

MINUTES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DATE: March 14, 2008

TIME: 9:15 a.m.

LOCATION: Board Room

ATTENDANCE:

Mr. Bernanke, Chairman

Mr. Kohn, Vice Chairman

Mr. Warsh

Mr. Kroszner

Office of the Secretary

Ms. Johnson, Secretary

Mr. Frierson, Deputy Secretary

Ms. Beattie, Assistant to the Secretary

Board Members

Ms. Smith, Director

Mr. Skidmore, Assistant to the Board

Legal Division

Mr. Alvarez, General Counsel

Mr. Ashton, Deputy General Counsel

Division of Research and Statistics

Mr. Stockton, Director

Division of Monetary Affairs

Mr. Madigan, Director

Mr. Clouse, Deputy Director

Ms. Danker, Deputy Director

Mr. English, Deputy Director

Division of International Finance

Mr. Sheets, Director

Division of Banking Supervision and Regulation

Ms. Bailey, Deputy Director

Ms. Stefansson, Associate Director

Other Supporting Staff

FINANCIAL MARKETS -- Extension of credit to The Bear Stearns Companies Inc.

Discussed.

Approved.

March 14, 2008.

Today, the Board discussed the funding difficulties of The Bear Stearns Companies Inc. (Bear Stearns), New York, New York, which controlled a primary securities dealer, and the likely effects of its bankruptcy on financial markets, including secured funding markets. Board members agreed that, given the fragile condition of the financial markets at the time, the prominent position of Bear Stearns in those markets, and the expected contagion that would result from the immediate failure of Bear Stearns, the best alternative available was to provide temporary emergency financing to Bear Stearns through an arrangement with JPMorgan Chase & Co., also in New York. Such a loan would facilitate efforts to effect a resolution of the Bear Stearns situation that would be consistent with preserving financial stability.

Given the unusual and exigent circumstances, the Board authorized the Federal Reserve Bank of New York (New York Reserve Bank) to extend credit to JPMorgan Chase Bank, National Association (JPMC Bank), Columbus, Ohio, on a nonrecourse basis to provide financing to Bear Stearns, and, if the Reserve Bank in consultation with Chairman Bernanke determined it was appropriate, to other primary securities dealers, when the Reserve Bank finds that adequate credit accommodations are not available to the borrower from other banking institutions. The credit should be secured to the satisfaction of the New York Reserve Bank and should not exceed a period of 28 days. The Board also approved the New York Reserve Bank's recommendation that the credit

to JPMC Bank to provide financing to Bear Stearns be extended at the rate for discounts and advances under the primary credit program (primary credit rate).

As required by the Federal Reserve Act when fewer than five Board members were available to approve an extension of credit to any individual, partnership, or corporation under section 13(3) of the Federal Reserve Act, all available Board members then in office unanimously determined, in connection with the authorization of the extension of credit, that (1) unusual and exigent circumstances existed; (2) Bear Stearns, and possibly other primary securities dealers, were unable to secure adequate credit accommodations elsewhere; (3) this action was necessary to prevent, correct, or mitigate serious harm to the economy or financial stability; (4) the other Board member in office could not participate in the Board's action by any reasonable means at the time Board action was required (Governor Mishkin was unavailable because he was in transit from Helsinki, Finland, from 6:20 a.m. EDT to 5 p.m. EDT); (5) this action was required before the other Board member could return and/or participate by any available means; and (6) any credit extended will be payable on demand.

Participating in these determinations and voting for these actions:

**Chairman Bernanke, Vice Chairman Kohn, and
Governors Warsh and Kroszner.**

Background: None.

Implementation: Press release, March 14, 2008, and Record of Determinations under 12 U.S.C. § 248(r)(2) (approved by notation voting on April 3, 2008).



Jennifer D. Johnson
Secretary