

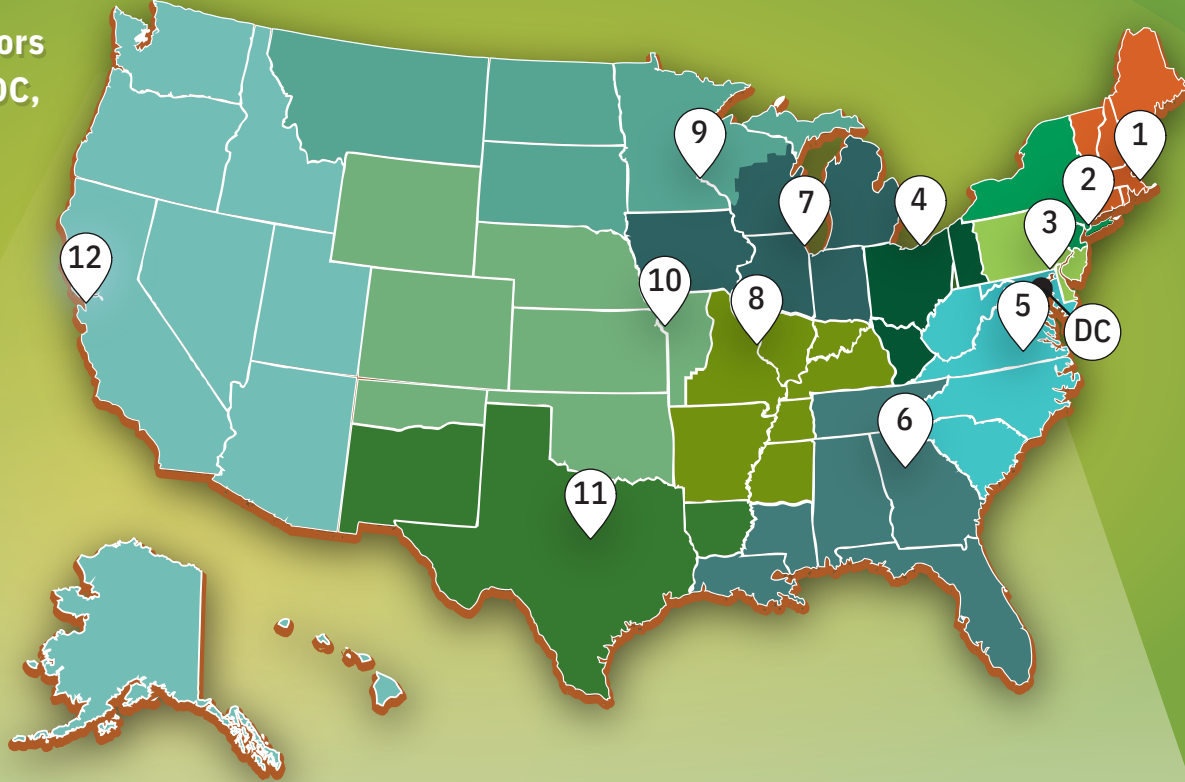
# The Fed Explained

The Federal Reserve is the central bank of the United States, with responsibility for overseeing the nation's monetary system.

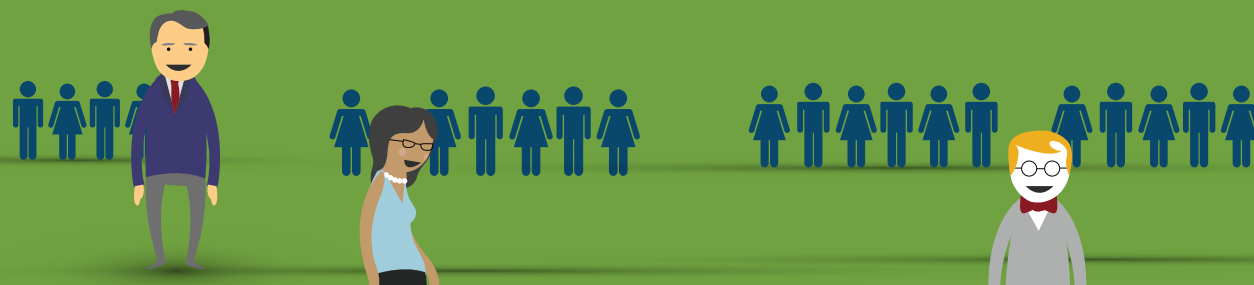
## Structure

Board of Governors in Washington, DC, and 12 regional Federal Reserve Banks

- 00 - Bank location
- ★ - Board of Governors



## Federal Open Market Committee



$$5 + 7 = 12$$

Fed presidents vote: New York and four others on a rotating basis\*

Fed governors vote: All members of the Board of Governors vote

Votes cast: At each of the eight FOMC meetings during the year

\*All presidents participate fully in FOMC meetings even if they are not currently voting members.

## Functions of the Federal Reserve

### Monetary Policy



- Discount rate
- Interest on reserve balances
- Open market operations
- Overnight reverse repurchase agreements
- Term deposit facility

### Payment Services



- Electronic payments
- Check collection & cash services
- Fiscal agent for the US Treasury
- Banker's bank
- Funds transfers

### Supervision & Regulation



- Regulations
- Bank exams
- Stress tests
- Safety & soundness

### Financial System Stability



- Minimizes and contains systemic risks
- Monitors financial system

### Consumer Protection & Community Development



- Administers consumer laws
- Promotes economic mobility for low-income communities

## The Dual Mandate

The Federal Reserve sets its policies to promote the following two conditions:

### Maximum employment

An unemployment rate of

**3.5–4.5%**

as reflected in the FOMC's Summary of Economic Projections

### Price stability

A target inflation rate that over time averages

**2%**

## Lender of Last Resort

The Federal Reserve System serves as the lender of last resort, a place where banks with good collateral can turn when they can't obtain credit elsewhere and their inability to obtain credit could put the nation's economy at risk.



## Audit

- ✓ Balance sheet posted weekly
- ✓ Independent audit
- ✓ Government Accountability Office (GAO) audit

## Funding

- ✓ Interest on securities
- ✓ Fees for services provided
- ✗ Federal budget appropriations

## Independence

The Federal Reserve helps keep the economy healthy without pressure from short-term political interests.

- Is subject to government oversight
- Works independently

## Transparency

- Frequent public speeches
- Released statements
- Published minutes
- Congressional testimony
- Explicit 2% long-term inflation target
- Press conferences after each FOMC meeting



Federal Reserve Bank of Atlanta

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