RESERVE BANK CHECKS AND BALANCES

Under the Federal Reserve Act, each of the 12 Federal Reserve Bank presidents serve a five-year term that expires at the end of February in years ending with a 1 or 6. Although the presidents are subject to a formal term, their performance is assessed on an ongoing basis by both the Reserve Bank's local Board of Directors and the Federal Reserve's Board of Governors in Washington, D.C.

On Feb. 19, the Board of Governors approved the appointment of presidents and vice presidents at 10 Reserve Banks to another five-year term, including Kansas City Fed President Esther George and First Vice President Kelly Dubbert. The recently named presidents of the Dallas and Minneapolis Feds were already approved for terms to end in 2021.

With its vote, the Board of Governors approved the decisions of Reserve Bank directors, who, by law share oversight of their local Reserve Bank. Each Reserve Bank has a nine-member Board of Directors: three directors are bankers (Class A) and six are known as Class B and Class C directors. These six represent a wide range of interests, such as labor, agriculture, businesses and community groups, and they are responsible for appointing a president and first vice president.

In considering whether to reappoint a president, the eligible Reserve Bank directors assess their president's performance, including consideration of the president's ability to effectively lead the Reserve Bank, the president's performance in achieving the Reserve Bank's and Federal Reserve System's strategic objectives, and the president's ability to effectively represent the Federal Reserve to the public, among other factors. The Reserve Bank directors' assessment is also informed by annual discussions between the chair and deputy chair of each Reserve Bank board and the Board of Governors' Committee on Federal Reserve Bank Affairs.

Reappointments of the Reserve Bank president (CEO) and first vice president (COO) are subject to approval by the Board of Governors, which reviews the Reserve Bank directors' assessment of their president's performance and any additional perspectives from members of the Board of Governors. The process is an example of the checks and balances that are an important part of the central bank's structure.

2015 Kansas City Fed Board of Directors (For more information about the Bank's Board of Directors, go to pages 46-51 of this issue).

1

When a Reserve Bank presidency is open, the Bank's Class B and Class C directors select a new president, as called for by the Federal Reserve Act. These six directors represent a wide range of interests, such as labor, agriculture, businesses and community groups in a Reserve Bank's District. The three Reserve Bank directors who are bankers are not permitted to be involved in the process. The six directors who form the selection committee follow a detailed and thorough process that involves a national search firm. For a list of current Kansas City Fed board members, visit **www.KansasCityFed.org/aboutus/leadership**.

2

The Reserve Bank directors' selection of a president is sent to the Board of Governors in Washington, D.C. The governors—who are nominated by the U.S. president and confirmed by the Senate—are accountable for approving the Reserve Bank directors' selection, according to the Federal Reserve Act. For example, in 2011, Esther George was appointed president of the Kansas City Fed after a search process led by director Terry Moore, president of the Omaha Federation of Labor, AFL-CIO. For more details, see **www.KansasCityFed.org/~/media/files/publicat/newsroom/2011pdf/pressrelease091511.pdf.**

3

Under the Federal Reserve Act, oversight of the performance of a Reserve Bank and its president are the shared responsibility of local boards of directors and the Washington-based Board of Governors. The Kansas City Fed's board of directors meets 11 times a year and is responsible for reviewing organizational performance reports, metrics, internal and external audit assessments and budget performance. The Reserve Banks' budgets are set by the Board of Governors. Directors also engage in an annual strategic planning meeting with the Bank president and her senior leadership team. This level of review and engagement provides directors insight into Bank operations and the performance of key leadership.

4

In addition to ensuring the Bank's operations are well run, Kansas City Fed Chair Steve Maestas (left) and Deputy Chair Rose Washington (right) meet annually with the Board of Governors' Committee on Federal Reserve Bank Affairs to seek its input and perspective into the Bank's performance and the performance of its president. In addition, the chair and deputy chair of each Reserve Bank attend two Conference of Chairs meetings with the Board of Governors in Washington.

5

Before the expiration of a Reserve Bank president's term in years ending in 1 or 6 (such as 2011 and 2016), the directors, who represent the public, vote on whether to reappoint the president for another five-year term. Their decision is then forwarded to the Board of Governors in Washington, which then votes on the reappointment. For more information about the reappointment process for Reserve Bank presidents, visit **www.federalreserve.gov/faqs/what-is-the-process-for-reappointing-reserve-bank-presidents.htm.**