

# Regional connections to national policy:

DIRECTORS FROM THE KANSAS CITY FED'S DISTRICT OFFER LOCAL PERSPECTIVE





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The individuals who serve on the Federal Reserve Bank of Kansas City's Board of Directors come from a wide range of backgrounds spanning community development, business, banking, organized labor and entrepreneurship.

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**L**ike any corporate board, these individuals have important oversight responsibilities for the Reserve Bank's operations. However, these directors also serve another role unique to their connection with the central bank: They serve very literally as a conduit between the Federal Reserve's national policy deliberations and the communities of the Tenth Federal Reserve District.

In many aspects, they are the key component in the Federal Reserve's structure.

### **Local control**

When congressional leaders prepared legislation to create the nation's central bank in 1913, they recognized that it could not be under the sole control of the nation's political system. Elected leaders, they recognized, might not be willing to take difficult steps, such as increasing interest rates, because of political considerations. Certainly, the ability to secure short-term support by creating an artificial economic boom, and doing long-term damage to the nation's financial standing, was a very real concern. It is an issue that continues to plague some nations even today.

With the idea of giving total control to the private sector obviously not viable, they created a system that



**MEMBERS OF THE FOUR BOARDS** from Kansas City, Denver, Oklahoma City and Omaha gather with Reserve Bank staff on the Omaha riverfront, where five larger-than-life bronze sculptures depict the hard work and dedication of union labor. As a part of last year's annual joint Board meeting, the directors and staff toured an electrical union facility to learn how the union partners with the local business community to train skilled workers.

blended the two components: a central government agency in Washington, D.C., with broad oversight responsibilities while 12 regional Federal Reserve Banks located throughout the country are under the leadership of local boards of directors.

Although similar in structure with many corporate boards, a directorship of a regional Federal Reserve Bank might be comparable to a public service. Directors receive minimal stipends, but assume significant responsibilities during their three-year terms. By law, they are responsible for the Bank's operations and policies, but they also provide information on economic conditions within their community and area of expertise. This information, which

is provided during monthly meetings, plays a key role in preparations for meetings of the Federal Reserve's policy-setting Federal Open Market Committee. Additionally, the Bank's Board is responsible for establishing the discount rate, which is subject to review and determination by the Board of Governors in Washington, D.C.

## The directors

Just as the Federal Reserve's oversight is a blend of various components, the nine director seats on each Federal Reserve Bank's Board are filled through a variety of methods.

### Class A

Three Class A directors represent commercial banks that are members of the Federal Reserve System. These directors are bankers who are nominated and elected by member banks within the Tenth Federal Reserve District, which encompasses western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

For example, the current Class A director serving Group 3 member banks, which have less than \$3.25 million in capital and surplus, is Robert C. Fricke, president and chief executive officer of Farmers & Merchants Bank of Ashland in southeast Nebraska. Fricke is the great-great grandson of Farmers & Merchants founder Ernest A. Wiggenhorn, who opened the bank on Nov. 15, 1883. Today, the bank serves a community of about 2,200 residents from a building that Wiggenhorn opened in 1887.

### Class B

Three Class B directors represent the public. Class B directors may not be an officer, director or employee of a bank or bank holding company.

For example, the current Class B director elected by Group 2 member banks is Richard Ratcliffe, chairman of textbook seller Ratcliffe's Inc., based in Weatherford, Okla. The business, which serves colleges in the Sooner State including the University of Oklahoma, was founded nearly a century ago by Lee Ratcliffe,

who sold books off the shelves of his parents' sandwich shop.

Richard Ratcliffe's election to the Bank Board of Directors follows his serving as chairman of the Bank's Oklahoma City Branch Board.

### Class C

The public is also represented by three Class C directors. However, unlike Class B directors, these seats are appointed by the Board of Governors of the Federal Reserve System, adding another layer to the blending of public and private control over the nation's central bank. The Board of Governors also selects both the chairman and deputy chairman of each regional Federal Reserve Bank's Board of Directors from among the Class C directors.

These directors are highly insulated from banking relationships. They may not be an officer, director or employee of a bank or bank holding company. Additionally, these directors may not own stock in a bank or a bank holding company.

Among the Bank's current Class C directors is Terry Moore, president of the Omaha Federation of Labor, AFL-CIO. Moore, who has also held positions on the Bank's Omaha Branch Board of Directors and on its Economic Advisory Council, has headed the labor group since 1976. He is the longest-serving head of a labor federation in the United States and represents more than 30 unions.

### Branch directors

Each of the Federal Reserve Bank of Kansas City's Branch offices in Denver, Oklahoma City and Omaha also has its own seven-member board of directors. Four of these directors are appointed by the Federal Reserve Bank of Kansas City while three are appointed by the Board of Governors. Branch directors serve three-year terms and provide their respective Branch executives with insight on regional economic conditions as well as offer advice and counsel.

Individuals holding positions on Branch Boards in 2009 included Littleton, Colo.'s Larissa Herda, chairman, chief executive

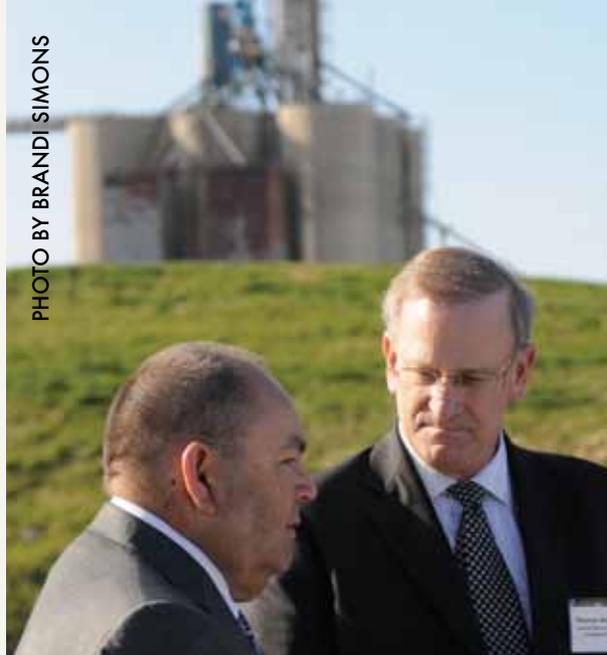


PHOTO BY BRANDI SIMONS

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AS A WAY TO EXPLORE THE TENTH DISTRICT more in-depth, Kansas City Fed officials, including President Tom Hoenig, right, and directors, including Oklahoma City Director Bill Anoatubby, governor, Chickasaw Nation, hold off-site meetings on a regular basis. They tour local businesses and organizations.

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officer and president of tw telecom inc.; Bill Anoatubby, who has served as governor of Oklahoma's Chickasaw Nation since 1987; and Rodrigo Lopez, president and chief executive officer of Omaha's AmeriSphere Multifamily Finance, LLC.

Learn more about the responsibilities and selection of directors in the President's Message on Page 1.



BY TIM TODD, EDITOR

### FURTHER RESOURCES

#### BOARDS OF DIRECTORS

To see a list of current and alumni members, visit [KansasCityFed.org/TEN](http://KansasCityFed.org/TEN).

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**COMMENTS/QUESTIONS** are welcome and should be sent to [teneditors@kc.frb.org](mailto:teneditors@kc.frb.org).