

## [Banking and Finance Law Daily Wrap Up, FEDERAL OPEN MARKET COMMITTEE—Federal rates reduced; FOMC, G-7 closely monitoring coronavirus risks to economy, \(Mar. 3, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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While the fundamentals of the U.S. economy remain strong, the coronavirus poses "evolving risks" to economic activity.

Based on information it has received since it last met in late January, the Federal Open Market Committee decided unanimously to reduce the target range for the federal funds rate by 50 basis points to a new 1.00- to 1.25-percent level. According to the FOMC, although "the fundamentals of the U.S. economy remain strong," the coronavirus "poses evolving risks to economic activity." The FOMC's [decision](#) to reduce the federal funds rate stems from those developing coronavirus risks as well as from the Committee's "maximum employment and price stability" goals. Further, the FOMC is "closely monitoring developments and their implications for the economic outlook and will use its tools and act as appropriate to support the economy." The prior 1.50 to 1.75-percent target range level for the "funds" rate had been in place since October 2019.

Similarly, in connection with the primary credit "discount" rate, the interest rate charged for short-term credit extensions to depository institutions, the Federal Reserve voted unanimously to approve a 0.50 percentage-point decrease to the primary credit rate to 1.75 percent effective March 4, 2020. In taking [this action](#), the Fed approved requests submitted by the Boards of Directors of the Federal Reserve Banks of Minneapolis and New York to set that rate. The prior 2.25-percent level for the primary credit rate had been in place since Oct. 31, 2019.

**Statement by G-7 finance ministers, central bank governors.** U.S. Treasury Secretary Steven Mnuchin and Federal Reserve Chair Jerome Powell led a call with "the G7 Finance Ministers and Central Bank Governors" to discuss the coronavirus disease. In their March 3, 2020, joint statement, they [commented](#), "We are closely monitoring the spread of the coronavirus disease 2019 (COVID-19) and its impact on markets and economic conditions." Further, "we reaffirm our commitment to use all appropriate policy tools to achieve strong, sustainable growth and safeguard against downside risks."

According to Mnuchin and Powell, the G7 finance ministers are "ready to take actions, including fiscal measures where appropriate, to aid in the response to the virus and support the economy during this phase." Likewise, the G7 central banks will "continue to fulfill their mandates, thus supporting price stability and economic growth while maintaining the resilience of the financial system." They also noted that the International Monetary Fund, the World Bank, and other international financial institutions "stand ready to help member countries address the human tragedy and economic challenge posed by COVID-19."

As previously reported, senior members of the House Financial Services Committee have expressed their concerns about the economic effects that the coronavirus may have on the U.S. and global economy, and have requested that the White House and federal regulators report on their respective plans to address the economic ramifications of the coronavirus (see [Banking and Finance Law Daily](#), Feb. 28, 2020).

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