

January 6, 1993

To: Board of Governors and  
Reserve Bank Presidents

From: Don Winn 

Chairman Gonzalez has introduced his bill to make changes in the Federal Reserve --"The Federal Reserve System Accountability Act of 1993." The legislation includes the following:

Reserve Bank Presidents

- Requires that the Presidents of the Reserve Banks be appointed by the President of the United States and confirmed by the Senate, and requires that the President must include representatives of agriculture, small business, labor, consumer and community organizations, women, and minorities when appointing the Presidents of the Reserve Banks.
- The terms of current Presidents of the Reserve Banks would terminate one year after the date of enactment of the legislation.
- The Presidents would have five year terms. But they would be appointed to staggered terms. So, for the first round of appointments, three would have five-year terms; three would have four-year terms; two would have three-year terms; two would have two-year terms; and two would have one-year terms.
- Recess appointees and acting Presidents of the Reserve Banks--not having been appointed by the President and confirmed by the Senate--would be prohibited from participating in FOMC decisions.

### Disclosure of FOMC Actions

- Requires that the minutes of each meeting of the FOMC and a transcript and a videotape of the meeting be made publicly available within 60 days.
- Requires that a written description of any determination, decision, directive or other conclusions by the FOMC be made available to the public within a week of the meeting.
- Defines meeting to include "any executive session of the FOMC or any informal meeting or other occasion at which a quorum of the members of the Committee are present.

### Audits

- Permits full GAO audit of the Federal Reserve by striking out the exceptions in current law for monetary policy and relations with foreign central banks, etc.
- Requires that the financial statements of the Board and of the Reserve Banks be audited annually by an independent certified public accountant.

### Reserve Bank Directors

- Provides that only three directors of the Reserve Banks, the Class A directors, shall be elected by the member banks. The remaining six shall be appointed by the Board of Governors and would be designated as the Class B directors.
- Prohibits any director, officer or employee of a foreign bank which is controlled by the government of a foreign country from appointment or election to the board of directors of a Reserve Bank. Prohibits any foreign bank which is controlled by a foreign government from participating in the nomination or election of directors of the Reserve Banks.
- In appointing the six Class B directors of each Federal Reserve Bank, the Board would be required to include representatives of agriculture, small business, labor, consumer and community organizations, women and minorities. The Board would be

prohibited from appointing anyone who had been a director, officer or employee of a depository institution during the preceding two year period. The Board would also be prohibited from appointing anyone who had resided for less than two years in the Reserve Bank's district. ("consumer and community organization" is defined as "any organization which has more than a two-year history of representing consumer or community interests in the provision of banking services, services in connection with meeting credit needs, or housing and financial consumer protections.")

- The terms of all the present members of the boards of directors would terminate one year after the date of enactment.
- In appointing members of the board of directors of any branch of a Reserve Bank, the Board and the Reserve Bank would be required to include representatives of agriculture, small business, labor, consumer and community organizations, women and minorities. Other eligibility requirements described above for Reserve Bank directors would be extended to branch directors.

#### Reserve Bank Advisory Councils

- Requires each Reserve Bank to establish at least one advisory council consisting of representatives of agriculture, small business, labor, consumer and community organizations, women and minorities.

#### Freedom of Information Act

- Subjects the Federal Reserve Banks to the requirements of the Freedom of Information Act.

#### Civil Rights Act

- The Reserve Banks would be treated as government agencies under the Civil Rights Act of 1964, which would mean that they would be subject to the administrative apparatus and regulatory directives prescribed for federal agencies by the EEOC. The Board, which voluntarily complies with those procedures through its own regulation, would be subject to them formally.

**Federal Reserve Commission**

Establishes a Commission to conduct studies on the following issues:

- The appropriateness of the designation of Federal Reserve cities and the boundaries of the Federal Reserve districts.
- The appropriateness of the requirement that member banks purchase stock in the Federal Reserve Banks and the appropriateness of the rate of dividends paid to the shareholders.
- The extent to which the regulations and operations of the Federal Reserve have reduced or affected the availability of credit and financial services to low- and moderate-income families; and the extent to which they have increased the cost for obtaining financial services, including credit.
- The appropriateness of prohibiting the Federal Reserve from engaging in swap operations or maintaining any fund or account for such operations other than by direction of the Secretary of the Treasury.
- The appropriateness of the salary and classification structure for employees of the Board and the Reserve Banks.

The Commission would consist of nine members -- three appointed by the President, three by the Speaker of the House, and three by the President pro tempore of the Senate. The Commission would submit a report within 18 months containing its findings and conclusions together with recommendations for legislative and administrative actions.

Attached is a copy of Chairman Gonzalez' statement introducing the legislation as well as a copy of the bill and a section-by-section summary.

**Attachments**

cc: Messrs. Allison, Coyne, Farnsworth, Frost, Garwood, Kohn, Mattingly, Prell, Spillenkothen, Truman, Wiles