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FEDERAL RESERVE SYSTEM

Board of Governors of the Federal Reserve System
Twentieth Street and Constitution Avenue NW., Washington, DC 20551
Phone, 202–452–3000

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Manager, System Open Market Account	PETER R. FISHER
Co-Secretaries, Federal Advisory Council	JAMES ANNABLE, WILLIAM J. KORSVIK
Chairman, Consumer Advisory Council	JULIA W. SEWARD
President, Thrift Institutions Advisory Council	DAVID F. HOLLAND

The Federal Reserve System, the central bank of the United States, is charged with administering and making policy for the Nation's credit and monetary affairs. Through its supervisory and regulatory banking functions, the Federal Reserve helps to maintain the banking industry in sound condition, capable of responding to the Nation's domestic and international financial needs and objectives.

The Federal Reserve System was established by the Federal Reserve Act (12 U.S.C. 221), approved December 23, 1913. The System serves as the Nation's central bank. As such, its major responsibility is in the execution of monetary policy. It also performs other functions, such as the transfer of funds, handling Government deposits and debt

issues, supervising and regulating banks, and acting as lender of last resort.

It is the responsibility of the Federal Reserve System to contribute to the strength and vitality of the U.S. economy. By influencing the lending and investing activities of depository institutions and the cost and availability of money and credit, the Federal Reserve System helps promote the full use of human and capital resources, the growth of productivity, relatively stable prices, and equilibrium in the Nation's international balance of payments. Through its supervisory and regulatory banking functions, the Federal Reserve System helps maintain a commercial banking system that is responsive to the Nation's financial needs and objectives.

The System consists of seven parts: the Board of Governors in Washington, DC; the 12 Federal Reserve Banks and their 25 branches and other facilities situated throughout the country; the Federal Open Market Committee; the Federal Advisory Council; the Consumer Advisory Council; the Thrift Institutions Advisory Council; and the Nation's financial institutions, including commercial banks, savings and loan associations, mutual savings banks, and credit unions.

Board of Governors

Broad supervisory powers are vested in the Board of Governors, which has its offices in Washington, DC. The Board is composed of seven members appointed by the President with the advice and consent of the Senate. The Chairman of the Board of Governors is, by Executive Order 11269 of February 14, 1966, a member of the National Advisory Council on International Monetary and Financial Policies.

The Board determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Federal Reserve Act. The Board's principal duties consist of monitoring credit conditions; supervising the Federal Reserve Banks, member banks, and bank holding companies; and regulating the implementation of certain consumer credit protection laws.

Power To Influence Credit Conditions

Pursuant to the Depository Institutions Deregulation and Monetary Control Act of 1980, referred to as the Monetary Control Act of 1980 (12 U.S.C. 226 note), the Board is given the power, within statutory limitations, to fix the requirements concerning reserves to be maintained by depository institutions on transaction accounts or nonpersonal time deposits. Another important instrument of credit control is found in open market operations. The members of the Board of Governors also are members of the Federal Open Market Committee, whose work and organization are described in the following text. The Board of Governors reviews and determines the discount rate charged by the Federal Reserve Banks. For the purpose of preventing excessive use of credit for the purchase or carrying of securities, the Board is authorized to regulate the amount of credit that may be initially extended and subsequently maintained on any security (with certain exceptions).

Supervision of Federal Reserve Banks

The Board is authorized to make examinations of the Federal Reserve Banks, to require statements and reports from such Banks, to supervise the issue and retirement of Federal Reserve notes, to require the establishment or discontinuance of branches of Reserve Banks, and to exercise supervision over all relationships and transactions of those Banks with foreign branches. The Board of Governors reviews and follows the examination and supervisory activities of the Federal Reserve Banks aimed at further coordination of policies and practices.

Supervision of Bank Holding Companies

The Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) gave the Federal Reserve primary responsibility for supervising and regulating the activities of bank holding companies. This act was designed to achieve two basic objectives: to control the expansion of bank holding companies by avoiding the creation of monopoly or restraining trade in banking; and to limit the expansion of

bank holding companies to those nonbanking activities that are closely related to banking, thus maintaining a separation between banking and commerce. A company that seeks to become a bank holding company must obtain the prior approval of the Federal Reserve. Any company that qualifies as a bank holding company must register with the Federal Reserve System and file reports with the System.

Supervision of Banking Organizations The Federal Reserve is responsible for the supervision and regulation of domestic and international activities of U.S. banking organizations. It supervises State-chartered banks that are members of the System, all bank holding companies, and Edge Act and agreement corporations (corporations chartered to engage in international banking). In 1991, Congress expanded the Federal Reserve's supervisory authority over the U.S. activities of all foreign banking organizations.

The Board has jurisdiction over the admission of State banks and trust companies to membership in the Federal Reserve System, the termination of membership of such banks, the establishment of branches by such banks, and the approval of bank mergers and consolidations where the resulting institution will be a State member bank. It receives copies of condition reports submitted by them to the Federal Reserve Banks. It has power to examine all member banks and the affiliates of member banks and to require condition reports from them. It has authority to require periodic and other public disclosure of information with respect to an equity security of a State member bank that is held by 500 or more persons. It establishes minimum standards with respect to installation, maintenance, and operation of security devices and procedures by State member banks. Also, it has authority to issue cease-and-desist orders in connection with violations of law or unsafe or unsound banking practices by State member banks and to remove directors or officers of such banks in certain circumstances, and it may, in its discretion, suspend member banks from the use of the credit facilities of the Federal Reserve System for making undue use of bank credit for speculative purposes or for any other purpose inconsistent with the maintenance of sound credit conditions.

The Board may grant authority to member banks to establish branches in foreign countries or dependencies or insular possessions of the United States, to invest in the stocks of banks or corporations engaged in international or foreign banking, or to invest in foreign banks. It also charters, regulates, and supervises certain corporations that engage in foreign or international banking and financial activities.

The Board is authorized to issue general regulations permitting interlocking relationships in certain circumstances between member banks and organizations dealing in securities or between member banks and other banks.

Other Activities Under the Change in Bank Control Act of 1978 (12 U.S.C. 1817(j)), the Board is required to review other bank stock acquisitions.

Under the Truth in Lending Act (15 U.S.C. 1601), the Board is required to prescribe regulations to ensure a meaningful disclosure by lenders of credit terms so that consumers will be able to compare more readily the various credit terms available and will be informed about rules governing credit cards, including their potential liability for unauthorized use.

Under the International Banking Act of 1978 (12 U.S.C. 3101), the Board has authority to impose reserve requirements and interest rate ceilings on branches and agencies of foreign banks in the United States, to grant loans to them, to provide them access to Federal Reserve services, and to limit their interstate banking activities.

The Board also is the rulemaking authority for the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Fair Credit Billing Act, the Expedited Funds Availability Act, and certain provisions of the Federal Trade Commission Act as they apply to banks.

Expenses To meet its expenses and pay the salaries of its members and its

employees, the Board makes semiannual assessments upon the Reserve Banks in proportion to their capital stock and surplus.

Federal Open Market Committee

The Federal Open Market Committee is comprised of the Board of Governors and five of the presidents of the Reserve Banks. The Chairman of the Board of Governors is traditionally the Chairman of the Committee. The president of the Federal Reserve Bank of New York serves as a permanent member of the Committee. Four of the twelve Reserve Bank presidents rotate annually as members of the Committee.

Open market operations of the Reserve Banks are conducted under regulations adopted by the Committee and pursuant to specific policy directives issued by the Committee, which meets in Washington at frequent intervals. Purchases and sales of securities in the open market are undertaken to supply bank reserves to support the credit and money needed for long-term economic growth, to offset cyclical economic swings, and to accommodate seasonal demands of businesses and consumers for money and credit. These operations are carried out principally in U.S. Government obligations, but they also include purchases and sales of Federal agency obligations. All operations are conducted in New York, where the primary markets for these securities are located; the Federal Reserve Bank of New York executes transactions for the Federal Reserve System Open Market Account in carrying out these operations.

Under the Committee's direction, the Federal Reserve Bank of New York also undertakes transactions in foreign currencies for the Federal Reserve System Open Market Account. The purposes of these operations include helping to safeguard the value of the dollar in international exchange markets and facilitating growth in international liquidity in accordance with the needs of an expanding world economy.

Federal Reserve Banks

The 12 Federal Reserve Banks are located in Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, San Francisco, and St. Louis. Branch banks are located in Baltimore, Birmingham, Buffalo, Charlotte, Cincinnati, Denver, Detroit, El Paso, Helena, Houston, Jacksonville, Little Rock, Los Angeles, Louisville, Memphis, Miami, Nashville, New Orleans, Oklahoma City, Omaha, Pittsburgh, Portland, Salt Lake City, San Antonio, and Seattle.

Directors and Officers of Reserve Banks The Board of Directors of each Reserve Bank is composed of nine members, equally divided into three designated classes: class A, class B, and class C. Directors of class A are representative of the stockholding member banks. Directors of class B must be actively engaged in their districts in commerce, agriculture, or some other industrial pursuit, and may not be officers, directors, or employees of any bank. Class C directors may not be officers, directors, employees, or stockholders of any bank. The six class A and class B directors are elected by the stockholding member banks, while the three class C directors are appointed by the Board of Governors. The terms of office of the directors are so arranged that the term of one director of each class expires each year.

One of the class C directors appointed by the Board of Governors is designated as Chairman of the Board of Directors of the Reserve Bank and as Federal Reserve agent, and in the latter capacity he is required to maintain a local office of the Board of Governors on the premises of the Reserve Bank. Another class C director is appointed by the Board of Governors as deputy chairman. Each Reserve Bank has as its chief executive officer a president appointed for a term of 5 years by its Board of Directors with the approval of the Board of Governors.

Reserves on Deposit In accordance with provisions of the Monetary Control Act of 1980 (12 U.S.C. 226 note), the Reserve Banks receive and hold on

deposit the reserve or clearing account deposits of depository institutions. These banks are permitted to count their vault cash as part of their required reserve.

Extensions of Credit The Monetary Control Act of 1980 (12 U.S.C. 226 note) directs the Federal Reserve to open its discount window to any depository institution that is subject to Federal Reserve reserve requirements on transaction accounts or nonpersonal time deposits.

Discount window credit provides for Federal Reserve lending to eligible depository institutions under two basic programs. One is the adjustment credit program; the other supplies more extended credit for certain limited purposes.

Short-term adjustment credit is the primary type of Federal Reserve credit. It is available to help borrowers meet temporary requirements for funds. Borrowers are not permitted to use adjustment credit to take advantage of any spread between the discount rate and market rates.

Extended credit is provided through three programs designed to assist depository institutions in meeting longer term needs for funds. One provides seasonal credit—for periods running up to 9 months—to smaller depository institutions that lack access to market funds. A second program assists institutions that experience special difficulties arising from exceptional circumstances or practices involving only that institution. Finally, in cases where more general liquidity strains are affecting a broad range of depository institutions—such as those whose portfolios consist primarily of longer term assets—credit may be provided to address the problems of particular institutions being affected by the general situation.

Currency Issue The Reserve Banks issue Federal Reserve notes, which constitute the bulk of money in circulation. These notes are obligations of the United States and are a prior lien upon the assets of the issuing Federal Reserve Bank. They are issued against a pledge by the Reserve Bank with the Federal Reserve agent of collateral security including gold certificates, paper discounted or purchased by the Bank, and direct obligations of the United States.

Other Powers The Reserve Banks are empowered to act as clearinghouses and as collecting agents for depository institutions in the collection of checks and other instruments. They are also authorized to act as depositories and fiscal agents of the United States and to exercise other banking functions specified in the Federal Reserve Act. They perform a number of important functions in connection with the issue and redemption of United States Government securities.

Federal Advisory Council

The Federal Advisory Council acts in an advisory capacity, conferring with the Board of Governors on general business conditions.

The Council is composed of 12 members, one from each Federal Reserve district, being selected annually by the Board of Directors of the Reserve Bank of the district. The Council is required to meet in Washington, DC, at least four times each year, and more often if called by the Board of Governors.

Consumer Advisory Council

The Consumer Advisory Council confers with the Board of Governors several times each year on the Board's responsibilities in the field of consumer credit protection. The Council was established by Congress in 1976 at the suggestion of the Board and replaced the Advisory Committee on Truth in Lending that was established by the 1968 Truth in Lending Act.

The Council is composed of 30 members from all parts of the country. It advises the Board on its responsibilities under such laws as Truth in Lending, Equal Credit Opportunity, and Home Mortgage Disclosure.

Thrift Institutions Advisory Council

The Thrift Institutions Advisory Council is an advisory group established by the

Board in 1980 made up of representatives from nonbank depository thrift institutions, which includes savings and loans, mutual savings bankers, and credit unions. The Council meets at least four times each year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry and mortgage finance, and certain regulatory issues.

Sources of Information

Employment Written inquiries regarding employment should be addressed to the Director, Division of Personnel, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Procurement Firms seeking business with the Board should address their inquiries to the Director, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Publications Among the publications issued by the Board are *The Federal Reserve System—Purposes and Functions,* and a series of pamphlets including *Guide to Business Credit and the Equal Credit Opportunity Act; Consumer Handbook; Making Deposits: When Will Your Money Be Available;* and *When Your Home Is On the Line: What You Should Know About Home Equity Lines of Credit.* Copies of these pamphlets are available free of charge. Information regarding publications may be obtained in Room MP–510 (Martin Building) of the Board's headquarters. Phone, 202–452–3244.

Reading Room A reading room where persons may inspect records that are available to the public is located in Room B–1122 at the Board's headquarters, Twentieth Street and Constitution Avenue NW., Washington, DC. Information regarding the availability of records may be obtained by calling 202–452–3684.

For further information, contact the Office of Public Affairs, Board of Governors, Federal Reserve System, Washington, DC 20551. Phone, 202–452–3204 or 202–452–3215.

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

1250 H Street NW., Washington, DC 20005
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