities, elimination of outmoded or superseded restrictions on nonbanking activities, revisions to tying restrictions, revisions to provisions implementing the Change in Bank Control Act, and other changes to improve the competitiveness of bank holding companies by eliminating unnecessary regulatory burden and modernizing the regulation. The Board also adopted a number of measures intended to broaden and improve public notice of bank acquisition proposals and to ensure that applications and notices are quickly available to the public.

August 21, 1997—Amendments

The Board amended the prudential limitations applicable to bank holding companies engaged in securities underwriting and dealing activities through section 20 subsidiaries, effective October 31, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The Board, in its decisions under the Bank Holding Company Act and section 20 of the Glass-Steagall Act, had established prudential limitations (firewalls) that permit a nonbank subsidiary of a bank holding company to underwrite and deal in securities. The amendments eliminate limitations that have proved to be unduly burdensome or unnecessary in light of other laws or regulations and consolidate the remaining limitations in a series of eight operating standards.

Regulation Z **Truth in Lending**

November 19, 1997—Amendment

The Board amended the disclosure requirements for variable-rate loans in Regulation Z, which implements the Truth in Lending Act, to give creditors flexibility in providing disclosures about variable-rate loans, effective November 21, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Messrs. Meyer, Ferguson, and Gramlich.

The revision implements an amendment to the Truth in Lending Act contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996 and applies to variable-rate loans that have terms of more than one year and are secured by the borrower's principal dwelling. Under the amendment, for any variable-rate mortgage transaction, instead of a fifteen-year historical table, creditors may give borrowers a statement that their periodic payments may increase or decrease substantially and a maximum interest rate and corresponding payment based on a \$10,000 loan.

Compliance with the amendment initially was optional until December 22, 1997. On December 2, 1997, the Board extended the date for optional compliance until October 1, 1998.

Regulation CC **Availability of Funds and** **Collection of Checks**

February 26, 1997—Amendments

The Board adopted clarifying and technical amendments to Regulation CC, effective April 28, 1997.

Votes for this action: Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.
Absent and not voting: Mr. Greenspan.¹

Many of the amendments clarify the requirements of the regulation. Others reduce the compliance burden for depository institutions by, for example, allowing more flexibility in the way institutions must provide certain notices and disclosures to their customers.

Rules Regarding Delegation **of Authority**

March 11, 1997—Amendment

The Board amended its Rules Regarding Delegation of Authority to delegate to an individual Board member the authority to extend the time period for Board action on certain applications, effective March 22, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The Board delegated to the chairman of its Committee on Supervisory and Regulatory Affairs its authority, under the Economic Growth and Regulatory Paperwork Reduction Act of 1996, to extend the 180-day period for final Board action on applications by foreign banks to establish a branch or agency or to acquire ownership or control of a commercial lending company.

Rules Regarding Availability **of Information**

October 1, 1997—Amendments

The Board approved amendments to subparts A and B of its Rules Regarding Availability of Information to provide for expedited processing of requests for

records and multitrack processing of requests, effective November 19, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The Board's Rules Regarding Availability of Information implement the Freedom of Information Act and set forth the procedures for providing access to Board information under the act and in other circumstances. The Board adopted the amendments to comply with the Electronic Freedom of Information Act Amendments of 1996, which require agencies to provide for expedited processing of requests for records and permit agencies to provide for fast-track processing of certain requests. The Board also updated its rules to comply with statutes that have been enacted since the latest revisions in 1988. Revisions to subpart C of the rules are still under consideration.

Policy Statements and Other Actions

March 13, 1997—Volume-Based Fee Structures

The Board approved guidelines for the use of volume-based fee structures for Reserve Bank payment services, effective March 25, 1997, and reduced automated clearinghouse fees, effective May 1, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The Board adopted guidelines for the Reserve Banks' use of volume-based fee structures for their electronic payment services and products and for continuation of volume-based fees for certain electronic check products. The Board

also approved volume-based fees for the origination of automated clearinghouse transactions and a reduction in the fee for the receipt of transactions.

November 6, 1997—Policy Statement on Payments System Risk

The Board modified its procedures for measuring daylight overdrafts to accommodate an earlier afternoon presentment deadline for checks drawn on local Federal Reserve Banks, effective November 14, 1997.

Votes for this action: Mr. Greenspan, Ms. Rivlin, Mr. Kelley, Ms. Phillips, and Mr. Meyer.¹

The Board revised its procedures to establish a uniform Systemwide presentment deadline for federal funds checks of 3:00 p.m. local time. Federal funds checks presented after that deadline will be credited to depository institutions' accounts on the next business day at 8:30 a.m. eastern time.

1997 Discount Rates

During 1997 the basic discount rate was left unchanged at 5 percent. Over the course of the year, however, there were numerous changes in the rates charged by the Federal Reserve Banks for seasonal and extended credit. The rates for both types of credit are set on the basis of market-related formulas, and these rates exceeded the basic discount rate by varying amounts during the year.

Basic Discount Rate

The Board's decisions about the basic discount rate are made against the background of the policy actions of the Federal Open Market Committee (FOMC) and related economic and financial

developments. These developments are covered more fully in part 1 of this REPORT and in the minutes of the FOMC meetings during 1997 that also appear in this REPORT.

Economic activity continued to expand at a rapid pace during the early months of 1997 after strengthening markedly in the latter part of 1996. The sharp uptrend in economic activity was associated with substantial growth in employment and slightly faster increases in average hourly earnings. At the same time, however, the underlying trend in consumer price inflation remained subdued. In view of these developments, most of the Reserve Banks continued to favor leaving the basic discount rate unchanged at 5 percent, its level since it was lowered $\frac{1}{4}$ percentage point in January 1996. By mid-March, however, four Reserve Banks were proposing a $\frac{1}{4}$ percentage point increase in view of their growing concerns about the prospects for inflation. The Board took no action on these pending requests but agreed on the need to monitor the economy for signs of developing inflationary pressures.

On March 25, the FOMC unanimously approved a small increase in the federal funds rate to an average of about $5\frac{1}{2}$ percent. This action took into account the persistence of rapid growth in economic activity, which, in the context of already high levels of resource use, was seen as progressively increasing the risk of rising inflation. In the circumstances, the slight firming of monetary policy was viewed as a prudent step that, by fostering an environment conducive to lower inflation, afforded greater assurance of prolonging the current economic expansion. In light of this preemptive action and subsequent signs that the economic expansion might be slowing to a more sustainable pace, some Reserve Banks withdrew

their requests for an increase in the basic discount rate, and by early July no Reserve Banks were proposing a higher rate.

Over the summer and fall, the growth of economic activity remained relatively brisk, although it was well below its pace during the opening months of the year. Price inflation continued to be subdued during this period despite indications of some pickup in the rise of labor compensation. No requests were made by any of the Banks to raise the basic rate during the summer months, but in early October one Bank proposed a $\frac{1}{4}$ percentage point increase, and late in the year a second Bank requested an increase of the same amount. The two Banks expressed concern about what they regarded as an overly accommodative monetary policy at a time when the persisting strength of domestic demand seemed to be increasing pressures on resources and augmenting the risks of higher inflation. The Board decided, however, that the discount rate should not be changed. Price inflation had remained quite limited and, indeed, appeared by some measures to be declining. Moreover, the financial turmoil in Southeast Asia, which intensified during the closing months of the year, could be expected to have a dampening effect on the economic expansion and inflation in the year ahead. Accordingly, although higher price inflation clearly remained a risk, the Board agreed with most of the Reserve Banks that near-term uncertainties warranted a cautious, wait-and-see policy posture.

Structure of Discount Rates

The basic rate is the rate normally charged on loans to depository institutions for short-term adjustment credit, while flexible, market-related rates generally are charged on seasonal and

extended credit. These flexible rates are calculated periodically in accordance with formulas that are approved by the Board.

The seasonal program helps smaller institutions meet needs arising from a regular pattern of intra-yearly movements in their deposits and loans. Funds may be provided for periods longer than those permitted under adjustment credit. Since its introduction in 1992, the flexible rate charged for seasonal credit has been closely aligned with short-term market rates; it may never be less than the basic discount rate applicable to adjustment credit.

The purpose of extended credit is to assist depository institutions that are under sustained liquidity pressure and are not able to obtain funds from other sources. The usual rate for extended credit is 50 basis points higher than the rate for seasonal credit and is at least 50 basis points above the basic rate. In appropriate circumstances, the basic discount rate may be applied to extended-credit loans for up to thirty days, but any further borrowings are charged the market-related rate.

Exceptionally large adjustment-credit loans that arise from computer breakdowns or other operating problems not clearly beyond the reasonable control of the borrowing institution are assessed the highest rate applicable to any credit extended to depository institutions; under the current structure, that rate is the rate for extended credit.

At the end of 1997 the structure of discount rates was as follows: a basic rate of 5 percent for short-term adjustment credit, a rate of 5.65 percent for seasonal credit, and a rate of 6.15 percent for extended credit. During 1997 the rate for seasonal credit ranged from 5.25 percent to 5.70 percent, and the rate for extended credit ranged from 5.75 percent to 6.20 percent.

Board Votes

Under the Federal Reserve Act, the boards of directors of the Federal Reserve Banks must establish rates on loans to depository institutions at least every fourteen days and must submit the rates to the Board of Governors for review and determination. The Reserve Banks are also required to submit requests to renew the formulas for calculating the flexible rates on seasonal and extended credit. All votes on discount rates by the Board of Governors during 1997 were unanimous. ■