

## *Overview of the Federal Reserve*

As the nation's central bank, the Federal Reserve System has numerous, varied responsibilities:

- conducting the nation's monetary policy by influencing monetary and credit conditions in the economy
- supervising and regulating banking institutions, to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers
- maintaining the stability of the financial system and containing systemic risk that may arise in financial markets
- providing financial services to depository institutions, the U.S. government, and foreign official institutions

The Federal Reserve is a federal system composed of a central, governmental agency—the Board of Governors—and twelve regional Federal Reserve Banks. The Board of Governors, located in Washington, D.C., is made up of seven members appointed by the President of the United States and supported by a staff of about 1,800. In addition to conducting research, analysis, and policymaking related to domestic and international financial and economic matters, the Board plays a major role in the supervision and regulation of the U.S. banking system and administers most of the nation's laws regarding consumer credit protection. It also has broad oversight responsibility for the nation's payments system and the operations and activities of the Federal Reserve Banks.

The Federal Reserve Banks, which combine public and private elements, are the operating arms of the central banking system. They carry out a variety of System functions, including operating a nationwide payments system; distributing the nation's currency and coin; under authority delegated by the Board of Governors, supervising and regulating bank holding companies and state-chartered banks that are members of the System; serving as fiscal agents of the U.S. Treasury; and providing a variety of financial services for the Treasury, other government agencies, and other fiscal principals.

A major component of the Federal Reserve System is the Federal Open Market Committee (FOMC), which is made up of the members of the Board of Governors, the president of the Federal Reserve Bank of New York, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC establishes monetary policy and oversees open market operations, the main tool used by the Federal Reserve to influence overall monetary and credit conditions. The FOMC sets the federal funds rate, but the Board has sole authority over changes in reserve requirements and must approve any change in the discount rate initiated by a Reserve Bank.

Two other groups play roles in the functioning of the Federal Reserve System: depository institutions, through which monetary policy operates, and advisory councils, which make recommendations to the Board of Governors and the Reserve Banks regarding the System's responsibilities. ■

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The Board of Governors, located in Washington, D.C., consists of seven members appointed by the President of the United States and supported by a 2,100-person staff. Besides conducting research, analysis, and policymaking related to domestic and international financial and economic matters, the Board plays a major role in the supervision and regulation of the U.S. banking system and administers most of the nation's laws regarding consumer credit protection. It also has broad oversight responsibility for the nation's payments system and the operations and activities of the Federal Reserve Banks.

This report covers Board and System operations and activities during calendar-year 2009. The report includes six main sections:

- **Monetary Policy and Economic Developments.** Section 1 provides adapted versions of the February 2010 and July 2009 *Monetary Policy Report to the Congress* (see pages 3–95).
- **Federal Reserve Operations.** Section 2 provides summaries of the Board and System activities in the areas of banking supervision and regulation, consumer and community affairs, and Reserve Bank operations. It also summarizes Board compliance with the Government Performance and Results Act of 1993 and its activities regarding legislative developments that affected Board operations in 2009 (see pages 99–207).

### For More Background on Board Operations

For more information about the Federal Reserve Board and the Federal Reserve System, visit the Board's website at [www.federalreserve.gov/aboutthefed](http://www.federalreserve.gov/aboutthefed). An online version of this *Annual Report* is available at [www.federalreserve.gov/boarddocs/rptcongress](http://www.federalreserve.gov/boarddocs/rptcongress).

- **Records.** Section 3 provides an account of actions taken by the Board on questions of policy in 2009, and it also includes the policy actions of the Federal Open Market Committee (FOMC)<sup>1</sup> during the year, provided pursuant to section 10 of the Federal Reserve Act (see pages 211–392).
- **Federal Reserve System Organization.** Section 4 provides listings of key officials at the Board and in the Federal Reserve System, including the Board of Governors, its officers, FOMC members, several System councils, and Federal Reserve Bank and Branch officers and directors (see pages 395–424).
- **Statistical Tables.** Section 5 includes 14 statistical tables that provide updated historical data concerning Board and System operations and activities (see pages 426–466).
- **Federal Reserve System Audits.** Section 6 provides detailed information on the several levels of audit and

1. For more information on the FOMC, see the Board's website at [www.federalreserve.gov/monetarypolicy/fomc.htm](http://www.federalreserve.gov/monetarypolicy/fomc.htm).

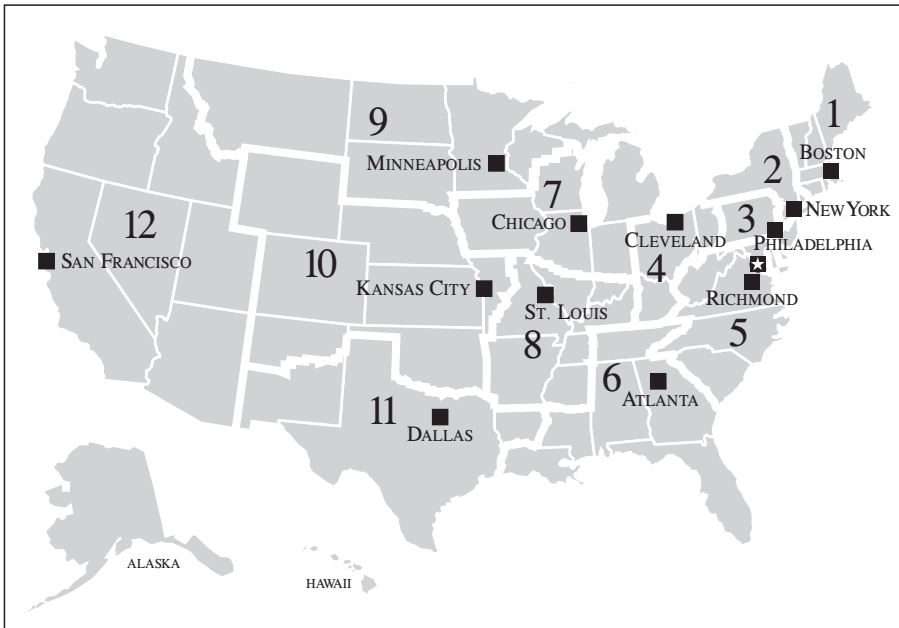
review conducted that concern System operations and activities, including those provided by outside auditors and the Board's Office of Inspector General (see pages 469–544).

## The Federal Reserve System

The Federal Reserve System, which serves as the nation's central bank, was created by an act of Congress on December 23, 1913. The System consists of a seven-member Board of Governors with headquarters in Washington, D.C., and the 12 Reserve Banks located in major cities throughout the United States.

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The maps below and opposite identify Federal Reserve Districts by their official number, city, and letter designation.



### LEGEND

*Both pages*

- Federal Reserve Bank city
- ☆ Board of Governors of the Federal Reserve System, Washington, D.C.

*Facing page*

- Federal Reserve Branch city
- Branch boundary

