
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.
January 9, 2006.**

The Board approved the establishment without change of the rate for discounts and advances under the primary credit program (5-1/4 percent) by the Federal Reserve Banks of Minneapolis and Kansas City on December 29, 2005, and by the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas, and San Francisco on January 5, 2006. 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 and Governors Bies, Olson, and Kohn.

Background: Office of the Secretary memorandum, January 6, 2006.

Implementation: Wire from Ms. Johnson to the Reserve Banks, January 9, 2006.

DISCOUNT AND ADVANCE RATES -- Requests by eleven Reserve Banks to increase the primary credit rate; request by one Reserve Bank to maintain the existing rate.

**Existing rate maintained.
January 30, 2006.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York and Philadelphia had voted on January 19, 2006, the directors of the Federal Reserve Bank of Dallas had voted on January 25, and the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco had voted on January 26 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5-1/2 percent (an increase from 5-1/4 percent). The directors of the Federal Reserve Bank of Minneapolis had voted on January 19 to maintain the existing rate.

Directors in favor of increasing the primary credit rate generally viewed the economy as expanding at a satisfactory pace without generating an increase in inflationary pressures. They supported another increase in rates as insurance against

upside risks to inflation. Directors in favor of maintaining the primary credit rate did not consider the case for an increase compelling at this point, although they noted that it was a close call.

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, January 27, 2006.

Implementation: Wire from Ms. Johnson to the Reserve Banks, January 30, 2006.

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

Approved.
January 30, 2006.

The Board approved renewal by the Federal Reserve Banks of New York, Philadelphia, and Minneapolis on January 19, 2006, by the Federal Reserve Bank of Dallas on January 25, and by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco on January 26 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, January 27, 2006.

Implementation: Wire from Ms. Johnson to the Reserve Banks, January 30, 2006.

DISCOUNT AND ADVANCE RATES -- Increase in the primary credit rate from 5-1/4 percent to 5-1/2 percent.

Approved.
January 31, 2006.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York and Philadelphia had voted on January 19, 2006, the directors of the Federal Reserve Bank of Dallas had voted on January 25, and the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco had voted on January 26 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 5-1/2 percent (an increase from 5-1/4 percent). The directors of the Federal Reserve Bank of Minneapolis had voted on January 19 to maintain the existing rate. At its meeting of January 30, 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 5-1/4 percent to 5-1/2 percent, effective immediately for the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Kansas City, Dallas, and San Francisco, and effective February 1 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 4-1/2 percent. It was understood that a press release announcing the increases in the two rates would be issued.

In addition, the Secretary was authorized to inform the Federal Reserve Bank of Minneapolis, on its establishment of a primary credit rate of 5-1/2 percent, of the Board's approval. (NOTE: Subsequently, the Reserve Bank established that rate and was informed of the Board's approval, effective February 2.)

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

Background: Office of the Secretary memorandum, January 27, 2006.

Implementation: Press releases, January 31 and February 3, and wires from Ms. Johnson to the Reserve Banks, January 31 and February 2, and Federal Register document, February 2, 2006.