
DISCOUNT AND ADVANCE RATES -- Requests by five Reserve Banks to maintain the existing primary credit rate and requests by seven Reserve Banks to increase the rate; requests to renew secondary and seasonal credit formulas.

Existing rate and formulas approved.
June 5, 2017.

Today, Board members discussed economic and financial developments and issues related to possible policy actions. In connection with this discussion, Board members considered discounts and advances under the primary credit program (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 joint meeting of the Board and the Federal Open Market Committee (FOMC) next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Atlanta and San Francisco had voted on May 25, 2017, and the directors of the Federal Reserve Banks of New York, St. Louis, and Minneapolis had voted on June 1, to establish the primary credit rate at the existing level (1-1/2 percent). The directors of the Federal Reserve Banks of Cleveland, Kansas City, and Dallas had voted on May 25, and the directors of the Federal Reserve Banks of Boston, Philadelphia, Richmond, and Chicago had voted on June 1, to establish a rate of 1-3/4 percent (an increase from 1-1/2 percent).

Federal Reserve Bank directors generally had positive reports on economic activity across various sectors, including housing and manufacturing. Reports on consumer spending were somewhat mixed, though some directors cited continued strength in online sales and a still-healthy level of auto sales. Other directors noted strong loan growth in the banking sector, as well as an improved global economic outlook. Many directors commented on tightening labor market conditions and the continued difficulty of finding qualified workers across a broad spectrum of positions. In some Districts, directors also reported moderate wage pressures. While several directors noted that readings of core inflation had softened recently, these declines were largely viewed as transitory.

The directors of five Reserve Banks favored establishing the primary credit rate at its current level of 1-1/2 percent. These directors concluded it would be appropriate to maintain the current stance of monetary policy for the time being and continue to assess incoming data and the implications for the economic outlook. The directors of seven Reserve Banks favored increasing the primary credit rate to 1-3/4 percent. These directors pointed to tight labor markets as a factor that would likely contribute to

an increase in price pressures over time. Against this backdrop, these directors judged that continued gradual removal of policy accommodation was appropriate.

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 1-1/2 percent. (NOTE: At the joint Board-FOMC meeting on May 3, 2017, the Board had taken no action on requests to increase the primary credit rate by the Richmond and Kansas City Reserve Banks.)

The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs for all twelve Reserve Banks. The directors of each Reserve Bank had requested renewal of these formulas on the dates previously noted for their votes on the primary credit rate. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for this action: Chair Yellen, Vice Chairman Fischer, and
Governors Powell and Brainard.

Background: Office of the Secretary memorandum, June 2, 2017.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, June 5,
2017.

MONETARY POLICY IMPLEMENTATION -- Increase in the interest rate on reserve balances and in the primary credit rate; renewal of secondary and seasonal credit formulas.

Approved.
June 14, 2017.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to raise the target range for the federal funds rate by 25 basis points, to 1 percent to 1-1/4 percent, effective June 15, 2017. To support the Committee's decision to raise the target range for the federal funds rate, the Board approved raising the interest rate paid on required and excess reserve balances from 1 percent to 1-1/4 percent, effective June 15, 2017.

Subject to review and determination by the Board of Governors, the directors of nine Federal Reserve Banks had voted to establish an increase in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Banks of Boston, Philadelphia, Richmond, and Chicago had voted on June 1, 2017, and the directors of the Federal Reserve Banks of Cleveland, Atlanta, Kansas City, Dallas, and San Francisco had voted on June 8, to establish a primary credit rate of 1-3/4 percent (an increase from 1-1/2 percent). (NOTE: At its meeting on June 5, 2017, the Board had taken no action on requests by the Boston, Philadelphia, Cleveland, Richmond, Chicago, Kansas City, and Dallas Reserve Banks to increase the primary credit rate.)

At today's meeting, there was consensus for a 25-basis-point increase, and the Board approved an increase in the primary credit rate from 1-1/2 percent to 1-3/4 percent, effective June 15, 2017, for the nine Reserve Banks that had voted for such an increase. The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs for the Federal Reserve Banks of Cleveland, Atlanta, Kansas City, Dallas, and San Francisco. The directors of these Reserve Banks had requested renewal of the formulas on the dates previously noted for their votes on the primary credit rate. The remaining Reserve Banks had previously established secondary and seasonal credit rates with the Board's approval. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would continue to be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

It was understood that a press release and an accompanying document on monetary policy implementation would be issued to announce the increases in the interest rate on reserve balances and the primary credit rate. In addition, the Secretary was authorized to inform the Federal Reserve Banks of New York, St. Louis, and Minneapolis, on their establishment of a primary credit rate of 1-3/4 percent, of the Board's approval and determination, effective on the later of June 15, 2017, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the New York, St. Louis, and Minneapolis Reserve Banks of the Board's approval of their establishment of a primary credit rate of 1-3/4 percent, effective June 15, 2017.)

Voting for these actions: Chair Yellen, Vice Chairman Fischer, and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, June 9, 2017.

Implementation: FOMC statement with attached Decisions Regarding Monetary Policy Implementation, June 14; press release, June 15; transmissions from Ms. Misback to the Reserve Banks, June 14 and 15; and Federal Register documents (Docket Nos. R-1565 and R-1566, RINs 7100-AE79 and 7100-AE80), June 19, 2017.