

Functions and Structure of the Federal Reserve

Presented By: District Education Team

Introduction

3 Main Functions • Structure • Independence

Federal Reserve Functions



Monetary policy

Bank supervision and regulation

Payment services



Monetary Policy



Goals:

1. Maximum economic growth and employment
2. Stable prices

Method:

Influence the supply of money and credit in the economy

Tools:

1. Reserve requirements
2. Discount rate
3. Open market operations

Payment Services



Reserve Bank functions in payment services:

1. Bankers' bank
2. Distribute currency and coin, process checks, and offer electronic payments
3. Foster competition, safety, and efficiency in the payments system

Supervision and Regulation



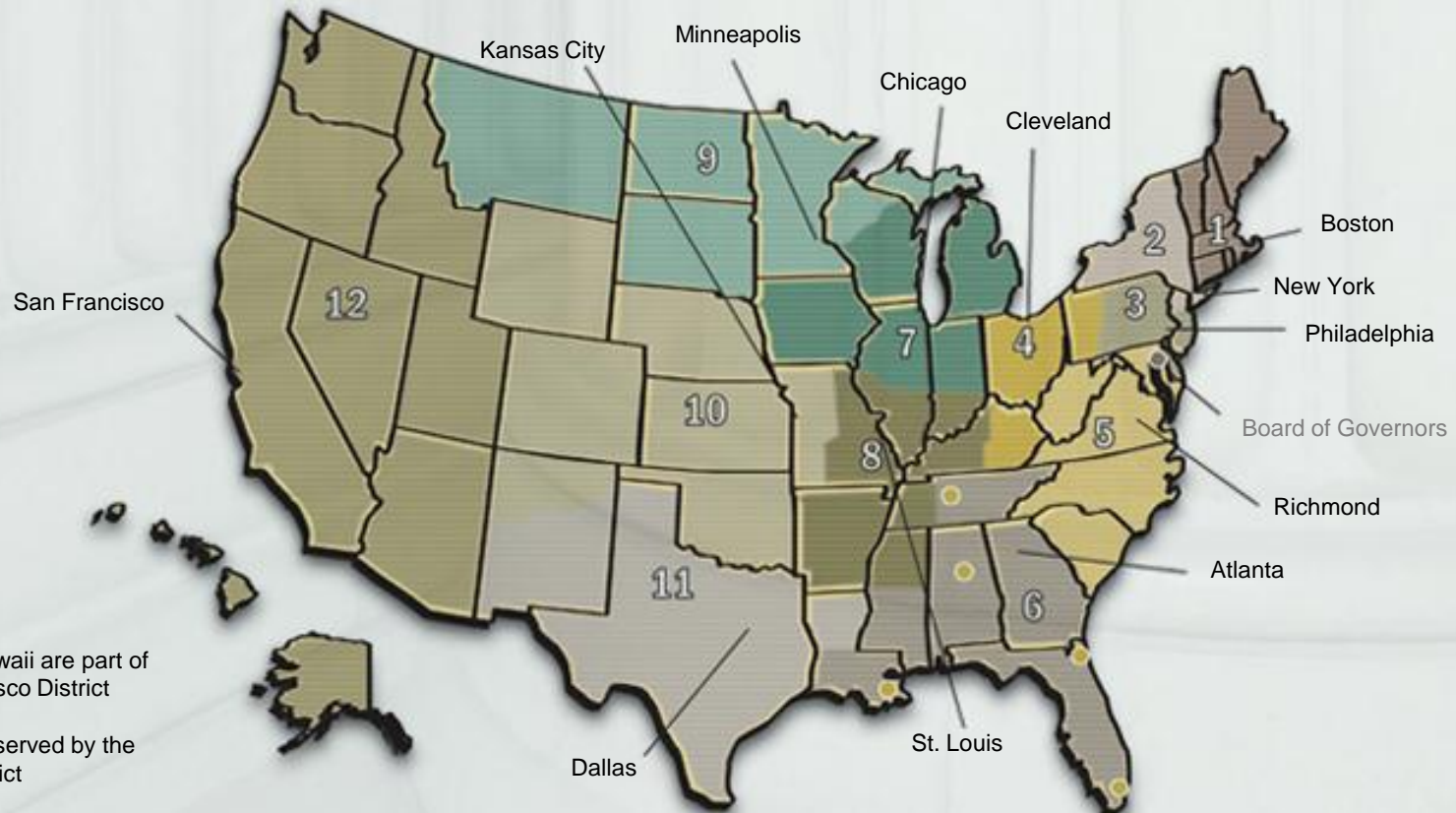
The Fed supervises:

- State-chartered banks
- Bank and financial holding companies
- International banking organizations

12 Reserve Banks

District Board of Directors

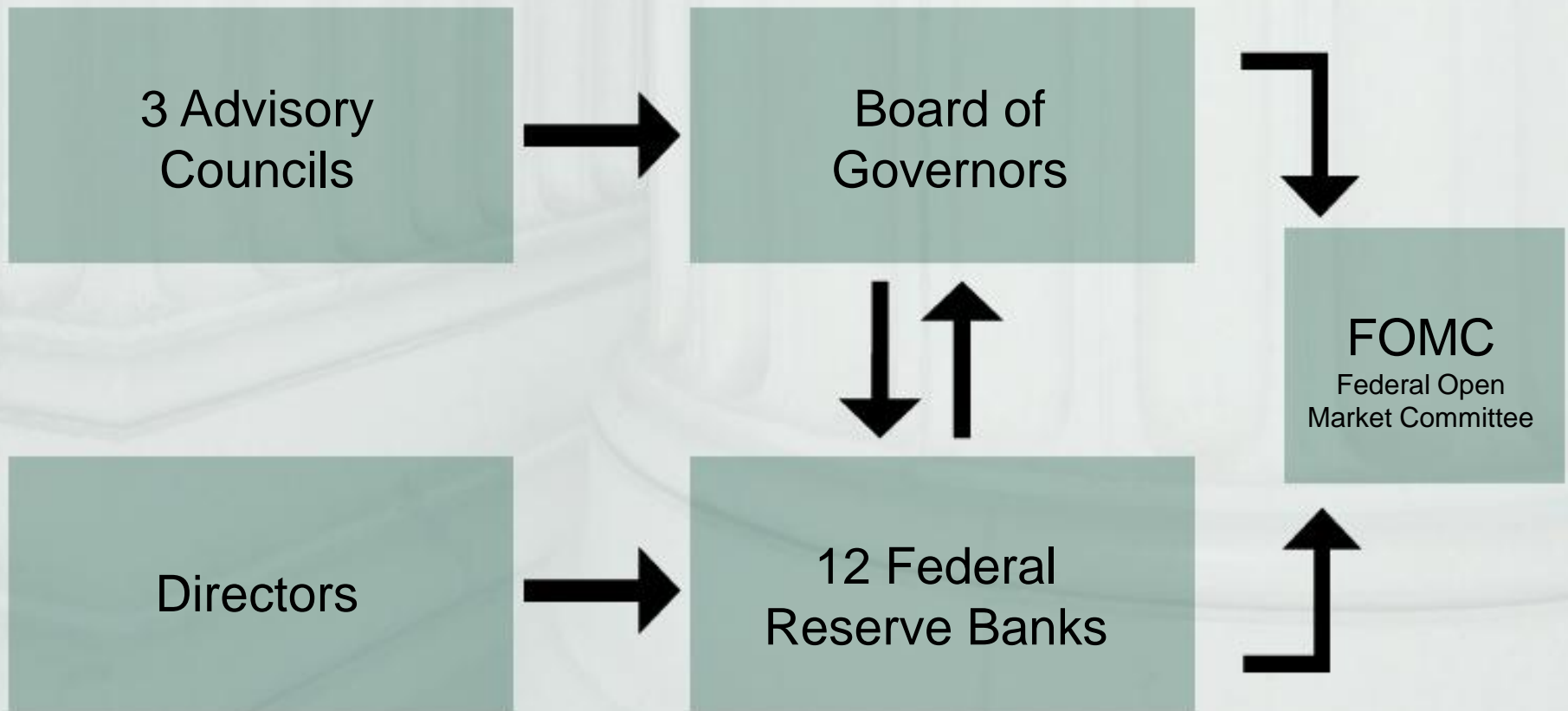
Reserve Bank Presidents appointed by directors,
with Board of Governors' approval



Alaska and Hawaii are part of the San Francisco District

Puerto Rico is served by the New York District

Federal Reserve System Today



Board of Governors



Responsibilities

- Supervision and regulation
- Merger approval
- Discount rate changes
- Reserve requirements
- Oversight of reserve banks

Structure

- Seven members
- Appointed by U.S. President and confirmed by Senate
- Staggered 14-year terms

FOMC

Oversees open market operations, the principal tool of national monetary policy

These operations affect credit rates, thereby influencing overall monetary and credit conditions

Structure

- Seven governors
- Five presidents (New York and four others on a rotating basis)
- Nonvoting presidents participate fully



Quasi-Governmental Nature of the Fed



A federal structure

Political independence

Congress and the Fed

Conclusions

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