



Conversations with the Fed

The Role of the Federal Reserve

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Discussion Topics

- An overview of Federal Reserve System (FRS) and the Federal Reserve Bank of Minneapolis (Bank)
- Throughout changing times, our mission remains constant
- Examples of what we do
 - Monetary Policy
 - Banking Supervision & Regulation
 - Financial Services
 - Community Development and Outreach



Why do we need a central bank?



Stability and Uniformity of Money Supply



Safety and Soundness of the Banking System



The Federal Reserve Act

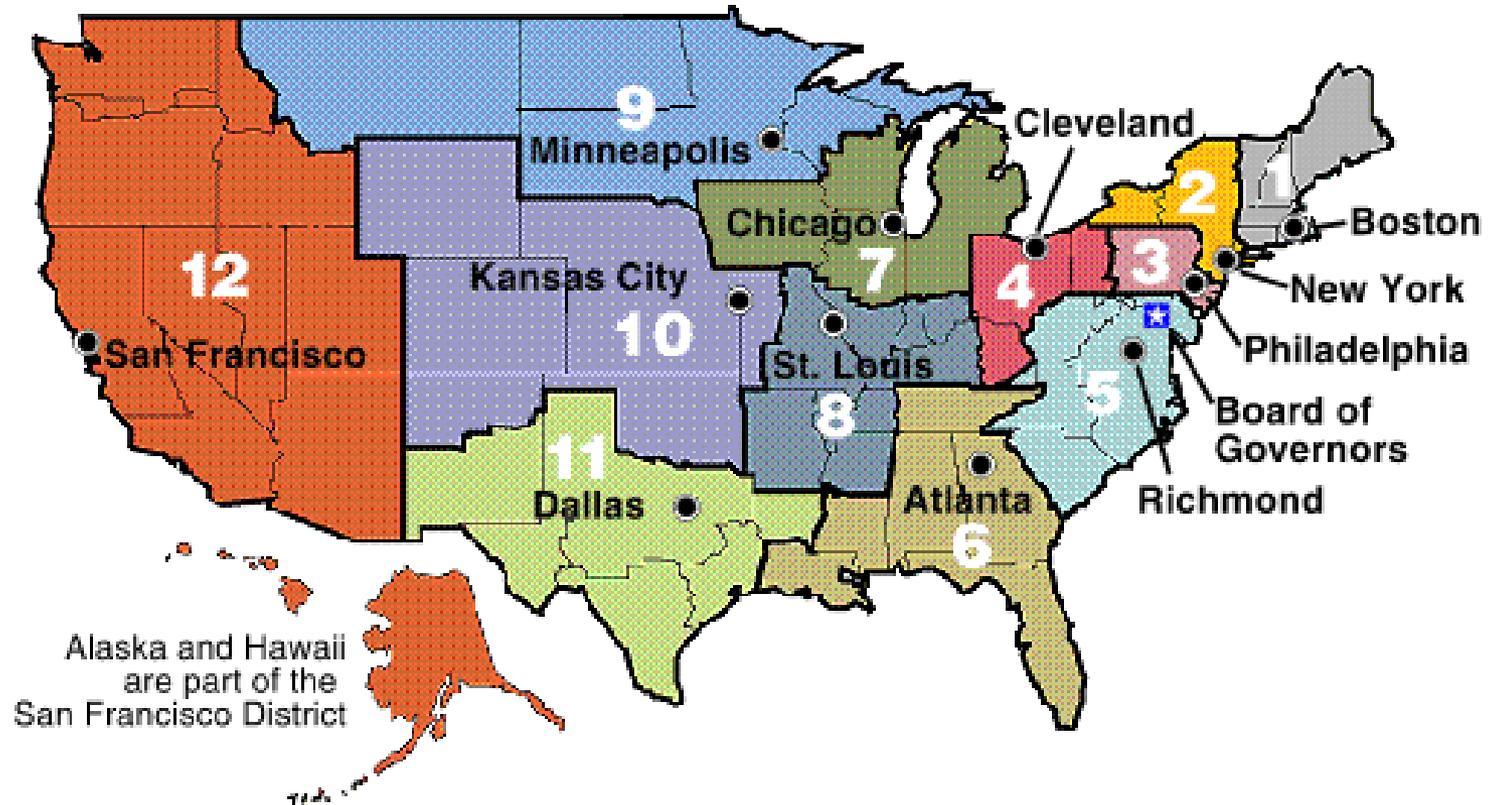


The Nation's Central Bank

- Created by Congress in 1913
- Federation of organizations, including 12 regional FRBs & the Board of Governors of the Federal Reserve System
- Unique structure with public and private components
 - Board of Governors - federal government agency
 - 12 Federal Reserve Banks



Federal Reserve Districts



Board of Governors

- Seven members appointed to 14-year terms by the president and confirmed by the U.S. Senate
- Chairman and vice chairmen (2) selected the same way for 4-year terms
- Government agency



Roles of the Federal Reserve

- Conducting monetary policy
- Promoting a stable financial system
- Regulating & supervising banking institutions
- Providing financial services to depository institutions, the U.S. Government, and foreign official institutions
- Community Development & Outreach
- Economic & Financial Literacy
- Other Activities



Monetary Policy



The Federal Open Market Committee



Monetary Policy

- Fulfill Congressional mandate to promote maximal employment and stable prices
 - Primary tool for affecting monetary policy is the Federal Open-Market Committee (FOMC)
 - Secondary tool is the Discount Window



Monetary Policy

- Setting Interest Rates
- Target FedFunds Rate



Promoting a Stable Financial System and Containing Systemic Risk



Containing Systemic Risk

- March 14, 2008: Approved the purchase of Bear Stearns by JP Morgan
- September 16, 2008: Granted an \$85 billion loan to AIG
- March 2008: Implemented new lending program for primary dealers
- October 2008: Implemented new lending programs for commercial paper issuers, money market mutual funds, and other nonbank entities



Regulating & Supervising Financial Institutions



Supervision and Regulation

- Pre-crisis FRB supervision
 - Bank Holding Companies (BHCs)
 - State Member Banks
 - September 2008: Morgan Stanley and Goldman Sachs convert to BHCs
- Post-crisis FRB supervision -- additions
 - Thrift holding companies
 - Expanded authority over systemically important firms
- Post-crisis toolkit changes



Financial Services



Providing Financial Services

- FRB is a banker's bank
 - Services provided include:
 - Currency & coin ordering and depositing
 - Check clearing
 - ACH (Automated Clearing House) transactions
 - Wire payments
- FRB is the government's bank
 - Services include Savings Bonds and Treasury Auctions

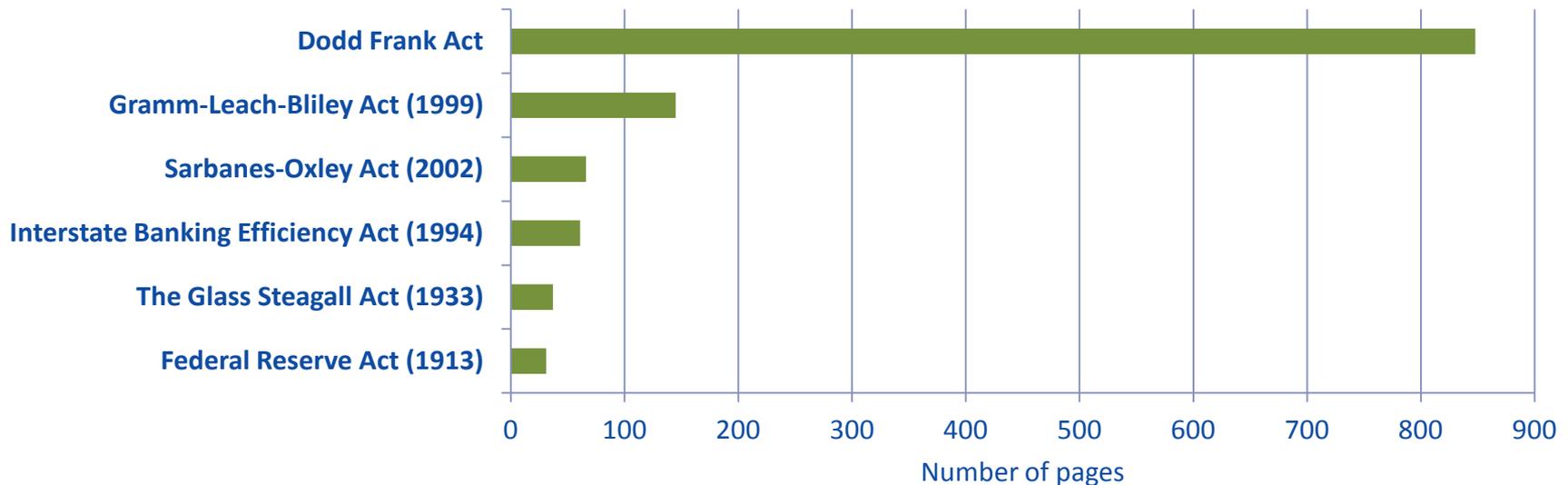


Dodd Frank Wall Street Reform and Consumer Protection Act



Dodd Frank Act

- Dodd Frank Wall Street Reform and Consumer Financial Protection Act (DFA)
 - Signed into law July 21, 2010
 - Most significant change to financial regulation since the Great Depression



DFA Rulemaking

Dodd-Frank Statutory Deadlines for Required Rulemakings

Agency	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	3Q 2013	No Deadline	Annual	Total
CFPB					1				2		4	1	25	1	34
CFTC		1	2	2	42	7	1		1				8		64
DAG											1				1
DVA											1				1
FCA					4										4
FED		1	1	5	7	9	13		3		10		17		66
FDIC				3	5	7	5		2		3		21		46
FFIEC											1				1
FHFA				2	3		1		1		3		2		12
FSOC							1		1				1		3
FTC					1								2		3
HUD				1							10				11
MSRB													1		1
NCUA				1	4						3		5		13
OCC				3	5	7	3		2		3		6		29
OFR													1		1
OTS				1											1
PCAOB													1		1
RHS											1				1
SEC		2	5	9	50	7	1		3				20	1	98
TREAS	1								1		2		4		8
USDC			1												1
Total	1	4	9	27	122	37	25	0	16	0	42	1	114	2	400

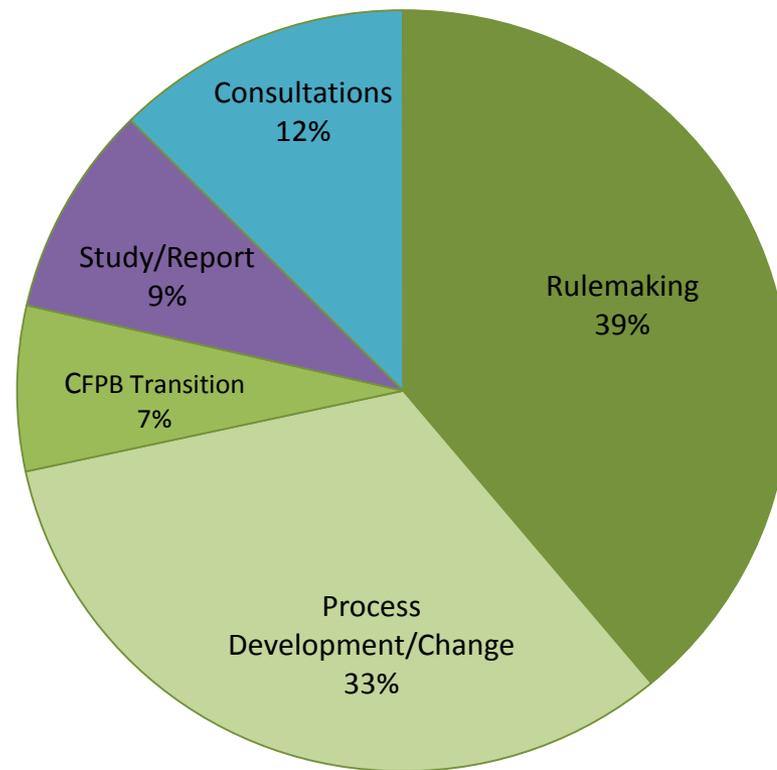
Note: Where multiple agencies are required to issue a rule jointly, the rulemaking requirement appears in each of their totals, which reflects the current burden on regulatory staff. If joint rules are excluded, the number is closer to 243.

Agency Key:	CFPB	= Consumer Financial Protection Bureau	HUD	= Department of Housing and Urban Development
	CFTC	= Commodity Futures Trading Commission	MSRB	= Municipal Securities Rulemaking Board
	DAG	= Department of Agriculture	NCUA	= National Credit Union Association
	DVA	= Department of Veterans Affairs	OCC	= Office of the Comptroller of the Currency
	FCA	= Farm Credit Administration	OFR	= Office of Financial Research
	FED	= Federal Reserve	OTS	= Office of Thrift Supervision
	FDIC	= Federal Deposit Insurance Corporation	PCAOB	= Public Company Accounting Oversight Board
	FFIEC	= Federal Financial Institutions Examination Council	RHS	= Rural Housing Service
	FHFA	= Federal Housing Finance Agency	SEC	= Securities and Exchange Commission
	FSOC	= Financial Stability Oversight Council	TREAS	= Department of the Treasury
	FTC	= Federal Trade Commission	USDC	= U.S. District Court for the District of Columbia

Source: Davis Polk &
Wardwell LLP



DFA Project Types



Dodd-Frank Act

Section 342-OMWI Requirements

- Create an Office of Minority and Women Inclusion (OMWI) by 1/21/2011
- Improve racial, ethnic, gender diversity of workforce
- Increase participation of minority-owned businesses and women-owned businesses in programs and supplier contracts
- Assess diversity policies and practices of regulated entities
- Report progress to Congress annually



Community Development

- Many Minneapolis Fed departments provide support toward the three main functions
- One of those is Community Development
 - Mission: promote community development through fair, impartial and efficient access to credit and related financial services
- Rooted in the Community Reinvestment Act (CRA) of 1977



Community Reinvestment Act (CRA)

- The Community Reinvestment Act (CRA), enacted by Congress in 1977
- Encourages depository institutions to help meet the credit needs of the communities in which they operate
- CRA requires insured depository institution's activities related to helping meet the credit needs of its entire community be evaluated periodically
- Regulated institutions CRA related activities are considered when they apply to expand operations; mergers or acquisitions



Community Development Focus Areas

- Indian Country
- Household Financial Access
- Community Development Finance



Economic Education and Financial Literacy



Outreach at the Minneapolis FRB

- Improve public understanding of the Federal Reserve System and the Bank, and improve the Bank's understanding of the Ninth District, by reaching out to and communicating with Ninth District residents, organizations, and leaders



Other Activities



Partnership for Progress

- A Federal Reserve Program
- Created to preserve and promote minority-owned institutions and enhance their ability to thrive in an increasingly competitive banking environment



Recap: Roles of the Federal Reserve

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Overall Strategy

“[I]n our demographic society, the Federal Reserve’s independence brings with it the obligation to be accountable and transparent. The Congress and the public must have all the information needed to understand our decisions, to be assured of the integrity of our operations, and to be confident that our actions are consistent with the mandate given to us by the Congress .”

- Federal Reserve Chairman Ben Bernanke, March 1, 2011

Questions?

