



Frequently Asked Questions

July 10, 2020

Get answers to commonly asked questions about the Federal Reserve, the Kansas City Fed and other banking-related topics.

The Federal Reserve

What year was the Federal Reserve created?

The Federal Reserve Act was established by Congress in 1913 and signed by President Woodrow Wilson on December 23, 1913.

The Federal Reserve Bank of Kansas City opened on November 21, 1914.

How many Federal Reserve Banks are there?

There are 12 Reserve Banks in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco.

Why does Missouri have two Reserve Banks - Kansas City and St. Louis?

Locations of Reserve Banks were selected based on population distribution and where financial centers were in 1914.

Government officials traveled the country early that year to visit potential Reserve Bank sites, including Kansas City and St. Louis. The officials determined that because each city served as important commercial and banking hubs for their respective regions that the Federal Reserve System would benefit from a Reserve Bank at both locations.

What are the primary goals of the Federal Reserve?

The Fed has two goals:

- To promote a stable and healthy economy
- To provide the nation with a safe, flexible and secure monetary and financial system.

What are the primary functions of the Federal Reserve?

The primary functions of the Federal Reserve are:

- Conducting the nation's monetary policy by influencing money and credit conditions in the economy.
- Supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers.

- Providing certain financial services to the U.S. government and financial institutions, including playing a major role in operating the nation's payments system.

What is the *Beige Book*?

The *Summary of Commentary on Current Economic Conditions by Federal Reserve District*, commonly known as the *Beige Book* because of the color of its cover, is a report published eight times per year prior to Federal Open Market Committee (FOMC) meetings. Each Federal Reserve Bank gathers anecdotal information on current economic conditions in its District through reports from Bank and Branch directors and interviews with key business contacts, economists, market experts and other sources. The *Beige Book* summarizes this information by District and sector. An overall summary of the 12 District reports is prepared by a designated Federal Reserve Bank on a rotating basis.

Who is the current chair of the Federal Reserve Board?

Jerome H. Powell took office as Chair of the Board of Governors of the Federal Reserve System on February, 2018 after being confirmed by the Senate, for a four-year term. Mr. Powell also serves as Chairman of the Federal Open Market Committee, the System's principal monetary policymaking body. Prior to his appointment to the Board, Mr. Powell was a visiting scholar at the Bipartisan Policy Center in Washington, D.C., where he focused on federal and state fiscal issues.

How can I open an account at the Federal Reserve?

Federal Reserve Banks are not authorized to open accounts for individuals. Only depository institutions and certain other financial entities may open an account at a Federal Reserve Bank.

How is the Federal Reserve funded?

The Federal Reserve's income is derived primarily from the interest on U.S. government securities that it trades through open market operations. Other sources of income are the interest on foreign currency investments held by the Federal Reserve System; fees received for services provided to depository institutions, such as check clearing, funds transfers, and automated clearinghouse operations; and interest on loans to depository institutions. After paying its expenses, the Federal Reserve turns the rest of its earnings over to the U.S. Treasury. Federal Reserve Banks are not government agencies, and while the Board of Governors is a part of the federal government, the Federal Reserve System is self-funded and is not a part of the congressional appropriations process.

To whom is the Federal Reserve accountable?

The Federal Reserve is accountable to the public and the U.S. Congress. The Fed has long viewed transparency as a fundamental principle of central banking that supports accountability.

In the area of monetary policy, the Federal Reserve reports twice annually to Congress on its plans for monetary policy. In addition, the chair and other Federal Reserve officials often testify before Congress, and Federal Open Market Committee (FOMC) participants make speeches to the public throughout the year and often take questions from the audience. To further foster transparency and accountability in monetary policy, the FOMC publishes a statement immediately following every meeting that describes the actions taken by the Committee, the votes of the members of the Committee, the rationale for its policy decision, its view of the economic outlook, and forward guidance regarding possible future actions. The Committee also publishes projections of FOMC participants four times per year. The Federal Reserve chair holds a press conference after the meetings in which the projections of FOMC participants are provided. Full minutes for each meeting are published three weeks after each FOMC meeting. Complete transcripts are published five years later.

The Federal Reserve is transparent and accountable in other ways. The Board of Governors is responsible for providing general supervision of Reserve Bank activities and performs an annual performance evaluation of each Reserve Bank. Additionally, the Office of Inspector General reviews the activities of the Board of Governors and reports its findings to the U.S. Congress and the public.

The financial statements of the Federal Reserve Banks and the Board of Governors are audited annually by an independent outside auditor. Also, the Federal Reserve publishes its balance sheet on a weekly and quarterly basis as part of its efforts to enhance transparency about its balance sheet, financial information, and monetary policy tools, and to ensure appropriate accountability to the Congress and the public.

Who owns the Federal Reserve?

The Federal Reserve System fulfills its public mission as an independent entity within government. It is not "owned" by anyone and is not a private, profit-making institution.

As the nation's central bank, the Federal Reserve derives its authority from the Congress of the United States. It is considered an independent central bank because its monetary policy decisions do not have to be approved by the president or anyone else in the executive or legislative branches of government, it does not receive funding appropriated by the Congress, and the terms of the members of the Board of Governors span multiple presidential and congressional terms.

However, the Federal Reserve is subject to oversight by the Congress, which often reviews the Federal Reserve's activities and can alter its responsibilities by statute. Therefore, the Federal Reserve can be more accurately described as "independent within the government" rather than "independent of government."

The 12 regional Federal Reserve Banks, which were established by the Congress as the operating arms of the nation's central banking system, are organized similarly to private corporations--possibly leading to some confusion about "ownership." For

example, the Reserve Banks issue shares of stock to member banks. However, owning Reserve Bank stock is quite different from owning stock in a private company. The Reserve Banks are not operated for profit, and ownership of a certain amount of stock is, by law, a condition of membership in the System. The stock may not be sold, traded, or pledged as security for a loan; dividends are, by law, 6 percent per year.

Does the Federal Reserve ever get audited?

Yes, the Board of Governors, the 12 Federal Reserve Banks, and the Federal Reserve System as a whole are all subject to several levels of audit and review:

- The **Government Accountability Office (GAO)** conducts numerous reviews of Federal Reserve activities.
- The **Board's financial statements**, and its compliance with laws and regulations affecting those statements, are audited annually by an outside auditor retained by the **Office of Inspector General (OIG)**.
- The Board's **OIG audits** and investigates Board programs and operations as well as those Board functions delegated to the Reserve Banks. Completed and active GAO reviews and completed OIG audits, reviews, and assessments are listed in the Board's *Annual Report*. (Before 2002, the reviews were listed in the Board's *Annual Report: Budget Review*.)
- The **financial statements of the Reserve Banks** are also audited annually by an independent outside auditor.

Each week, the Federal Reserve publishes its **balance sheet** and charts of **recent balance sheet trends**, as well as provides an **interactive guide to the Fed's balance sheet**. The balance sheet is included in the Federal Reserve's H.4.1 statistical release, "**Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks**."

In addition, the Reserve Banks are subject to annual examination by the Board. The Board's financial statements and the combined financial statements for the Reserve Banks are published in the Board's *Annual Report*.

See the Board's **audit page** for more information on all of the above audits and more information on the accounting, financial reporting, and internal controls of the Federal Reserve Board and Federal Reserve.

Does the Federal Reserve own or hold gold?

The Federal Reserve does not own gold. The Gold Reserve Act of 1934 required the Federal Reserve System to transfer ownership of all of its gold to the Department of the Treasury. In exchange, the Secretary of the Treasury issued gold certificates to the Federal Reserve for the amount of gold transferred at the then-applicable statutory price for gold held by the Treasury.

Gold certificates are denominated in U.S. dollars. Their value is based on the statutory price for gold at the time the certificates are issued. Gold certificates do not give the Federal Reserve any right to redeem the certificates for gold.

The statutory price of gold is set by law. It does not fluctuate with the market price of gold and has been constant at \$42 2/9, or \$42.2222, per fine troy ounce since 1973. The book value of the gold held by the Treasury is determined using the statutory price.

Although the Federal Reserve does not own any gold, the Federal Reserve Bank of New York acts as the custodian of gold owned by account holders such as the U.S. government, foreign governments, other central banks, and official international organizations. No individuals or private sector entities are permitted to store gold in the vault of the Federal Reserve Bank of New York or at any Federal Reserve Bank.

A small portion of the gold held by the U.S. Treasury (roughly \$600 million in book value)--about five percent--is held in custody for the Treasury by the Federal Reserve Banks, as fiscal agents of the United States. The vast majority of this gold is located in the vault at the Federal Reserve Bank of New York, and a very small portion is on display in several Federal Reserve Banks. The remaining 95 percent of U.S. Treasury gold (\$10.4 billion in book value) is held in custody for the Treasury by the U.S. Mint.

What is the Community Reinvestment Act and why was it created?

The Community Reinvestment Act (CRA) of 1977 was passed by Congress to ensure that banks meet the credit needs of their local communities and to encourage investment in the immediate communities served by depository institutions. Banks are rated periodically on their efforts to achieve these goals.

Does the Federal Reserve keep information about individual bank accounts?

No, the Federal Reserve does not have any information about individual bank accounts.

What factors make the Federal Reserve an independent organization and differentiate it from being a federal agency?

Three features make the Fed independent of governors, appointment of Reserve Bank presidents, and funding.

- The Fed is structured to be self-sufficient in the sense that it meets its operating expenses from its own earnings. Therefore, funding is independent of Congress appropriations. Income of the System is derived primarily from interest on U.S. government securities that it has acquired through open market operations. Other major sources of income are the interest on foreign currency investments held by the System; interest on loans to depository institutions; and fees received for services provided to depository institutions, such as check clearing, funds transfers, and automated clearinghouse

operations. After it pays its expenses, the Federal Reserve turns the rest of its earnings over the U.S. Treasury.

- The seven governors on the Board of Governors in D.C. are appointed by the President of the United States and confirmed by the Senate. They serve a term of 14 years which is much longer than elected official terms, and appointments are staggered to reduce the chance that a single president could appoint all of the Board.
- Each Reserve Bank has a Board of Directors that appoint the Bank president, subject to the approval of the BOG. This adds independence as the BOD are not chosen by politicians, but instead represent a cross-section of interests within the region, including depository institutions, non-financial businesses, labor, and the public.

However, the Federal Reserve is subject to oversight by the Congress, which often reviews the Federal Reserve's activities and can alter its responsibilities by statute. Therefore, the Federal Reserve can be more accurately described as "independent within the government" rather than "independent of government."

If the Federal Reserve does not print physical money, what does “printing money” refer to?

The physical printing for currency and coin is done by the Bureau of Printing and Engraving, which is a part of the U.S. Treasury Department. The term "printing money" often refers to a situation in which the central bank is effectively financing the deficit of the federal government on a permanent basis by issuing large amounts of currency. Although Federal Reserve purchases of Treasury securities do not involve printing money, the increase in the Federal Reserve's holdings of Treasury securities is matched by a corresponding increase in reserve balances held by the banking system. The banking system must hold the quantity of reserve balances that the Federal Reserve creates.

Are Federal Reserve employees considered federal government employees and receive government benefits?

No. Federal Reserve Bank employees are not government employees; however, Board of Governors employees are considered government employees. Each Reserve Bank determines its own benefits and human resources policies, and employees are paid as part of the expenses of their employing Bank.

The Kansas City Fed

When did the Kansas City Fed move to the building at 1 Memorial Drive? Where was the Bank previously located?

The Bank moved to 1 Memorial Drive in spring 2008. Previously, the Bank had occupied 925 Grand Boulevard for almost 90 years.

How can I schedule a tour of the Federal Reserve Bank of Kansas City?

Walk-in guests are welcome any time. Reservations are not required. Guided tours are available in Kansas City, Mo., to student groups with 12-50 attendees and require 15-day of advance registration. Learn more about our [Money Museum](#) in Kansas City, Mo., or Denver.

Where can I find information on job opportunities at the Federal Reserve Bank of Kansas City?

Visit [careers](#) to see [current job openings](#).

How many employees work at the Kansas City Fed?

About 1,400 employees work at the office in Kansas City, as well as at three Branch offices in Denver, Oklahoma City and Omaha.

Do you have any resources that would help me teach about money or the Federal Reserve in my classroom?

Yes, visit [FederalReserveEducation.org](#) for resources for educators, students, parents and the general public.

Currency and Coins

What does the Fed's Cash Department do with counterfeit bills it detects?

Bills which are suspected to be counterfeit are turned over to the local office of the Secret Service.

What bill is most often counterfeited?

The \$20 note is the most commonly counterfeited note.

Does the Federal Reserve produce bank notes and coins?

No, the Federal Reserve does not produce bank notes or coins. The Bureau of Engraving & Printing produces currency and stamps, and the U.S. Mint produces the nation's coins. The Federal Reserve issues Federal Reserve notes and places them in circulation.

I know the Federal Reserve is responsible for destroying old or unfit currency. How much currency is destroyed?

The Kansas City Reserve Bank destroys approximately \$3.7 million each day or \$930 million annually.

How long is the life span of U.S. paper money?

When currency is deposited with a Federal Reserve Bank, the quality of each note is evaluated by sophisticated processing equipment. Notes that meet our strict quality criteria--that is, they are still in good condition--continue to circulate, while those that do not are taken out of circulation and destroyed. This process determines the life span of a Federal Reserve note.

Life span varies by denomination. One factor that influences the life span of each denomination is how the denomination is used by the public. For example, \$100 notes are often used as a store of value. This means that they pass between users less frequently than lower denominations that are more often used for transactions, such as \$5 notes. Thus, \$100 notes typically

last longer than \$5 notes.

U.S. Currency Life Spans

Denomination Life Span	Estimated Life Span (as of December 2012)	None	None
\$1	5.9 years		
\$5	4.9 years	None	None
\$10	4.2 years	None	None
\$20	7.7 years	None	None
\$50	3.7 years	None	None
\$100	15.0 years	None	None

Federal Reserve Consumer Help

How do I know if a bank is safe and sound?

While the federal banking regulatory agencies do not make public their ratings on the safety and soundness of banks and thrifts, trained examiners closely monitor institutions' risk controls and operations. Some private companies offer either bank ranking services or credit rating/analytical services, but neither the FDIC nor the Federal Reserve endorse or confirm the information provided by such companies.

How can I file a consumer complaint about a bank?

The Federal Reserve urges you to file a complaint if you think a bank has been unfair or misleading, discriminated against you in lending, or violated a federal consumer protection law or regulation. You can file a complaint online through the [Federal Reserve's Consumer Complaint Form](#).

You can also call or email [Federal Reserve Consumer Help](#), the System's central repository for consumer complaints and inquiries, and they will walk you through the process of filing a complaint and answer any questions you might have.

Although the Federal Reserve looks into every complaint that involves banks it regulates, it does not have the authority to resolve every problem. There are several federal agencies who handle complaints about banks and other financial institutions, so the Federal Reserve may connect you with or forward your complaint to another federal regulator.

I received an email from someone claiming to be from the Federal Reserve that requested information about my bank accounts. Is this legitimate?

No. The Federal Reserve will never send unsolicited emails or make phone calls to consumers asking for personal information. Individuals should be suspicious of any message that claims to be from the Federal Reserve. Learn more about [frauds, scams](#) and [consumer alerts](#).
