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**DISCOUNT AND ADVANCE RATES -- Establishment without change by twelve Reserve Banks of the existing primary credit rate; renewal by those Banks of the formulas for calculating the secondary and seasonal credit rates.**

**Approved.  
October 3, 2005.**

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The Board approved the establishment without change of the rate for discounts and advances under the primary credit program (4-3/4 percent) by the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco on September 22, 2005, and by the Federal Reserve Banks of New York, Minneapolis, and Kansas City on September 29. The Board also approved renewal by those Banks, on the dates indicated above, of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Olson and Kohn.**

**Background:** Office of the Secretary memorandum, September 30, 2005.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, October 3, 2005.

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**DISCOUNT AND ADVANCE RATES -- Requests by five Reserve Banks to increase the primary credit rate; requests by seven Reserve Banks to maintain the existing rate.**

**Existing rate maintained.  
October 17, 2005.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston and Richmond had voted on October 12, 2005, and the directors of the Federal Reserve Banks of Cleveland, Atlanta, and Kansas City had voted on October 13 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5 percent (an increase from 4-3/4 percent). The directors of the Federal Reserve Banks of New York, Philadelphia, and Chicago had voted on October 6, and the directors of the Federal Reserve Banks of St. Louis, Minneapolis, Dallas, and San Francisco had voted on October 13 to maintain the existing rate.

Directors in favor of an increase in the primary credit rate generally focused on the potential effects of rising energy prices on inflation. Although they noted concerns

about the prospects for economic growth, they were also concerned about the potential for an increase in price pressures. In this light, directors supported a further withdrawal of monetary policy accommodation at a measured pace to forestall any buildup of inflationary pressures.

Directors in favor of maintaining the existing primary credit rate preferred to monitor incoming economic data before considering a further removal of policy accommodation.

At today's meeting, no sentiment was expressed for changing the primary credit rate, and the existing rate was maintained.

**Participating in this determination: Vice Chairman Ferguson and Governors Bies, Olson, and Kohn.**

**Background:** Office of the Secretary memorandum, October 14, 2005.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, October 17, 2005.

**DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.**

**Approved.**  
**October 17, 2005.**

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The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, and Chicago on October 6, 2005, by the Federal Reserve Banks of Boston and Richmond on October 12, and by the Federal Reserve Banks of Cleveland, Atlanta, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on October 13 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

**Voting for this action: Vice Chairman Ferguson and Governors Bies, Olson, and Kohn.**

**Background:** Office of the Secretary memorandum, October 14, 2005.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, October 17, 2005.

**DISCOUNT AND ADVANCE RATES -- Requests by twelve Reserve Banks to increase the primary credit rate.**

**Existing rate maintained.  
October 31, 2005.**

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, and Chicago had voted on October 20, 2005, the directors of the Federal Reserve Bank of Richmond had voted on October 26, and the directors of the Federal Reserve Banks of Boston, Cleveland, Atlanta, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco had voted on October 27 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5 percent (an increase from 4-3/4 percent). At its meeting on October 17, the Board had considered, but had taken no action on, requests by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, and Kansas City to increase the primary credit rate.

Directors expressed concerns about the potential for higher energy prices to add to inflationary pressures. Some directors also noted that the impact of recent hurricanes on real economic activity had been relatively modest to date, thereby reducing downside risks in the near term. Under these circumstances, directors generally agreed that further removal of monetary policy accommodation at a measured pace was appropriate.

Today, Board members considered the primary credit rate and discussed, on a preliminary basis, their individual assessments of appropriate monetary policy and its communication, which would be the principal subjects of the meeting of the Federal Open Market Committee tomorrow. Against the background of recent and prospective economic developments, Board members tentatively favored a further step in the process of removing policy accommodation and discussed continuing to describe the process as before. 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 Greenspan, Vice Chairman Ferguson, and Governors Bies, Olson, and Kohn.**

**Background:** Office of the Secretary memorandum, October 28, 2005.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, October 31, 2005.

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**DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.**

**Approved.  
October 31, 2005.**

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The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, and Chicago on October 20, 2005, by the Federal Reserve Bank of Richmond on October 26, and by the Federal Reserve Banks of Boston, Cleveland,

Atlanta, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco on October 27 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Bies, Olson, and Kohn.**

**Background:** Office of the Secretary memorandum, October 28, 2005.

**Implementation:** Wire from Ms. Johnson to the Reserve Banks, October 31, 2005.

**DISCOUNT AND ADVANCE RATES -- Increase in the primary credit rate from 4-3/4 percent to 5 percent.**

**Approved.  
November 1, 2005.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, and Chicago had voted on October 20, 2005, the directors of the Federal Reserve Bank of Richmond had voted on October 26, and the directors of the Federal Reserve Banks of Boston, Cleveland, Atlanta, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco had voted on October 27 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5 percent (an increase from 4-3/4 percent). At its meeting on October 31, the Board had considered, but had taken no action on, the requests to increase the primary credit rate.

At today's meeting, there was a consensus for a 25-basis-point increase, and the Board approved an increase in the primary credit rate from 4-3/4 percent to 5 percent, effective immediately for the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco, and effective November 2 for the Federal Reserve Bank of St. Louis. At an earlier meeting today, the Federal Open Market Committee had decided to increase its target for the federal funds rate by 25 basis points to 4 percent. It was understood that a press release announcing the increases in the two rates would be issued.

**Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Bies, Olson, and Kohn.**

**Background:** Office of the Secretary memorandum, October 28, 2005.

**Implementation:** Press release and wire from Ms. Johnson to the Reserve Banks, November 1, and Federal Register document, November 7, 2005.