

Federal Reserve Banks



Board of Governors
of the Federal Reserve System
Washington, D.C. 20551

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Board of Governors
of the Federal Reserve System



First Class

Federal Reserve System Map



- Boundaries of Federal Reserve Districts
- Federal Reserve Bank Cities
- Board of Governors of the Federal Reserve System
- Federal Reserve Branches: Buffalo, Cincinnati, Pittsburgh, Baltimore, Charlotte, Birmingham, Jacksonville, Miami, Nashville, New Orleans, Detroit, Little Rock, Louisville, Memphis, Helena, Denver, Oklahoma City, Omaha, El Paso, Houston, San Antonio, Los Angeles, Portland, Salt Lake City, and Seattle

Revised June 1981

Organization of the Banks

Each Federal Reserve Bank has a nine member Board of Directors which oversees its operations under the general supervision of the Board of Governors. Member Banks elect three Class A directors (representing member banks) and three Class B directors (representing the public) in each Reserve Bank's district. Three Class C directors (also representing the public) are appointed by the Board of Governors of the Federal Reserve System.

Federal Reserve Banks generate their own income primarily from interest earned on Government securities that are acquired in the course of Federal Reserve monetary policy actions. Federal Reserve Banks are not operated for a profit, and each year they return to the United States Treasury all earnings in excess of Federal Reserve operating and other expenses and statutory dividends paid on stock owned by member banks. In 1980, for example, the Federal Reserve returned almost \$12 billion to the U.S. Treasury out of about \$13 billion in gross earnings.

Federal Reserve Banks were established by Congress as the operating arms of the nation's central banking system. Many of the services performed by this network for depository institutions and the Government are similar to services performed by banks and thrifts for business customers and individuals. Reserve Banks hold the cash reserves of depository institutions and make loans to them. They move currency and coin into and out of circulation, and collect and process millions of checks each day. They provide checking accounts for the Treasury, issue and redeem Government securities, and act in other ways as fiscal agent for the U.S. Government. They supervise and examine member banks for safety and soundness. The Banks also take part in the primary responsibility of the Federal Reserve System, the setting of monetary policy.

For the purpose of carrying out these day-to-day operations of the System, the country has been divided into 12 Federal Reserve districts, with Banks in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. There are also twenty-five branches of these Banks to serve particular areas within each district. The locations of the Reserve Banks and branches and the district boundaries are shown on the accompanying map.

In establishing this regional arm of the Federal Reserve System, Congress had several purposes in mind: that all parts of the United States would have access to the Federal Reserve; that regional economic developments and needs would be represented in monetary policy; and, as reflected in the organization of the Banks, that there would be participation by private individuals, while government would have the final authority over national policy.

Monetary Policy Role

The primary responsibility of the central bank is to influence the cost and supply of money and credit, and the Federal Reserve Banks are involved in this function in several ways. First, five of the twelve Presidents of the Federal Reserve Banks serve, along with the seven members of the Board of Governors, as members of the Federal Open Market Committee. The President of the Federal Reserve Bank of New York serves on a continuous basis; the other Presidents serve on a rotating basis for one year terms. The FOMC meets periodically in Washington, D.C. and determines policy with respect to purchases and sales of Government securities in the open market which affect the availability of money and credit in the economy. Reserve Bank Presidents contribute to these meetings their special knowledge of regional economic conditions and needs.

Second, the Boards of Directors of the Federal Reserve Banks initiate changes in the discount rate, the rate of interest on loans made by Reserve Banks to depository institutions. Discount rate changes are subject to approval by the Board of Governors.

Payments Mechanism Functions

The Federal Reserve Banks play a major role in the nation's payments mechanism through coin and currency distribution, check processing, and electronic fund transfers.

Currency and Coin — The Federal Reserve Banks distribute paper money and coin to depository institutions to meet the public's need for cash. During periods of heavy cash demand, such as Christmas shopping season, institutions obtain larger amounts of cash from the Federal Reserve Banks. When public demand for cash is light, institutions deposit excess cash with the Federal Reserve Banks for storage. Currency and coin received at the Federal Reserve Banks is sorted and counted. Unfit paper money and coins are destroyed and replaced with new currency and coin obtained from the Treasury Department's Bureau of Engraving and Printing and Bureau of the Mint.

Check Processing — The Federal Reserve serves as a central check-clearing system, handling a large percentage of the more than 24 billion checks written annually. Using high-speed

sorting machines, the Federal Reserve Banks process these checks, route them to the depository institutions upon which they are written, and transfer payment for the checks through accounts that depository institutions maintain with the Federal Reserve Banks.

Wire Transfers — The Federal Reserve Banks are part of the Federal Reserve Communications System or "Fedwire," an electronic network through which depository institutions can transfer funds and securities nationwide in a matter of minutes.

Automated Clearinghouses — Federal Reserve Banks and their branches operate Automated Clearinghouses (ACHs). These computerized facilities allow for exchange of payments among participating depository institutions electronically rather than by check. ACHs are primarily used to effect recurring transactions, such as direct deposit of payrolls or mortgage payments.

Services Performed for the Government (Fiscal Agency Services)

The Federal Reserve System, through the Reserve Banks, acts as the Government's banker. Operating accounts of the U.S. Treasury are held by the Federal Reserve Banks. Each year billions of dollars are deposited to and withdrawn from these accounts by various Government agencies.

The Federal Reserve Banks receive for deposit to the Treasury's accounts items such as Federal unemployment taxes, individual income taxes withheld by payroll deduction, corporate income taxes, and certain Federal excise taxes. They pay all checks drawn on the U.S. Treasury, including Veterans Benefits and Social Security checks.

The Federal Reserve Banks also issue and redeem instruments of the public debt, such as Savings Bonds and Treasury securities. They have certain responsibilities for allotment and delivery of Government securities and for wire transfer of securities. In addition, the Reserve Banks make periodic payments of interest on outstanding obligations of the U.S. Treasury, Federal agencies, and Government sponsored corporations.

Other Federal Reserve Bank Services and Functions

Supervision and Regulation — Some of the Federal Reserve's supervisory responsibilities for State-chartered member banks and bank holding companies are delegated to the Federal Reserve Banks by the Board of Governors. These functions include, for example, the conduct of field examinations of State-chartered member banks and the authority to approve certain types of bank and bank holding company applications.

Loans — Eligible depository institutions may borrow from the Federal Reserve Bank serving their district, subject to conditions prescribed by the Board. This facility for extending credit is referred to as the "discount window."

Safekeeping — Federal Reserve Banks provide safekeeping facilities for the securities held by depository institutions, collecting interest payments for them and, at maturity, crediting payment of the securities to their reserve accounts if so instructed.

Research — Each Federal Reserve Bank has a research staff to gather and analyze a wide range of economic data and interpret conditions and developments in the economy. This research assists the Federal Open Market Committee in the formulation and implementation of monetary policy, and it also contributes to informed decision-making by the Federal Reserve Banks in bank supervisory matters and other areas. Most Reserve Banks publish a monthly or quarterly journal devoted to basic research and analysis of current economic issues.

Charges for Services — The Monetary Control Act of 1980 made Federal Reserve services available to many different kinds of financial institutions besides those banks that are members of the Federal Reserve System. The Act also required the Federal Reserve to charge for certain of these services which previously were free. Both the new availability of services and the applicable fees are being phased in.