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

Existing rate maintained.
December 12, 2005.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, Minneapolis, and Kansas City had voted on December 1, 2005, and the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco had voted on December 8 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5-1/4 percent (an increase from 5 percent).

Directors were generally optimistic about prospects for growth and inflation in light of recent favorable data and anecdotal information. Directors generally perceived economic activity as continuing to expand at a healthy pace, with some noting in particular the economy's resilience after recent hurricanes and increases in energy prices. Directors viewed core inflation as remaining relatively moderate and saw few signs of rising inflationary pressures. They pointed out, however, potential upside risks to inflation resulting from tightening labor markets and energy prices that remained at elevated levels. Accordingly, the Reserve Bank boards of directors recommended an increase in the primary credit rate.

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 monetary policy firming and discussed possible modifications to the description of the process. 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, December 9, 2005.

Implementation: Wire from Ms. Johnson to the Reserve Banks, December 12, 2005.

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

Approved.
December 12, 2005.

The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, Minneapolis, and Kansas City on December 1, 2005, and by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco on December 8 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, December 9, 2005.

Implementation: Wire from Ms. Johnson to the Reserve Banks, December 12, 2005.

DISCOUNT AND ADVANCE RATES -- Increase in the primary credit rate from 5 percent to 5-1/4 percent.

Approved.
December 13, 2005.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, Minneapolis, and Kansas City had voted on December 1, 2005, and the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco had voted on December 8 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5-1/4 percent (an increase from 5 percent). At its meeting on December 12, the Board had considered, but had taken no action on, those requests.

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 5 percent to 5-1/4 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 December 14 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 4-1/4 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, December 9, 2005.

Implementation: Press release and wire from Ms. Johnson to the Reserve Banks, December 13, and Federal Register document, December 14, 2005.