Banking and Finance Law Daily Wrap Up, EDERAL OPEN MARKET COMMITTEE—After three years, FOMC raises Fed Funds rate, (Sept. 16, 2026)

Banking and Finance Law Daily Wrap Up

By WK Editorial Staff

The 12-0 decision will be implemented through a 4 percent primary credit rate and a 3.90 percent reserve-balance rate.

In a unanimous vote, the 12-member Federal Open Market Committee has raised the federal funds target range by one-quarter percentage point to 3.75 percent to 4 percent, tightening policy as inflation remained elevated. The Committee said the action would support a timelier return to its 2 percent inflation goal. It paired the increase with a continuation of its policy of maintaining ample reserves in the banking system. The Federal Reserve Board also raised the interest rate paid on reserve balances to 3.90 percent and the primary credit rate to 4 percent. Both changes take effect Sept. 17, 2026.

The policy move came against an economy the FOMC described as continuing to expand at a solid pace. Domestic spending remained resilient, while productivity growth was strong and capital investment robust. At the same time, the Committee said uncertainty remained elevated, owing in part to geopolitical developments. Those assessments placed the rate increase against continued economic strength rather than a broad weakening in activity. The FOMC's statement also noted that job gains had kept pace with the workforce, and the unemployment rate had changed little.

The FOMC also instructed the Open Market Desk at the Federal Reserve Bank of New York to use open market operations as necessary to maintain the new target range. It also sets standing overnight repurchase agreement operations at 4 percent and reverse repurchase agreement operations at 3.75 percent, with a $160 billion daily per-counterparty limit; the directive calls for all Treasury principal payments to be rolled over at auction and all agency-securities principal payments to be reinvested in Treasury bills.

In conjunction with the rates increases, the FOMC also released Summary of Economic Projections that provides each FOMC member's likely outcomes for real gross domestic product growth, the unemployment rate, and inflation for each year from 2026 to 2029 and over the longer run. Each member's projections were based on information available at the time of the meeting, together with her or his assessment of appropriate monetary policy—including a path for the federal funds rate and its longer-run value—and assumptions about other factors likely to affect economic outcomes.

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