



# Overview of the Federal Reserve



Richmond • Baltimore • Charlotte

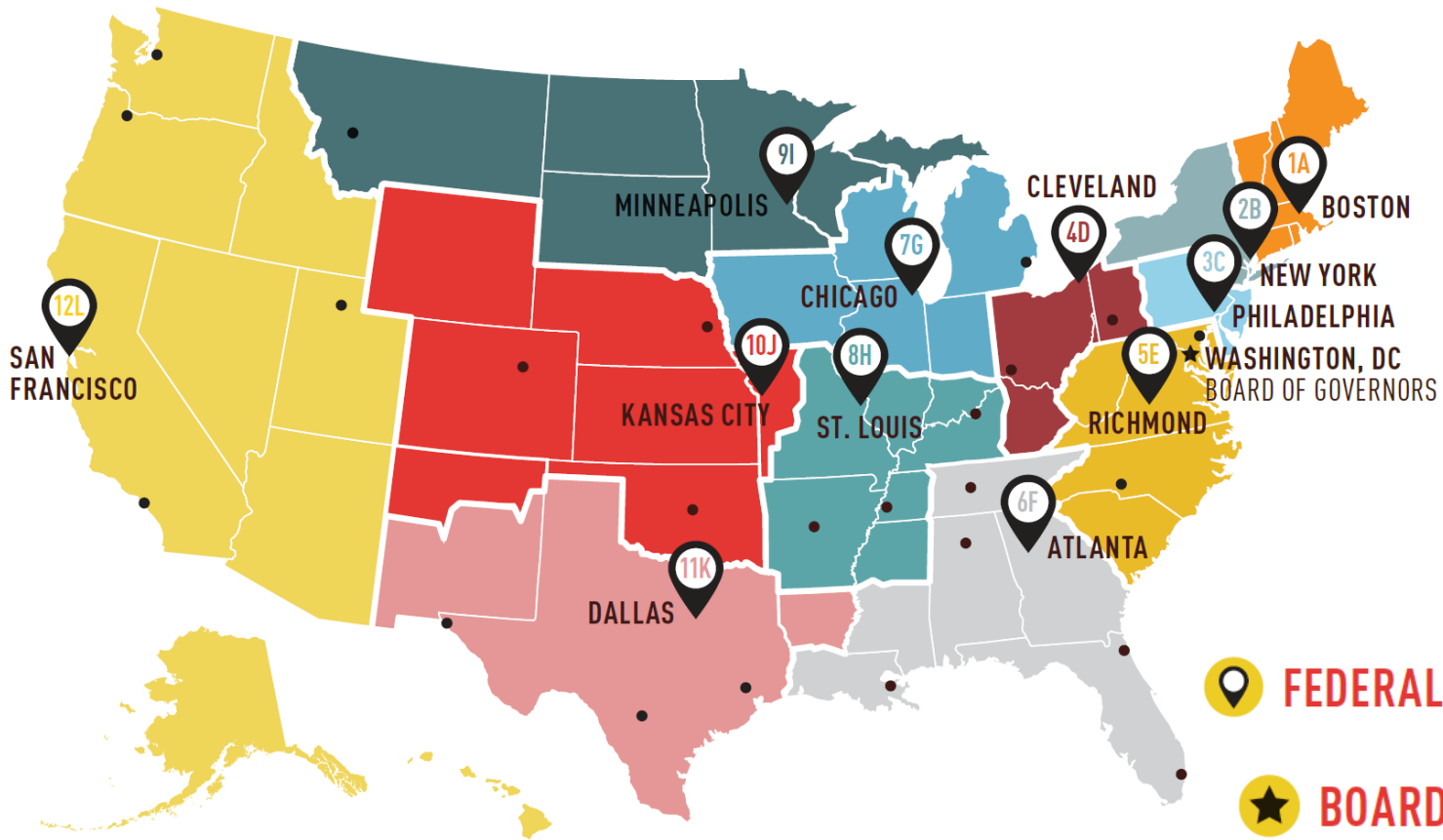
*The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.*

# Why Do We Have a Central Bank?

**Before the Fed was created a century ago...**



# How is the Fed Structured?



 **FEDERAL RESERVE BANKS**

 **BOARD OF GOVERNORS**

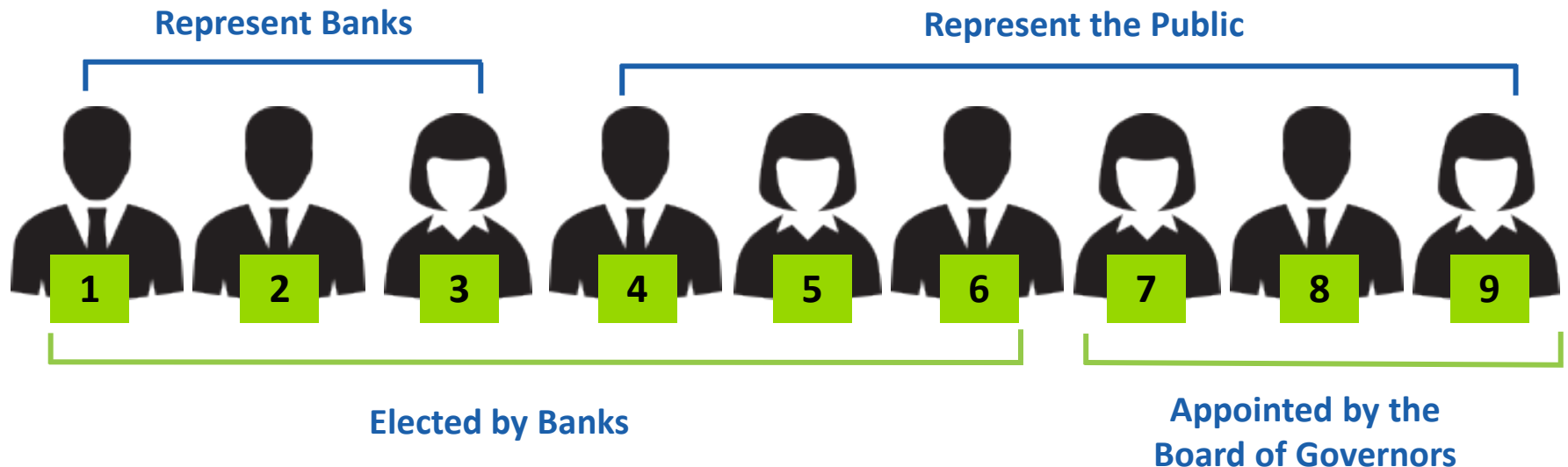
 **FEDERAL OPEN MARKET COMMITTEE (FOMC)**

# Reserve Bank Governance

## Each Reserve Bank has a Board of Directors that:

- Oversees Reserve Bank operations
- Provides “grassroots” information on economic conditions

Board members that represent the public appoint Reserve Bank presidents.

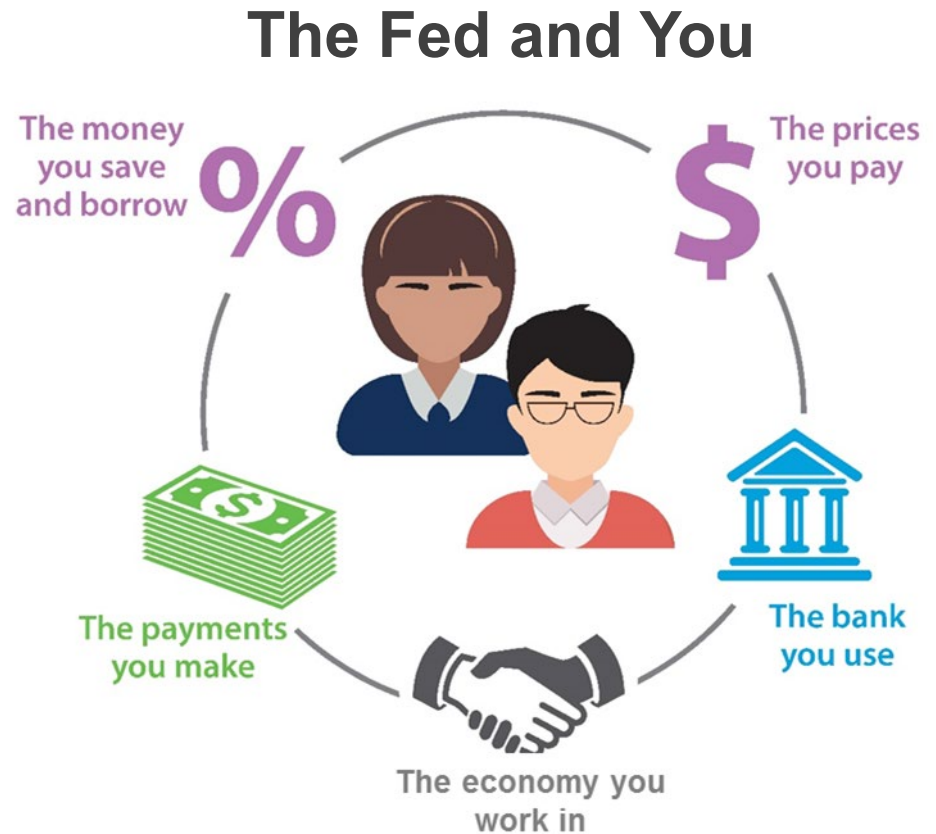


# Fed's Mission, Functions and You

**Mission:** To foster a stable banking system and a healthy, growing economy.

## Core Functions

- Monetary Policy
- Bank Supervision and Regulation
- Payment Services



# Monetary Policy

## Definition

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Actions taken by the central bank to influence interest rates in the economy

## Objectives (mandate from Congress)

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1. Maximum employment
2. Stable prices
3. Moderate long-term interest rates



# Goals of Monetary Policy

## Explicit price stability goal

- Inflation is determined primarily by monetary policy
- Inflation goal (specified by FOMC): 2 percent on average

## No explicit employment goal

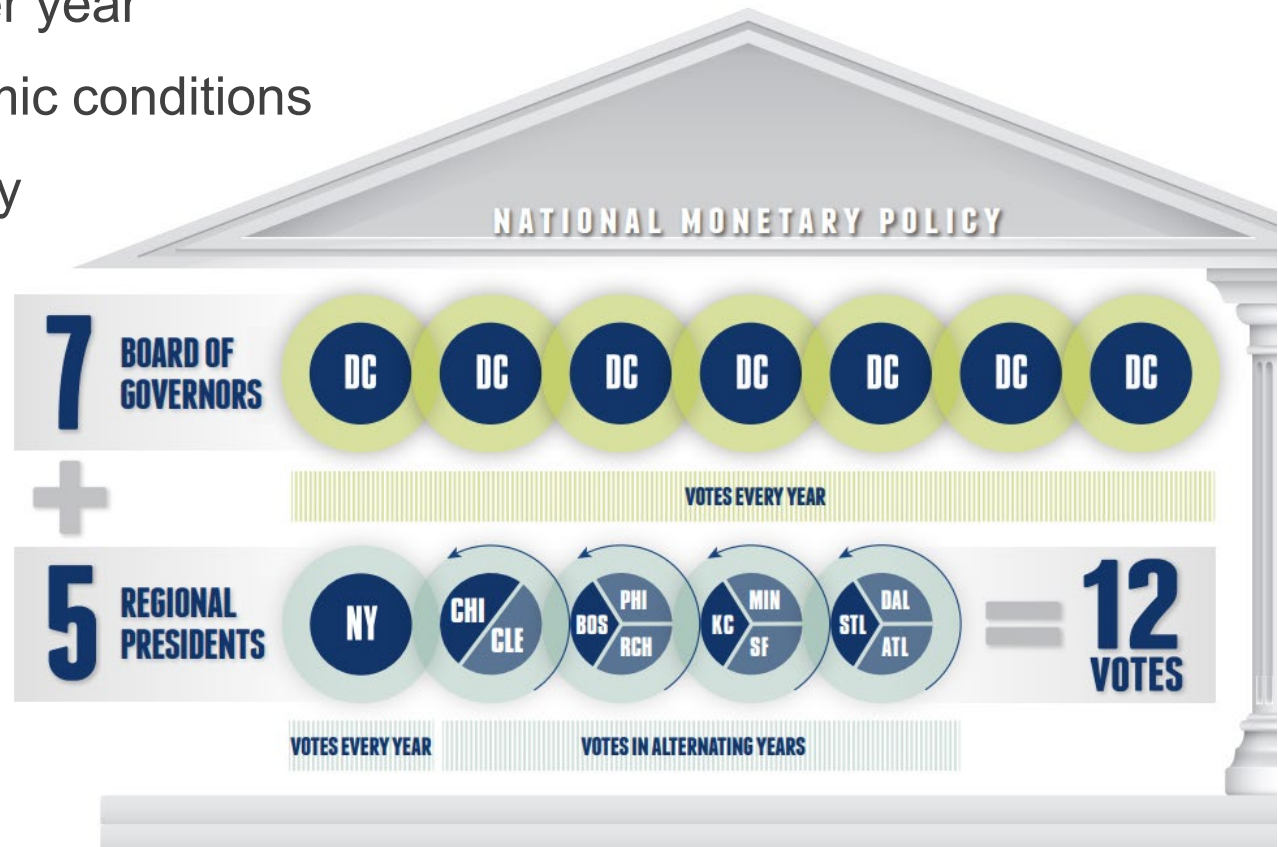
- In long run, employment is determined by factors outside monetary policy
- So, not appropriate to set fixed employment goal



# Process of Monetary Policy

## The Federal Open Market Committee (FOMC)

- 7 governors + 5 Reserve Bank presidents (4 rotating)
- Meets 8 times per year
- Analyzes economic conditions
- Determines policy





# Monetary Policy Independence

Fed's operations are audited by Congress, but monetary policy isn't.

## Why?

- It is politically tempting to boost employment through monetary policy.
- But in the long run, employment is determined by factors outside monetary policy.
- Continual monetary stimulus would **raise inflation**, with **no positive effect on employment**.
- Independence allows the Fed to stay focused on longer-term goals, while being able to achieve short-run objectives.

*Independence insulates monetary policy from short-term political influences.*

# Independence with Transparency

Fed's independence is balanced by transparency and accountability.

## How?

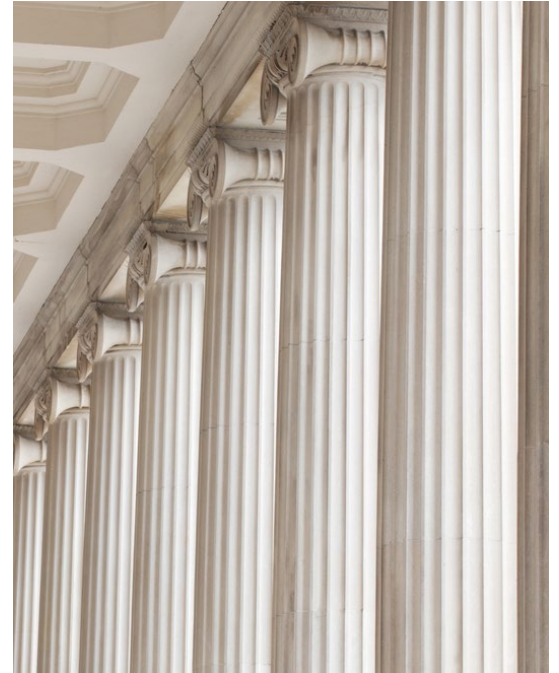
- Balance sheet made public, updated weekly
- Minutes of FOMC released within a month of meetings
- Verbatim transcripts of FOMC released with five-year lag
- Chair testifies to Congress twice a year
- FOMC statements, Chair press conferences, speeches

# Bank Supervision and Regulation

**The Fed supervises financial institutions to help ensure safe and sound banking practices.**

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- Board of Governors: Writes regulations
- Reserve Banks: Enforce regulations through supervision



# Bank Supervision and Regulation

## **Fed is one of several U.S. regulators**

- When jurisdictions overlap, the Fed works with other regulators

## **Richmond Fed supervises approximately:**

- 58 state member banks
- 208 holding companies

## **Examiners look at:**

- Sufficiency of capital, earnings, and liquidity
- Quality of management and assets
- Sensitivity to interest rate changes
- Compliance with consumer protection laws and regulations



# Payment Services

The Fed helps move payments from point A to point B.

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- Cash
- Checks
- Electronic payments
- Services to U.S. Treasury



# Payment Services

## Financial Services Provided Through Q3 2020, Average Daily Volume and Value

Payment Method	Volume (thousands)	Value (billions)
Fedwire Funds	701	\$3,377
Fedwire Securities	84	\$1,463
Automated Clearinghouse	71,337	\$147
Commercial Check Collection:	14,827	\$28
<b>Total Payments</b>	<b>86,949</b>	<b>\$5,015</b>
Cash (notes processed)	104,405	\$2
<b>Total, Including Cash Processing</b>	<b>191,354</b>	<b>\$5,017</b>

# Cash Processing in the Fifth District

## Every day, on average, the Richmond Fed:

- Receives 12.8K bundles (average \$233 million in value)
- Pays 13.5K bundles (average \$258 million in value)
- Processes 13.7 million notes (average \$232 million in value)
- Detects about 30 counterfeits across all three offices

## Unique to the Fifth District

- Currency Technology Office



# How does the Fed interact with the public?

The Fed engages with business and community leaders to better understand local economic conditions.

- Regional group collects data and information
- Advisory councils and Board of Directors provide anecdotal insight
- Bank President attends FOMC with this information





# How does the Fed interact with the public?

## Outreach Activities

- Community development
- Economic education

## Public Tours

- The Fed Experience
- Limited Branch tours



**YOUR CONNECTION TO THE ECONOMY AND THE FEDERAL RESERVE**

YOU PLAY A BIG ROLE IN THE ECONOMY AND SO DOES THE FED.

The Fed = The Federal Reserve

**YOUR ROLE IN THE ECONOMY**

- BUY THINGS
- SELL THINGS
- SAVE MONEY
- BORROW MONEY
- WORK
- PAY BILLS
- MAKE MAJOR FINANCIAL DECISIONS
- VOTE

**MONETARY POLICY**  
The Fed influences interest

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**CONNECTING RURAL HOUSEHOLDS TO BROADBAND: BARRIERS AND MODELS FOR PUBLIC INTERVENTION**

**THE PROBLEM** A smaller share of rural households in the 5th District are connected to the internet, compared with urban areas.

**HOUSEHOLDS WITH BROADBAND SUBSCRIPTION BY COUNTY TYPE, 2017**

County	Urban (%)	Rural (%)
West Virginia	70%	72%
South Carolina	70%	75%
North Carolina	79%	65%
Virginia	80%	68%
Maryland	83%	76%

TOTAL DISCONNECTED HOUSEHOLDS: 219,000 (West Virginia), 516,000 (South Carolina), 937,000 (North Carolina), 620,000 (Virginia), 375,000 (Maryland)

**HOUSEHOLDS IN 5TH DISTRICT WITH ACCESS TO NON-SATELLITE BROADBAND PROVIDER BY SPEED\* & COUNTY TYPE, JUNE 2017**

Speed	Urban (%)	Rural (%)
100 Mbps+ to Mbps	68%	83%
25 Mbps+ to Mbps	89%	96%
4 Mbps+ to Mbps	93%	96%
2 Mbps+ to Mbps	97%	98%

\*Uptake is slower partly because many rural areas do not have access to providers of high-speed internet.

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LIFE AFTER HIGH SCHOOL






investinwhatsnext.org

## Learn More

### Access publications and other information online at:

- [richmondfed.org](http://richmondfed.org)
- [federalreserve.gov](http://federalreserve.gov)
- [FederalReserveHistory.org](http://FederalReserveHistory.org)

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