FEDERAL RESERVE SYSTEM

12 CFR Part 201

[Docket No. R-1528; Regulation A]

RIN 7100-AE42

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 an increase in the rate for primary credit at each Federal Reserve Bank. The secondary credit rate at each Reserve Bank automatically increased by formula as a result of the Board's primary credit rate action.

DATES: The amendments to part 201 (Regulation A) are effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. The rate changes for primary and secondary credit were applicable on December 17, 2015, as specified in 12 CFR 201.51, as amended.

FOR FURTHER INFORMATION CONTACT: Stephanie Martin, Associate General Counsel (202/452-3198), or Clinton N. Chen, Attorney (202-452-3952), Legal Division, or Lyle Kumasaka, Senior Financial

Analyst (202-452-2382); for users of Telecommunications Device for the Deaf (TDD) only, contact 202-263-4869; Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551.

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 increase by ¼ percentage point the primary credit rate in effect at each of the twelve Federal Reserve Banks, thereby increasing from 0.75 percent to 1.00 percent the rate that each Reserve Bank charges for extensions of primary credit. In addition, the Board had previously approved requests by the Reserve Banks to renew the formula for the secondary credit rate, the primary credit rate plus 50 basis points. Under the formula, the secondary credit rate in effect at each of the twelve Federal Reserve Banks increased by ¼ percentage point as a result of the Board's primary credit rate action, thereby increasing from

1.25 percent to 1.50 percent the rate that each Reserve Bank charges for extensions of secondary credit. The amendments to Regulation A reflect these rate changes.

The ¼ percentage point increase in the primary credit rate was associated with an increase in the target range for the federal funds rate (from a target range of 0 to ¼ percent to a target range of ¼ to ½ percent) announced by the Federal Open Market Committee ("Committee") on December 16, 2015. A press release announcing these actions indicated that:

> Information received since the Federal Open Market Committee met in October suggests that economic activity has been expanding at a moderate pace. Household spending and business fixed investment have been increasing at solid rates in recent months, and the housing sector has improved further; however, net exports have been soft. A range of recent labor market indicators, including ongoing job gains and declining unemployment, shows further improvement and confirms that underutilization of labor resources has diminished appreciably since early this year. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation remain low; some survey-based measures of longer-term inflation expectations have edged down.
>
> Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently

> expects that, with gradual adjustments in the stance of monetary policy, economic activity will continue to expand at a moderate pace and labor market indicators will continue to strengthen. Overall, taking into account domestic and international developments, the Committee sees the risks to the outlook for both economic activity and the labor market as balanced. Inflation is expected to rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further.

Administrative Procedure Act

The notice, public comment, and delayed effective date requirements of 5 U.S.C. 553 is inapplicable "to the extent that there is involved . . . a matter relating to agency management or personnel or to public property, *loans*, grants, benefits, or contracts."[1] This rulemaking involves a matter relating to loans, as the Board is revising the interest rates that the twelve Federal Reserve Banks charge for extensions of credit under the primary and secondary credit programs.

Furthermore, the Board has determined that delaying implementation of the changes in the primary and secondary credit rates in order to allow notice and public comment would be unnecessary and contrary to the public interest. Therefore, the Board has found good cause to not follow the provisions of 5 U.S.C. 553(b) relating to notice and public participation.

[1] 5 U.S.C. 553(a)(2) (emphasis added).

The Board's revisions to these rates were taken with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country. Notice and public participation would prevent the Board's action from being effective as promptly as necessary in the public interest. Seeking notice and comment on the rate changes would not aid the persons affected and would otherwise serve no useful purpose. For these same reasons, the Board also has found good cause not to provide 30 days prior notice of the effective date of the rule under 5 U.S.C. 553(d).

Regulatory Flexibility Analysis

The Regulatory Flexibility Act ("RFA") does not apply to a rulemaking where a general notice of proposed rulemaking is not required.[2] As noted previously, a general notice of proposed rulemaking is not required if the final rule involves a matter relating to loans. Furthermore, the Board has determined that it is unnecessary and contrary to the public interest to publish a general notice of proposed rulemaking for this final rule. Accordingly, the RFA's requirements relating to an initial and final regulatory flexibility analysis do not apply.

[2] 5 U.S.C. 603 and 604.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act ("PRA") of 1995 (44 U.S.C. 3506; 5 CFR part 1320 Appendix A.1), the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. The final rule contains no requirements subject to the PRA.

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 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. In § 201.51, paragraphs (a) and (b) are revised 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	1.00	December 17, 2015
New York	1.00	December 17, 2015
Philadelphia	1.00	December 17, 2015
Cleveland	1.00	December 17, 2015
Richmond	1.00	December 17, 2015
Atlanta	1.00	December 17, 2015
Chicago	1.00	December 17, 2015
St. Louis	1.00	December 17, 2015
Minneapolis	1.00	December 17, 2015
Kansas City	1.00	December 17, 2015
Dallas	1.00	December 17, 2015
San Francisco	1.00	December 17, 2015

[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.

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

Federal Reserve Bank	**Rate**	**Effective**
Boston	1.50	December 17, 2015
New York	1.50	December 17, 2015
Philadelphia	1.50	December 17, 2015
Cleveland	1.50	December 17, 2015
Richmond	1.50	December 17, 2015
Atlanta	1.50	December 17, 2015
Chicago	1.50	December 17, 2015
St. Louis	1.50	December 17, 2015
Minneapolis	1.50	December 17, 2015
Kansas City	1.50	December 17, 2015
Dallas	1.50	December 17, 2015
San Francisco	1.50	December 17, 2015

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By order of the Board of Governors of the Federal Reserve System, December 18, 2015.

Robert deV. Frierson,
Secretary of the Board.

BILLING CODE 6210-02-P

[FR Doc. 2015-32295 Filed: 12/22/2015 8:45 am; Publication Date: 12/23/2015]