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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 and of the auction procedure for determining the rate for the Term Auction Facility.

Approved.  
May 19, 2008.

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The Board approved the establishment without change of the rate for discounts and advances under the primary credit program (2-1/4 percent) by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco on May 8, 2008, and by the Federal Reserve Banks of New York, Philadelphia, Minneapolis, and Kansas City on May 15. 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 and renewal of the auction procedure for determining the rate for the Term Auction Facility.

Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

Background: Office of the Secretary memorandum, May 16, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, May 19, 2008.

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

Existing rate maintained.  
June 23, 2008.

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Kansas City had voted on June 12, 2008, and the directors of the Federal Reserve Bank of Dallas had voted on June 19 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 2-1/2 percent (an increase from 2-1/4 percent). The directors of the Federal Reserve

Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and San Francisco had voted on June 12 and the directors of the Federal Reserve Banks of New York and Philadelphia had voted on June 19 to maintain the existing rate.

Federal Reserve Bank directors in favor of maintaining the existing primary credit rate noted that the near-term outlook had both upside and downside risks. They expressed concerns about upward pressure on inflation and inflation expectations from increasing prices for energy and other commodities. However, directors were also concerned about downside risks to the real economy, most notably from adverse conditions in the credit markets and a prolonged contraction in the housing sector. Given the uncertainty surrounding near-term economic prospects, directors generally agreed that the current stance of monetary policy seemed broadly appropriate and that a wait-and-see approach to evaluate incoming data was the prudent course for now.

Federal Reserve Bank directors recommending a 25-basis-point increase in the primary credit rate also noted downside risks to the economy but concluded that they were outweighed by the upside risk of inflation. These directors cited the potential for rising energy and commodity prices to spread to other prices and wages, and they noted some indications of elevated inflation expectations. Other directors also pointed out that the availability of the Federal Reserve's special liquidity facilities had reduced somewhat the strains in financial markets. Under these circumstances, they favored reversing some of the monetary policy easing that had been implemented in recent months.

At today's meeting, no sentiment was expressed in favor of considering the primary credit rate before tomorrow's meeting of the Federal Open Market Committee, and the existing rate was maintained.

Participating in this determination: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

Background: Office of the Secretary memorandum, June 20, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, June 23, 2008.

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DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates and of the auction procedure for determining the rate for the Term Auction Facility.

Approved.  
June 23, 2008.

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The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and San Francisco on June 12, 2008, and by the Federal Reserve Banks of New York, Philadelphia, and Dallas on June 19 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs and renewal of the auction procedure for determining the rate for the Term Auction Facility.

Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and  
Governors Warsh, Kroszner, and Mishkin.

Background: Office of the Secretary memorandum, June 20, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, June 23, 2008.