

Press Release

March 15, 2020

Federal Reserve Actions to Support the Flow of Credit to Households and Businesses

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The Federal Reserve is carefully monitoring credit markets and is prepared to use its full range of tools to support the flow of credit to households and businesses and thereby promote its maximum employment and price stability goals. In addition to [actions taken by the Federal Open Market Committee](#), including [actions taken in coordination with other central banks](#), the Federal Reserve Board announced a series of actions in support of these goals. These actions are summarized below.

Discount Window

Federal Reserve lending to depository institutions (the "discount window") plays an important role in supporting the liquidity and stability of the banking system and the effective implementation of monetary policy. By providing ready access to funding, the discount window helps depository institutions manage their liquidity risks efficiently and avoid actions that have negative consequences for their customers, such as withdrawing credit during times of market stress. Thus, the discount window supports the smooth flow of credit to households and businesses. Providing liquidity in this way is one of the original purposes of the Federal Reserve System and other central banks around the world.

The Federal Reserve encourages depository institutions to turn to the discount window to help meet demands for credit from households and businesses at this time. In support of this goal, the Board today announced that it will lower the primary credit rate by 150 basis points to 0.25 percent, effective March 16, 2020. This reduction in the primary credit rate reflects both the 100 basis point reduction in the target range for the federal funds rate and a 50 basis point narrowing in the primary credit rate relative to the top of the target range. Narrowing the spread of the primary credit rate relative to the general level of overnight interest rates should help encourage more active use of the window by depository institutions to meet unexpected funding needs. To further enhance the role of the discount window as a tool for banks in addressing potential funding pressures, the Board also today announced that depository institutions may borrow from the discount window for periods as long as 90 days, prepayable and renewable by the borrower on a daily basis. The Federal Reserve continues to accept the same broad range of collateral for discount window loans.

Intraday Credit

The availability of intraday credit from the Federal Reserve supports the smooth functioning of payment systems and the settlement and clearing of transactions across a range of credit markets. The Federal Reserve encourages depository institutions to utilize intraday credit extended by Reserve Banks, on both a collateralized and uncollateralized basis, to support the provision of liquidity to households and businesses and the general smooth functioning of payment systems.

Bank Capital and Liquidity Buffers

The Federal Reserve is encouraging banks to use their capital and liquidity buffers as they lend to households and businesses who are affected by the coronavirus.

Since the global financial crisis of 2007-2008, U.S. bank holding companies have built up substantial levels of capital and liquidity in excess of regulatory minimums and buffers. The largest firms have \$1.3 trillion in

common equity and hold \$2.9 trillion in high quality liquid assets. The U.S. banking agencies have also significantly increased capital and liquidity requirements, including improving the quality of regulatory capital, raising minimum capital requirements, establishing capital and liquidity buffers, and implementing annual capital stress tests.

These capital and liquidity buffers are designed to support the economy in adverse situations and allow banks to continue to serve households and businesses. The Federal Reserve supports firms that choose to use their capital and liquidity buffers to lend and undertake other supportive actions in a safe and sound manner.

Reserve Requirements

For many years, reserve requirements played a central role in the implementation of monetary policy by creating a stable demand for reserves. In January 2019, the FOMC announced its intention to implement monetary policy in an ample reserves regime. Reserve requirements do not play a significant role in this operating framework.

In light of the shift to an ample reserves regime, the Board has reduced reserve requirement ratios to zero percent effective on March 26, the beginning of the next reserve maintenance period. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.

For media inquiries, call 202-452-2955.

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