

FEDERAL RESERVE SYSTEM**12 CFR Part 201****[Regulation A]****Extensions of Credit by Federal Reserve Banks**

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) has adopted final amendments to its Regulation A to reflect the Board's approval of a decrease in the primary credit rate at each Federal Reserve Bank. The secondary credit rate at each Reserve Bank automatically decreased by formula as a result of the Board's primary credit rate action.

In addition, the Board is inserting a footnote to § 201.51 clarifying that the rates described in that section apply to both advances and discounts made under the primary, secondary, and seasonal credit programs. The Board's amendments also correct a typographical error in § 201.51(c).

DATES: The amendments to part 201 (Regulation A) are effective July 10, 2003. The rate changes for primary and secondary credit were effective on the dates specified in 12 CFR 201.51, as amended.

FOR FURTHER INFORMATION CONTACT: Jennifer J. Johnson, Secretary of the Board (202/452-3259); for users of Telecommunication Devices for the Deaf (TDD) only, contact 202/263-4869.

SUPPLEMENTARY INFORMATION: The Federal Reserve Banks make primary and secondary credit available to depository institutions as a backup source of funding on a short-term basis (usually overnight). The primary and secondary credit rates are the interest rates that the twelve Federal Reserve Banks charge for extensions of credit under these programs. In accordance with the Federal Reserve Act, the primary and secondary credit rates are established by the boards of directors of the Federal Reserve Banks, subject to the review and determination of the Board.

The Board approved requests by the Reserve Banks to decrease by 25 basis points the primary credit rate in effect at each of the twelve Federal Reserve Banks, thereby lowering from 2.25 percent to 2 percent the rate that each Reserve Bank charges for extensions of primary credit. As a result of the Board's action on the primary credit rate, the rate that each Reserve Bank charges for extensions of secondary credit

automatically decreased from 2.75 percent to 2.50 percent under the secondary credit rate formula. The final amendments to Regulation A reflect these rate changes.

The 25-basis-point decrease in the primary credit rate was associated with a similar decrease in the target for the federal funds rate (from 1.25 percent to 1 percent) approved by the Federal Open Market Committee (Committee) and announced at the same time. A press release announcing these actions indicated that:

The Committee continues to believe that an accommodative stance of monetary policy, coupled with still robust underlying growth in productivity, is providing important ongoing support to economic activity. Recent signs point to a firming in spending, markedly improved financial conditions, and labor and product markets that are stabilizing. The economy, nonetheless, has yet to exhibit sustainable growth. With inflationary expectations subdued, the Committee judged that a slightly more expansive monetary policy would add further support for an economy which it expects to improve over time.

In addition to amending the primary and secondary credit rates listed in § 201.51 of Regulation A, the Board has added a footnote to § 201.51 to clarify that the rates described in that section apply to both advances and discounts made under the primary, secondary, and seasonal credit programs. The Board uses the unqualified term "discount rate" to refer to the primary credit rate.

The Board's amendments to Regulation A also correct the cross-reference to the secondary credit program in § 201.51(c). The current regulation refers to § 201.4(b) when it should refer to § 201.4(c).

Regulatory Flexibility Act Certification

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 605(b)), the Board certifies that the new primary and secondary credit rates will not have a significant adverse economic impact on a substantial number of small entities because the final rule does not impose any additional requirements on entities affected by the regulation. The insertion of the footnote and correction of the cross-reference also should not adversely affect small entities because they merely clarify the application of § 201.51.

Administrative Procedure Act

The Board did not follow the provisions of 5 U.S.C. 553(b) relating to notice and public participation in connection with the adoption of these amendments because the Board for good cause determined that delaying implementation of the new primary and

secondary credit rates, the explanatory footnote, and the cross-reference correction in order to allow notice and public comment would be unnecessary and contrary to the public interest in fostering price stability and sustainable economic growth. For these same reasons, the Board also has not provided 30 days prior notice of the effective date of the rule under section 553(d).

12 CFR Chapter II*List of Subjects in 12 CFR Part 201*

Banks, Banking, Federal Reserve System, Reporting and recordkeeping.

Authority and Issuance

■ For the reasons set forth in the preamble, the Board is amending 12 CFR Chapter II to read as follows:

PART 201—EXTENSIONS OF CREDIT BY FEDERAL RESERVE BANKS (REGULATION A)

■ 1. The authority citation for part 201 continues to read as follows:

Authority: 12 U.S.C. 248(i)–(j), 343 *et seq.*, 347a, 347b, 347c, 348 *et seq.*, 357, 374, 374a, and 461.

■ 2. Section 201.51 is amended by revising paragraphs (a), (b), and (c) to read as follows:

§ 201.51 Interest rates applicable to credit extended by a Federal Reserve Bank.¹

(a) *Primary credit.* The interest rates for primary credit provided to depository institutions under § 201.4(a) are:

Federal Reserve Bank	Rate	Effective
Boston	2.00	June 25, 2003.
New York	2.00	June 25, 2003.
Philadelphia	2.00	June 26, 2003.
Cleveland	2.00	June 26, 2003.
Richmond	2.00	June 26, 2003.
Atlanta	2.00	June 26, 2003.
Chicago	2.00	June 26, 2003.
St. Louis	2.00	June 26, 2003.
Minneapolis	2.00	June 26, 2003.
Kansas City	2.00	June 25, 2003.
Dallas	2.00	June 26, 2003.
San Francisco	2.00	June 25, 2003.

(b) *Secondary credit.* The interest rates for secondary credit provided to depository institutions under 201.4(b) are:

Federal Reserve Bank	Rate	Effective
Boston	2.50	June 25, 2003.

¹ The primary, secondary, and seasonal credit rates described in this section apply to both advances and discounts made under the primary, secondary, and seasonal credit programs, respectively.