
DISCOUNT AND ADVANCE RATES -- Requests by twelve Reserve Banks to maintain the existing primary credit rate; requests to renew the secondary and seasonal credit formulas.

Existing rate and formulas approved.
July 19, 2021.

Today, Board members discussed economic and financial developments and issues related to possible policy actions. In connection with this discussion, Board members considered discounts and advances under the primary credit program (the primary credit rate) and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the joint meeting of the Board and the Federal Open Market Committee (FOMC) next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, and Dallas had voted on July 8, 2021, and the directors of the Federal Reserve Banks of Boston, Philadelphia, Chicago, St. Louis, Minneapolis, Kansas City, and San Francisco had voted on July 15, to establish the primary credit rate at the existing level of 0.25 percent.

Overall, Federal Reserve Bank directors were positive about the economic outlook and continued to report strengthening activity across sectors and Districts. Most directors reported that businesses were still having difficulty hiring and retaining workers of all skill levels, but particularly hourly workers, and that labor shortages were putting upward pressure on wages. Several directors noted strong demand for residential real estate and consumer goods and services. Many directors commented on constraints on economic activity and price increases related to ongoing supply-chain disruptions. While some directors noted that inflation had picked up recently, the increase was largely viewed as transitory.

The directors of all twelve Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (0.25 percent). In light of the uncertainties associated with the economic outlook, the directors judged that it would be appropriate for the FOMC to maintain the current stance of policy to continue to support economic recovery and foster progress toward the FOMC's long-run goals of maximum employment and stable prices.

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 0.25 percent. The Board's action today on the primary

credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for this action: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles, and
Governors Brainard, Bowman, and Waller.

Background: Office of the Secretary memorandum, July 16, 2021.

Implementation: Transmissions from Ms. Misback to the Reserve Banks,
July 19, 2021.

MONETARY POLICY IMPLEMENTATION -- Interest on reserve balances rate unchanged; rates on discounts and advances unchanged; renewal of secondary and seasonal credit formulas.

Approved.
July 28, 2021.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to maintain the target range for the federal funds rate at 0 to 1/4 percent, effective July 29, 2021. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved establishing the interest rate paid on reserve balances at 0.15 percent, effective July 29, 2021. (NOTE: By notation voting on May 28, 2021, the Board had approved a final rule, effective July 29, 2021, to eliminate references to an interest on required reserves (IORR) rate and an interest on excess reserves rate (IOER) and replace them with a single interest on reserve balances (IORB) rate. Therefore, the Board voted on one rate, the IORB rate, at today's meeting and will continue to do so going forward.) At today's meeting, the Board also approved the establishment of the interest rate on discounts and advances made under the primary credit program (the primary credit rate) at the existing level (.25 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Richmond had voted on July 21, 2021, and the directors of the Federal Reserve Banks of New York, Cleveland, Atlanta, and Dallas had voted on

July 22, to establish the primary credit rate at the existing level of 0.25 percent. No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 0.25 percent.

The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for these actions: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles, and
Governors Brainard, Bowman, and Waller.

Background: Office of the Secretary memorandum, July 23, 2021.

Implementation: FOMC statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, July 28, and Federal Register document (Docket No. R-1754, RIN 7100-AG18), September 1, 2021.