Monetary Policy Implementation – Decrease in the interest on reserve balances rate and in the primary credit rate; renewal of secondary and seasonal credit formulas.

Approved.
December 10, 2025.

In a joint meeting of the Board and the Federal Open Market Committee (FOMC) today, the FOMC decided to lower the target range for the federal funds rate 25 basis points, to 3-1/2 to 3-3/4 percent, effective December 11, 2025. To support the FOMC's decision to lower the target range for the federal funds rate, the Board approved lowering the interest rate paid on reserve balances from 3.90 percent to 3.65 percent, effective December 11, 2025. At today's meeting, the Board also approved a 25-basis-point reduction in the interest rate on discounts and advances made under the primary credit program (the primary credit rate) to 3.75 percent.

Subject to review and determination by the Board of Governors, the directors of four Federal Reserve Banks had voted to establish a decrease in the primary credit rate. The directors of the Federal Reserve Bank of New York had voted on November 26, 2025, and the directors of the Federal Reserve Banks of Philadelphia, St. Louis, and San Francisco had voted on December 4, to establish the primary credit rate at 3.75 percent (a decrease from 4 percent). The directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas had voted on December 4, 2025, to establish the primary credit rate at the existing level of 4 percent.

Overall, Federal Reserve Bank directors noted stable economic activity, though conditions varied across sectors and Districts. Several directors commented on improved labor availability and modest wage pressures—outside of certain skilled positions that remain hard to fill—but also cited increased costs for health insurance. Several directors also noted the ongoing impact of technology and artificial intelligence (AI) on the labor market, including their effects on employment levels. While some directors described a mixed climate for business investment, most noted strong demand for investments related to AI and data center financing and construction. Most directors anticipated tariff-related and other cost increases in 2026. Several directors noted economic pressures on low-income households.

At today's meeting, there was consensus for a 25-basis-point decrease, and the Board approved a decrease in the primary credit rate from 4 percent to 3.75 percent, effective December 11, 2025, for the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco. 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. 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.

It was understood that a press release and an accompanying document on monetary policy implementation would be issued to announce the decreases in the interest on reserve balances rate and the primary credit rate. In addition, the Secretary was authorized to inform the remaining Federal Reserve Banks, on their establishment of a primary credit rate of 3.75 percent, of the Board’s approval and determination, effective on the later of December 11, 2025, or the date the Reserve Bank informed the Secretary of its request. (Note: Subsequently, the Secretary informed the Boston, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas Reserve Banks of the Board's approval of their establishment of a primary credit rate of 3.75 percent, effective December 11, 2025.)

Voting for these actions: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Bowman, and Governors Waller, Cook, Barr, and Miran.

Background: Office of the Secretary memorandum, December 5, 2025.

Implementation: FOMC statement (with attached implementation note), December 10; transmissions from Mr. McDonough to the Reserve Banks, December 10 and 11; and Federal Register documents (Docket Nos. R-1882 and R-1883, RINs 7100-AH15 and 7100-AH16), December 16, 2025.