Statement of

Esther L. George

President

Federal Reserve Bank of Kansas City

before the

House Subcommittee on Monetary Policy and Trade

United States House of Representatives

Sept. 7, 2016

The views expressed by the author are her own and do not necessarily reflect those of the Federal Reserve System, its governors, officers or representatives.

Chairman Huizenga, Ranking Member Moore and members of the subcommittee, thank you for this opportunity to share my views on the role of regional Federal Reserve Banks as part of the Federal Reserve System.

Because the Federal Reserve is an institution that makes decisions of consequence to the broad public, a discussion of these matters is worthwhile. If changes are to be considered, the public should understand not only the Congressional intent for its current design, but also the strong safeguards that assure its accountability.

Central banks are unique institutions. They have important responsibilities for a nation's financial system and economy. Congress, as it contemplated a central bank for the United States more than 100 years ago, took note of central bank models from other countries, while keeping in mind two earlier attempts at central banking in the United States. Ultimately, it opted for a different approach: one that recognized the public's distrust of concentrated power and greater confidence in decentralized institutions. The Federal Reserve's unique public/private structure reflects these strongly-held views and is designed to provide a system of checks and balances. Challenges to this public/private design have surfaced throughout the Federal Reserve's history, not unlike they have today. But in the end, our country has remained most confident in this decentralized governance structure.

Criticism of the quasi-private nature of the regional Reserve Banks was anticipated from the start. Indeed, the Federal Reserve Act leaves no unchecked power in Reserve Banks. The politically-appointed members of the Board of Governors have oversight authority of the most important governance aspects of Reserve Banks. For example, they appoint the Chair and Deputy Chair of a Reserve Bank's board; they vote to approve the selection of the Bank's president as well as its chief operating officer; and they approve the Reserve Bank's budget and salaries. The Board of Governors also meets with each Banks' Chair and Deputy Chair annually to review the Bank's performance and that of its president. Finally, the Reserve Bank's operations are reviewed by the Board of Governors and an outside independent auditor.

Notwithstanding this strong public oversight, some question the role of commercial banks within the Fed structure. Here too, important safeguards exist. The supervision and regulation of the Federal Reserve's member banks is a statutory responsibility of the Congressionally-confirmed Board of Governors. Bankers who serve on Reserve Bank boards are prohibited by law from participating in the selection of the Bank president, and no director can participate in bank supervisory matters. Finally, all directors are required to adhere to high ethical standards of conduct and avoid actions that might impair the effectiveness of the Federal Reserve's operations or in any way discredit the reputation of the System.

The capital stock supplied by these member banks serves as the foundation for the decentralized structure allowing for separate corporate entities. Through the regional Reserve Banks, private citizens from diverse backgrounds and from the largest to the smallest communities, have input into national economic policy; strong and varied independent perspectives more easily emerge to engage in difficult monetary policy discussions; and the central bank is provided insulation from short-term political pressures.

Altering this public/private structure in favor of a fully public construct diminishes these defining characteristics in my view. It also risks putting more distance between Main Street and the nation's central bank.

Former Fed Chairman Paul Volcker understood this well. He experienced first-hand how public pressure can be exerted on a central bank when it must make unpopular decisions that he and the FOMC judged to be in the long-run best interest of the economy. In a 1984 speech, he noted the important role of the structure of the Federal Reserve System in supporting the central bank's decision making by saying, "It was all quite deliberately done by men of political imagination -- designed to assure a certain independence of judgment, a continuity and professionalism in staff, a close contact with economic developments and opinion throughout our great land and a large degree of insulation from partisan or passing political concerns."[1]

To that end, I extend a personal invitation for any of you to visit the Federal Reserve Bank of Kansas City to see what a regional Federal Reserve Bank provides in support of the central bank's objectives for economic stability.   Thank you. I look forward to taking your questions.

[1] Paul A. Volcker, "Remarks at the 78th Commencement of the American University," (speech, Washington, D.C., Jan. 29, 1984), https://fraser.stlouisfed.org/docs/historical/volcker/Volcker_19840129.pdf

STRUCTURE, GOVERNANCE, REPRESENTATION:

Federal Reserve Member Banks and Federal Reserve Bank Stock

Esther L. George
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Federal Reserve Bank of Kansas City

July 2016

INTRODUCTION

The Fixing America's Surface Transportation (FAST) Act changed the Federal Reserve Bank stock dividend rate for member banks with assets of more than $10 billion. The Act also placed a cap of $10 billion on the aggregate surplus funds of the Federal Reserve and directed that any excess be transferred to the Treasury general fund. The potential policy implications of modifying dividends to member banks, or more generally, the requirement for member banks to purchase stock in a regional Federal Reserve Bank, should be studied carefully before altering this long-standing institutional design of public and private interests serving the American public.

In designing the governance structure more than a century ago, Congress accepted a compromise proposal from President Woodrow Wilson to create a central bank with a combined public and private structure with those roles filled respectively by the Board of Governors of the Federal Reserve System and the regional Reserve Banks. In this design, the stock ownership of the regional Reserve banks is a key component in a central bank design that provides representation for both the public and private interests with each acting as a potential limit on the control of the other.

The debate regarding the role of Federal Reserve stock in the Federal Reserve System structure is not a new one: In 1938, Congressman Wright Patman proposed that the government should take over the Reserve Bank stock, effectively turning the regional Reserve Banks into full government entities. At the heart of this issue is whether changes that aim to alter the private/public status of the central bank and potentially nationalize the 12 regional Federal Reserve Banks could undermine the barriers carefully constructed by Congress to protect against political pressures on Federal Reserve policies.

This analysis offers historical perspective on these issues, as well as an assessment of the effectiveness of the current governance and structure of the Federal Reserve System.

A LOOK BACK ON CENTRAL BANKING IN THE UNITED STATES

A careful reading of Federal Reserve history will find that proposals for increased government authority over the Federal Reserve are often raised most pointedly during periods when government debt is high. Pressure on the Federal Reserve to implement policy supportive of government spending dates back almost to the 1913 founding of the Federal Reserve and the subservient role the Federal Reserve soon assumed related to government financing demands in connection with World War I. Similar pressure continued during and after World War II.

The views expressed by the author are her own and do not necessarily reflect those of the Federal Reserve System, its governors, officers or representatives.

Eventually, the Federal Reserve's resistance to continually supporting government spending led to a formal accord with the Treasury in 1951.

The list of events that have occurred in these environments is long and includes such high-profile instances as pressure from President Lyndon Johnson to hold rates low as a means of supporting his proposals during the Vietnam War to calls for Federal Reserve Chairman Paul Volcker's resignation during the Federal Reserve System's successful, but painful, battle against high inflation. Beyond these major events, numerous legislative initiatives have met varying degrees of success over the years but have overall led to what Duke University economics professor Thomas Havrilesky termed the "deterioration of traditional constraints on the political manipulation of monetary policy" since the modern Federal Open Market Committee (FOMC) was created in 1935.[2]

The Failure of Earlier Central Bank Designs

At the time of the Federal Reserve's founding, the United States had already witnessed two unsuccessful attempts at establishing a central bank. Neither was able to outlast their initial 20-year charter.

There was intense political debate around the creation of both the First Bank of the United States, in 1791, and its successor, the Second Bank of the United States, in 1816. While recognizing the need for the stability that a central bank could provide, many Americans with vivid memories of the fight to win independence from England were understandably leery of creating another powerful institution. As a result, both the First and Second Banks were the focus of significant public distrust. Both were highly centralized institutions that many Americans viewed as too closely aligned with powerful political and financial interests of the Northeast. In the early 1900s, after a series of financial crises, a third effort was launched to create a central bank with a structure that combined both government and private interests.

Carter Glass, the House sponsor of the Federal Reserve Act and the legislation's key author, explained the challenges in a report to the 63rd Congress:

> *"In the United States, with its immense area, numerous natural divisions, still more competing divisions, and abundant outlets to foreign countries, there is no argument either of banking theory or expediency which dictates the creation of a single central banking institution, no matter how skillfully managed, how carefully controlled or how patriotically conducted."*

As Glass's comment suggests, the concern about centralization was not something that could be addressed solely by geography or the number of bank facilities. Nor was it simply a question about adjusting the bank's ownership structure. While both of those are elements of a decentralized structure, arguably the most important issue—and the glaring weakness of both the First and Second Bank—was the centralization, or the perceived centralization, of control.

Indeed, both the First and Second Banks were geographically diverse with branch offices located in the important financial centers of their eras. Additionally, both had a combined public/private ownership; however, the ownership structure utilized in each case was problematic for two key reasons: the need for profits, and the homogeneity of ownership and centralization of control.

[2] T. Havrilesky, "The Politicization of Monetary Policy: The Vice Chairman as the Administration's Point Man." *Cato Journal*, Vol. 13, No. 1 (Spring/Summer 1993). Copyright Cato Institute.

- The Risks of a Structure that Requires Profits

Although the nation's first two central banks had slight differences, particularly in their size, they were alike in many key structural ways. In both cases, private investors held an 80 percent ownership stake while the government held the remaining 20 percent. Investors acquired their shares through an initial public offering (IPO) process that was similar to other public stock offerings. In the case of both banks, the IPO involved the immediate sale of subscriptions, or "scrips," that were essentially a down payment for a later stock purchase. Scrip and stock purchases for the First Bank, which required the combined use of specie (gold or silver) and U.S. debt securities to complete the transaction, created what is now considered the nation's first financial crisis when scrip prices soared on high demand, causing debt markets to become distorted. While this distortion and the resulting U.S. financial crisis was an early indication of one of the many potential risks in a profit-seeking central bank structure, the era's more prominent international example involved the privately-held French central bank, Banque de France, which took actions in the 1880s to protect and increase profits—moves that had a negative impact on its effectiveness as a central bank.

- The Consequences of a Homogeneous Leadership Structure

Shares for both the First and Second Banks were prohibitively expensive for most Americans. Stock in the First Bank, for example, was initially offered at $400 per share (the equivalent of about $10,000 in 2016 after accounting for inflation). Stock in the Second Bank was still pricey at about a quarter of that cost. As a result, U.S. central bank ownership was vested primarily in the hands of wealthy and powerful individuals (including—perhaps unexpectedly—a number of foreign investors). Similarly, the majority of the directors of the First and Second Banks were elected from the ranks of the politically and financially powerful, including some members of Congress, who lived in and did business in the nation's power centers. The lack of diversity of central bank leadership was a major criticism, especially from those living outside of the East Coast.

The Combination of Public and Private Components: Checks and Balances

Economic historians sometimes note that the fundamental issue about a U.S. central bank correlates with the fundamental issue dividing America's two chief political ideologies: the role of government versus the role of the private sector.

At the time of the Federal Reserve's founding, most of the world's other central banks were privately held institutions. In the United States, the Federal Reserve's congressional creators recognized that a private structure would not work and instead devised a structure with checks and balances between the private sector and the government.[3]

Balancing government authority over the central bank was not solely about placating political ideologies that preferred limited government. The primary motivation was to avoid the use of monetary policy and inflation as the means of financing government debt. Related to this concern, of course, was the risk of Federal Reserve policy manipulation for political gain.

[3] T. Todd, The Balance of Power: The Political Fight for an Independent Central Bank, 1790-Present, Federal Reserve Bank of Kansas City, 2009.

To address concerns about national debt funding, the Federal Reserve Act expressly prohibited the direct financing of the Treasury. However, since the Federal Reserve's founding, political pressure to ease monetary policy has surfaced.[4]

To mitigate this political pressure, the Federal Reserve's creators made the Reserve Banks private entities under the supervision and control of a board of directors with authority to perform all duties usually pertaining to directors of a banking association. This includes the appointment of the president and first vice president (directors affiliated with supervised entities are no longer involved in this process), appointment of officers, prescribing by-laws, and designating a representative for the FOMC. As initially designed, the Reserve Banks were far more autonomous than they are today. While the Federal Reserve System's government component has always been responsible for Reserve Bank oversight, the Federal Reserve's key functions, including monetary policy, were under the purview of the Reserve Banks during the System's early history. Over time, the monetary policy function has become balanced between the private and public components with the Board of Governors holding the majority votes. The FOMC consists of 12 members: seven members of the Board of Governors and five Reserve Bank presidents.

Private Sector Involvement

While private sector involvement through a network of separate and distinct Reserve Banks located across the country expanded leadership diversity and helped balance government authority, on the surface it presented another problem: how to engage the private sector while preventing risks associated with a pure-profit motivation. This aspect was addressed by putting restrictions on Reserve Bank stock and establishing the Board of Governors' authority for oversight of the Reserve Banks.

While law requires stock ownership in Federal Reserve Banks as a condition of a commercial bank's membership in the Federal Reserve System, this stock is not like stock available on public markets. It may not be sold, traded or pledged as security for a loan. It does pay a dividend rate that is established by statute and, as a result, cannot be manipulated through the use of Federal Reserve policy tools or otherwise. This design provides the Federal Reserve System with private ownership over the Reserve Banks, but without the profit motivation that can distort policy.

Stock ownership allows member banks to nominate and elect Class A and B directors to a Reserve Bank's Board of Directors. However, unlike traditional corporations which grant one vote per share, the Federal Reserve Act provides for class voting wherein each member bank receives one vote as a member of one of three designated classes based on the total amount of capital, surplus and retained earnings of the member bank. There are further limitations on voting as each class elects only one Class A and one Class B director.

In addition to these restrictions on Reserve Bank stock, the Board of Governors plays an important oversight role, including its authority to:

- Examine at its discretion the accounts, books and affairs of each Reserve Bank;
- Suspend or remove any officer or director of a Reserve Bank;
- Order an annual independent audit of the financial statements of each Reserve Bank;

[4] T. Todd, Under Pressure: Politics and The Federal Reserve During the 1990-1991 Recession, Federal Reserve Bank of Kansas City, 2011.

- Approve compensation provided by Reserve Banks to directors, officers, and employees;
- Approve the president and first vice president appointed by the Reserve Bank Class B and C directors; and
- Appoint three of the nine Reserve Bank directors, including the Reserve Bank's chair and deputy chair.

MEMBER BANKS HELP RESERVE BANKS FULFILL THEIR MISSION

Stockholders of the Federal Reserve System, also referred to as members, have some rights and obligations similar to traditional corporate stockholders in that they provide capital to the Federal Reserve Banks, which are federally-chartered corporations. All national banks along with state-chartered banks that choose the Federal Reserve as the bank's primary federal regulator are required to purchase Federal Reserve stock. By purchasing stock, members are entitled to a dividend fixed by statute as well as a role in Reserve Bank governance.[5] Members are therefore invested in the Reserve Banks' and Federal Reserve System's success and are integral to the Federal Reserve's mission. Member banks must buy stock in the Federal Reserve Bank equal to 6 percent of the bank's capital, 3 percent of which is held at the regional Reserve Banks. The other 3 percent is callable by the Bank in certain circumstances. Paid-in capital from member banks was the initial funding mechanism for the Federal Reserve Banks, and the 3 percent on call remains available in the event it is needed by the Reserve Banks.

Role of Member Banks in Governance of Reserve Bank Activities

Stockholding member banks elect a portion of the Reserve Banks' director seats,[6] are core to Reserve Bank corporate governance and provide critical industry information and

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[5] The dividend rate was set to 6 percent in the original 1913 Federal Reserve Act to provide a rate of return comparable to alternative risky investments and to attract state-chartered banks as members. Investing in the Federal Reserve in 1913 was not risk-free given that the previous two central banks in the United States had not survived and the short-term ability to pay a steady dividend was unclear. Today, however, Federal Reserve stock is essentially a risk-free perpetual bond as long as a bank chooses to remain a member. While the dividend remained unchanged for over a century, analysis by the Bipartisan Policy Center found it was similar to the average return on the 10-year U.S. Treasury note over that period (A. Klein, K. Readling, O. Weiss, A. Woff; "Federal Reserve Dividends Should Not Be a Piggy Bank for Congress." Bipartisan Policy Center, 2015). The Fixing America's Surface Transportation Act, 129 Sat. 1312 ("FAST Act"), effective Jan. 1, 2016, changed the dividend for stockholder banks with more than $10 billion in total consolidated assets from a fixed 6 percent rate to a dividend equal to the lesser of 6 percent or the rate equal to the high yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend. The 10-year Treasury bond rate is seen by some as a reasonable alternative because it is the benchmark risk-free rate used for most long-term, fixed-rate investments and has a long history of continual issuance. The 30-year Treasury rate might also be an option because it is the longest maturity Treasury rate, but there is a risk that the Treasury could decide to stop issuing it at some point as it did from late 2001 to early 2006.

If a market rate is used as a reference rate, it should not be capped at 6 percent as it currently is for member banks with more than $10 billion in assets. Using a market rate only when it is below a threshold is economically inconsistent with the notion of tying returns to the market, and it is inequitable to penalize member banks when rates rise above the threshold. In addition, changing the dividend has raised questions about the appearance of breaking an agreement with members. The American Bankers Association asserts that the FAST Act's dividend rate change amounts to an unconstitutional taking of member banks' property without compensation. See Letter dated April 28, 2016 from Rob Nichols, president and CEO of the American Bankers Association, to Robert de V. Frierson, secretary, Board of Governors of the Federal Reserve System (Attachment B). An alternative would be to allow current members to retain the 6 percent dividend or elect the 10-year Treasury rate and issue a new class of stock for new members with the dividend tied to the 10-year Treasury rate.

[6] Class A and B directors are nominated and elected by member banks within their respective Federal Reserve District. Unlike traditional corporations, which grant one vote per share, the Federal Reserve Act provides for class voting wherein each member, regardless of shares, receives one vote as a member of one of three classes. The classes are designated based on the total amount

perspective on economic and banking conditions. At the same time, the structure includes shared oversight with the politically appointed Board of Governors that prevents members from having undue influence on Federal Reserve System activities.

The Federal Reserve Act states that every Reserve Bank "shall be conducted under the supervision and control of a board of directors," and provides that the nine director positions of the Reserve Bank's board of directors are filled through two methods: election and appointment (12 U.S.C. 301). Only three of the nine directors on a Reserve Bank's board may be officers, directors or employees of a bank. Those directors (Class A) are chosen to represent member banks. The remaining six directors (Class B and Class C) cannot be bankers, and are chosen to represent the public with "due but not exclusive regard to agriculture, commerce, industry, services, labor and consumers" (12 U.S.C. 302). While member banks nominate and elect the Class A and Class B directors, this Reserve Bank's staff plays an important role in considering representation from local and regional organizations to identify qualified candidates. Likewise, Class C directors are identified by Reserve Bank leadership with appointment by the Board of Governors. The chair and vice chair of the Reserve Bank board of directors must be selected from the Board of Governors-appointed Class C directors. Reserve Bank directors come from diverse backgrounds in the region and across industries. They must comply with legal requirements and rules related to their eligibility and conduct.

Benefits of Banker Directors

Reserve Banks are nationally chartered banks that serve as the operating arms of the central bank. They function much like a banker's bank or a clearing house. As such, banker directors' knowledge of the payments system complements the Reserve Banks' operational role in providing financial services to the industry. Indeed, corporate best practices recognize that "the key to effective board composition is ensuring that the people gathered around the board table can leverage their experience to contribute in meaningful ways, to understand the issues, ask the right questions, demand the right information, and make the best possible decisions."[7] Class A directors bring informed views related to banking, as well as to the industries of their customers, and act as consolidators of information. For instance, a banker director can provide details about lending trends, stresses in the financial system, and other banking metrics, in addition to sharing insights into farming, commercial real estate, housing and the auto industry. Their reports at Reserve Bank board meetings offer input to economic analysis used by Reserve Bank presidents for monetary policy.

Limitations to Banker Influence

While Reserve Bank directors have important oversight responsibilities for the operation of their respective Reserve Bank, they have no involvement in the Federal Reserve's supervision of depository institutions. By law, the Board of Governors of the Federal Reserve System is responsible for the supervision and regulation of banks, and any information or discussion related to supervisory issues is conducted directly between a regional Reserve Bank's staff and the Board of Governors. In addition, any supervisory matter regarding a Class A director's bank is handled by the Board of Governors.

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of capital, surplus and retained earnings of the member bank within the class. Not every class votes each year, and each group within the class elects one Class A and one Class B director.

[7] D. Nadler, B. Behan, and M. Nadler, Building Better Boards (Jossey-Bass 2006).

Reserve Banks may not provide confidential supervisory information to any director (12 C.F.R. 261.2). Moreover, Reserve Bank directors may not participate in bank supervisory matters and may not be consulted regarding bank examination ratings, potential enforcement actions, application/approval matters, or similar supervisory matters. In regard to the Reserve Banks' lending activity involving financial institutions, directors receive only aggregate information about loans extended to ensure adequate knowledge of the Reserve Bank's balance sheet per their oversight responsibilities. Finally, if a banker director wants to convert his or her bank to Federal Reserve membership or take any other actions that would involve Federal Reserve regulatory approval, the Board of Governors in Washington must act on the application without Reserve Bank involvement.

Statutory and Policy Restraints

The directors representing member banks are subject to other restraints by statute and through System policy. As noted above, only Class B and Class C directors appoint, subject to approval by the Board of Governors, the Reserve Bank president and first vice president. Class A directors are excluded from that process to eliminate the perception that they have a role in choosing their regulator. Class A directors also are prohibited from participating in the selection, appointment or compensation of Reserve Bank officers whose primary duties involve supervision of banks for the same reason.

All directors are subject to the Guide to Conduct for Directors of Federal Reserve Banks and Branches (http://www.federalreserve.gov/generalinfo/listdirectors/PDF/guide-to-conduct.pdf), a policy implemented to ensure adherence to high ethical standards of conduct, and avoid actions that might impair the effectiveness of Federal Reserve System operations or in any way discredit the reputation of the System. The policy details procedures when directors are involved in procurements as a means to avoid any actual or apparent conflicts of interest. Further, while the policy allows for waivers, it indicates waivers are both highly unlikely and strongly discouraged except under the most exigent and extraordinary circumstances. This Reserve Bank has never sought a waiver for a director.

CONCLUSION

Altering the current structure and character of the Federal Reserve System risks diminishing the effectiveness of its operations.

For more than a century, the structural design of the Federal Reserve System has functioned well in carrying out its mandates from Congress. It is possible that Reserve Banks could operate as separate corporate entities without stock ownership, but altering the central banks' current design creates the potential to diminish its effectiveness.

- The private nature of the Reserve Banks through stock issuance to member banks provides balance to the public nature of the Board of Governors. The public's trust and confidence is enhanced by this "balance of power."
- Requiring stock purchases through capital investment creates incentives for member banks to support successful outcomes for the Reserve Banks.
- Rather than a Washington-centric voice for the Federal Reserve System, the structure of 12 separate Reserve Banks encourages strong and varied perspectives from across the country as the System fulfills its mission.

- The structure of the Reserve Banks as separate corporate entities allows private citizens from communities across the country to have input into national economic policy.
- The current decentralized structure insulates the Federal Reserve System from certain political pressures, as the Reserve Bank presidents are not political appointments, but instead chosen by Class B and Class C directors, with approval by the Board of Governors.

Nationalizing the Reserve Banks, and thereby making them essentially field offices of the Board of Governors, would dramatically alter these defining characteristics.

PUBLIC COMMENTS ON STRUCTURE AND GOVERNANCE

Esther L. George
President and Chief Executive Officer
Federal Reserve Bank of Kansas City

THE EXCHEQUER CLUB, WASHINGTON, D.C.

May 21, 2014

An “End the Fed” demonstration took place outside my office last Saturday on Main Street in Kansas City, Missouri. It was a reminder that democracy demands accountability from its most powerful institutions to its citizens. The Federal Reserve is no exception.

In my role as president of a regional Reserve Bank, I am well aware of the range of views on the topic of Federal Reserve accountability. I’d like to share with you some comments I read recently. For example, one commentator wrote that even if the central bank’s “power would remain in the hands of the wisest, the most honorable, and the most disinterested” leaders, “it would not be possible to satisfy the people throughout the country that the vast resources and powers of the bank were used only for the best interests of all the people and without partiality or favor to any section of the country, or to any class or set of people....” When it comes to the nation’s financial matters, someone else noted that authority should not be “concentrated in one city where a small clique could control the system.”

Yet another comment stated that, “The business resources of the United States...cannot be centralized. ...By reason of the great expanse of the country and the diversity of business conditions in the different sections of the country, the details of the business of a central bank could not be managed at a central office.”3 Finally, the desire for local control was highlighted in this comment: “No centralized power could dominate an organism whose life is drawn from functions local to each community.”

The sentiments behind these words—concerns about power and the concentration of financial resources—ring true, but they are not in fact comments on the recent financial crisis. This commentary offers a flavor of the robust and contentious public debate that preceded the signing of the Federal Reserve Act in 1913. It is striking to me how familiar those words are today. It was this public sentiment about the country’s economic future under a central bank that influenced Congress to shape the institution in a way that would garner the trust and confidence of the American public. The result was a decentralized structure that exists today with locations across the country operating under a rigorous system of checks and balances.

As a career Federal Reserve employee, bank supervisor and lifelong Missourian, I understand the importance of having a central bank that is accountable to the public. In fact, as an official with input to national policy who lives and works in the center of the United States, my role is not happenstance, but rather it is a deliberate choice on the part of the Federal Reserve’s congressional founders that reflects their intentions for the structure of the nation’s central bank. It is my view that the Federal Reserve’s ability to achieve its broad objectives over the past century has been possible because of its decentralized structure.

Full speech text:

https://www.kansascityfed.org/~/media/files/publicat/speeches/2014-george-washington-exchequer-05-21.pdf

CENTRAL EXCHANGE, KANSAS CITY, MO.

Feb. 2, 2016

… As the Federal Reserve contemplates the appropriate path of normalizing its monetary policy, it naturally does so with considerable public attention. One source of this attention comes from Congress itself. Calls for legislative reforms of the Federal Reserve have persisted over the past five years, ranging from its structure and governance to its monetary policy approach and decision making. Additionally, Congress has shown its willingness to tap the Federal Reserve to fund fiscal activities ranging from new government agencies to highway construction.

I understand that Fed actions during the crisis have raised a number of questions about the institution and its scope. When Congress established the Federal Reserve more than a century ago, it designed the institution to be apolitical but with accountability to Congress. This construct was designed to protect the stewards of the nation's money supply from the vulnerabilities associated with short-term political agendas. It includes important checks and balances that are often misunderstood, but nonetheless critical to the functioning of the institution.

During my 33 years at the Federal Reserve Bank of Kansas City, the primary focus of thousands of dedicated Federal Reserve employees has been the health of the economy, supported by an efficient and accessible banking and payments system. To the extent that there is any doubt in the minds of Congress or the public about this, it is incumbent on the Federal Reserve to work with Congress in a direct and transparent way until we satisfy any remaining questions about the execution of our mission. Such dialogue would provide the highest probability for outcomes that best serve the public interest.

Full speech text:

https://www.kansascityfed.org/~/media/files/publicat/speeches/2016/2016-george-kansascity-02-02.pdf

The Federal Reserve Bank of Kansas City values diversity of experience, industry, geography, race and gender on its Board of Directors.

Steve Maestas, Chair (Class C)
Chief Executive Officer
Maestas Development Group
Albuquerque, New Mexico

Brent A. Stewart Sr. (Class B)
President and CEO
United Way of Greater Kansas City
Kansas City, Missouri

Rose M. Washington, Deputy Chair (Class C)
Executive Director
Tulsa Economic Development Corporation
Tulsa, Oklahoma

Max T. Wake (Class A)
President
Jones National Bank & Trust Co.
Seward, Nebraska

Jim Farrell (Class C)
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Casper, Wyoming

Lilly Marks (Class B)
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University of Colorado
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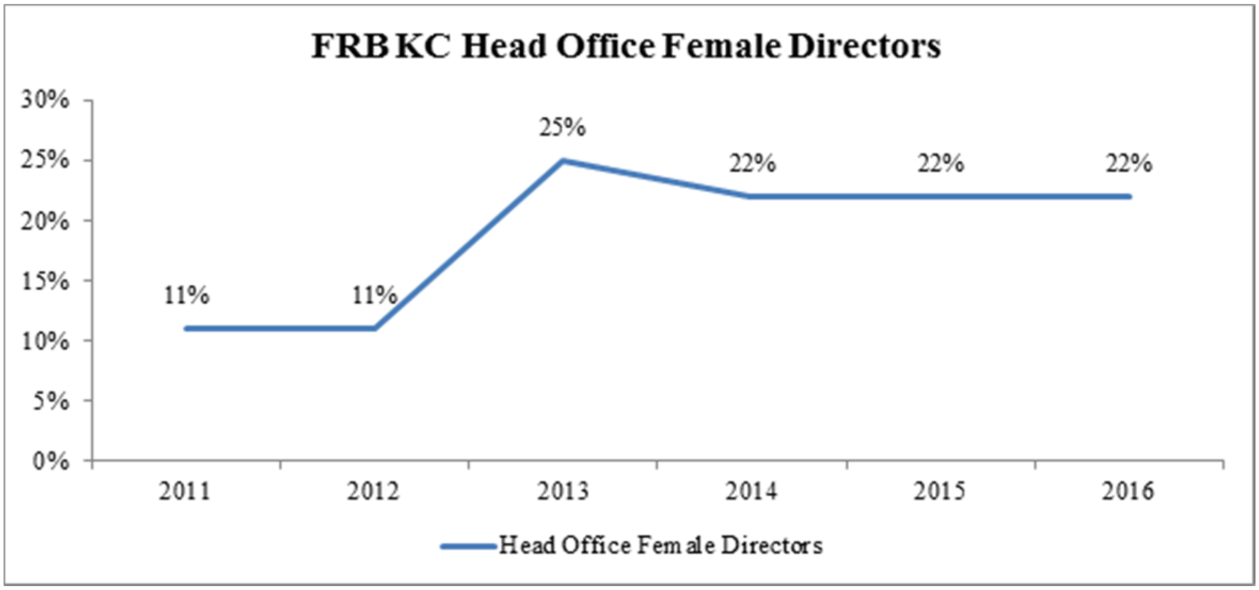
FRB KC Head Office Female Directors
30%
25%
20%
15%
10%
5%
0%
11%
11%
25%
22%
22%
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2011
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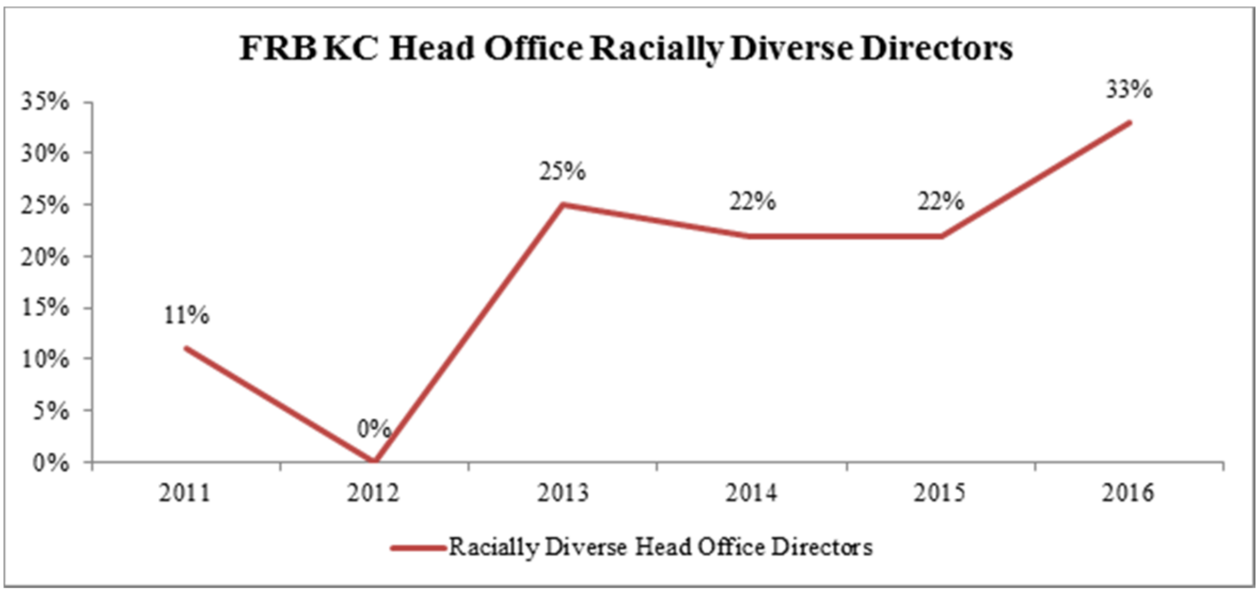
2015
2016
Head Office Female Directors


FRB KC Head Office Racially Diverse Directors
35%
30%
25%
20%
15%
10%
5%
0%
11%
0%
25%
22%
22%
33%
2011
2012
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2016
Racially Diverse Head Office Directors

PUBIC ENGAGEMENT SAMPLING

Esther L. George
President and Chief Executive Officer
Federal Reserve Bank of Kansas City

FED'S ESTHER GEORGE: SPEAKING UP FOR MIDDLE AMERICA
By Alister Bull
Reuters
Apr. 29, 2013

EL RENO, Oklahoma – Federal Reserve officials, as a rule, can expect a tough crowd when they visit places like Oklahoma where suspicion of big government runs deep.

Esther George, president of the Kansas City Fed, is an exception. As she surveyed the cattle ranchers, energy bosses and other business leaders waiting to hear her speak at an event in El Reno, Oklahoma this month, she had a lot in common with her audience.

Like many of them, George has become troubled that the dramatic measures the Fed has taken to restore U.S. growth might fuel inflation and asset price bubbles. ...

Full article:

http://www.reuters.com/article/us-usa-fed-george-idUSBRE93S02M20130429

FED BRANCH CHIEF HEARS TALES OF BANKING WOE FROM POT BUSINESS OWNERS
By David Migoya
Denver Post
Apr. 9, 2015

Federal Reserve Bank of Kansas City president Esther George on Thursday listened intently to a group of 20 businessmen, bankers and government officials who talked about the troubling lack of banking services available to the marijuana industry, but offered little indication how it could be resolved.

In the first meeting of its kind, George heard tales from marijuana business owners that ranged from one who was made to close more than a dozen bank accounts — each time leaving with an armful of cash — to another who described how a family member uninvolved with the enterprise was forced to close an investment account, according to people who attended the closed-door affair.

“The fact that she took the time to meet … is a significant indicator of how seriously these issues are being taken now,” said Taylor West, deputy director of the National Cannabis Industry Association. “So even if there isn’t immediate action coming out of the meeting, it’s still definitely a positive step forward.” …

Full article:

http://www.denverpost.com/2015/04/09/fed-branch-chief-hears-tales-of-banking-woe-from-pot-business-owners/

LABOR AWARDS HANDED OUT
The Labor Beacon
Kansas City, Mo.
April 2015

… (Greater Kansas City AFL-CIO President Pat "Duke") Dujakovich noted introducing keynote speaker (Esther) George that local AFL-CIOs around the nation were working to establish conversations with regional Federal Reserve Banks and thanks to George, the dialogue in Kansas City is excellent. The Kansas City Fed President makes a real effort to understand economic conditions on the ground in the region, he noted. …

Full article:

http://www.kclaborbeacon.com/Archived%20Publications/2015/April%2030,%202015%20Edition.pdf

ON YOUR SIDE CONSUMER ALERT: WHAT ECONOMIC RECOVERY?
KAKE-TV
Wichita, Kan.
March 29, 2016

What economic recovery? That was the question some Wichita community leaders asked Kansas City Federal Reserve President Esther George.

One by one Wichitans shared their stories of financial hardship in an economy that many on Wall Street say has recovered.

"People below the one percent even the two percent, we are still struggling....there are days in which I am going home trying to figure out how I'm going to feed my kids," said Tye McEwen, a Sunflower Community Action member.

"They laid me off. No reason, no explanations, just hand me a slip and have a good day," said Desmond Bryant.

The woman across the table listening intently is Kansas City Federal Reserve President Esther George. For many people keeping interest rates low is important to stimulant economic growth among the poorest. As important as it is for President George to meet with Wichita community leaders, meetings likes this serve as a good way for the community to see just what the Federal Reserve can and cannot do.

Full article:

http://www.kake.com/story/32139745/on-your-side-consumer-alert-what-economic-recovery

MEDIA COVERAGE AND ANNOUNCEMENTS NOTING PUBLIC OVERSIGHT ROLE OF THE BOARD OF GOVERNORS

KOHN HAD BOARD BACKING FOR NY FED WAIVER: OFFICIAL

By Alister Bull and Mark Felsenthal

Reuters

May 11, 2009

A waiver granted by Federal Reserve Vice Chairman Donald Kohn that allowed the chairman of the New York Fed's board of governors to stay in his job had the full backing of the Fed's Board of governors, including Chairman Ben Bernanke, a Fed official said on Monday.

The controversial waiver allowed Stephen Friedman to stay in his job as chairman of the board of governors of the New York Federal Reserve despite owning shares in Goldman Sachs, which the Fed began regulating in September.

Friedman, a retired chairman of Goldman Sachs, resigned last week after it was reported in *The Wall Street Journal* that he had bought more Goldman shares.

The Wall Street Journal called in an editorial on Monday for Kohn's resignation, and said he had shown a tin political ear by allowing Friedman to stay at the New York Fed.

Full article:

http://www.reuters.com/article/businesspro-us-usa-fed-kohn-idUSTRE54B0FR20090512

2016 RESERVE BANK BUDGET APPROVALS

On December 16, 2015, the Board approved the 2016 Reserve Bank operating budgets totaling $4,116.6 million, an increase of $219.9 million, or 5.6 percent, from the 2015 estimated expenses and $147.9 million, or 3.7 percent, from the approved 2015 budget.

Full announcement:

http://www.federalreserve.gov/foia/2016rb_budgets.htm

NOT FAR TO LOOK: NEW FED PRESIDENT SEARCHED, FOUND HIMSELF

By Christopher Condon

Bloomberg

June 3, 2015

… Details of how (Patrick) Harker was appointed rankled a Philadelphia-based community group that had pressured the bank last year to be more open about how it would select a new chief.

“This just furthers our message about transparency and accountability,” said Kendra Brooks, an organizer at Action United. “This is part of the problem we’re talking about.” The Philadelphia Fed is one of 12 regional Fed banks. Their presidents, together with the Fed’s Board of Governors in Washington, set interest-rate policy for the U.S. economy.

Regional presidents are selected by their boards of directors under the Federal Reserve Act and must be ratified by the Fed’s board.

The Fed board approved Harker’s appointment in a 5-0 vote and was aware of his role in the search process, said Michelle Smith, a spokeswoman. The board was confident the search was thorough and robust, and that Harker had appropriately removed himself when he became a candidate, Smith said.

Full article:

http://www.bloomberg.com/news/articles/2015-06-03/not-far-to-look-fed-s-newest-president-searched-found-himself

ROBERT STEVEN KAPLAN NAMED PRESIDENT AND CEO OF DALLAS FED

News Release: Aug. 17, 2015

DALLAS—The Federal Reserve Bank of Dallas today announced the appointment of Robert Steven Kaplan as president and chief executive officer. In this role, Kaplan will represent the Eleventh Federal Reserve District on the Federal Open Market Committee in the formulation of U.S. monetary policy and will oversee the 1,200 employees of the Dallas Fed.

His appointment is effective September 8, 2015.

Kaplan, 58, is the Martin Marshall Professor of Management Practice and a Senior Associate Dean at Harvard Business School. He is also co-chairman of the Draper Richards Kaplan Foundation, a global venture philanthropy firm that invests in developing non-profit enterprises dedicated to addressing social issues.

Kaplan was appointed by eligible members of the Dallas Fed board of directors and approved by the Board of Governors of the Federal Reserve System. He succeeds Richard W. Fisher, who retired from the Dallas Fed in March 2015.

Full news release:

http://dallasfed.org/news/releases/2015/nr150817.cfm

NEEL KASHKARI NAMED NEXT MINNEAPOLIS FED PRESIDENT

By Christopher Condon

Bloomberg

Nov. 10, 2015

> … Presidents of the 12 regional Fed banks are appointed by a portion of their respective boards of directors, subject to the approval of the Fed Board in Washington. Reserve bank boards typically consist of nine members, including three bankers. The banking members are excluded under Dodd-Frank from participating in the selection of presidents.

Full article:

http://www.bloomberg.com/news/articles/2015-11-10/neel-kashkari-named-by minneapolis-fed-as-its-next-president

BOARD OF GOVERNORS APPROVES REAPPOINTMENT OF RESERVE BANK PRESIDENTS AND FIRST VICE PRESIDENTS

News Release: Feb. 19, 2016

The Federal Reserve Board on Friday approved the reappointment of 10 Federal Reserve Bank presidents and 10 first vice presidents by their respective boards of directors. Each individual has been approved to serve a new five-year term beginning March 1, 2016. The recently named presidents of the Federal Reserve Banks of Minneapolis and Dallas, as well as the recently appointed first vice presidents of the Federal Reserve Banks of Philadelphia and Chicago, were approved for terms to February 28, 2021, at the time of their initial appointments.

Under section 4 of the Federal Reserve Act, all Reserve Bank presidents and first vice presidents serve five-year terms that expire at the end of February in years ending in 1 or 6. Generally, presidents and first vice presidents who take office in intervening years are initially appointed for the remainder of the current term. Before the expiration of a president's term, the Class B and C directors of each Reserve Bank who are not affiliated with a supervised entity vote on whether to reappoint the president or first vice president to a new term.

"The leaders of the Reserve Banks have important jobs and are expected to perform at a high level," said Governor Jerome H. Powell, chairman of the Board's Committee on Reserve Bank Affairs. "The eligible Reserve Bank directors, with significant input from the Board of Governors, conduct a rigorous process to inform their reappointment decisions."

Full announcement:

https://www.federalreserve.gov/newsevents/press/other/20160219a.htm

Diversity & Economic Inclusion Activities

Community Activities including standing advisory councils, special convenings, or special Initiatives			
Name of Activity	**Description**	**Key Actions and Expected Benefit**	**Time Frame**
Strategic Stakeholder Engagement Program (SSEP)	The SSEP builds mutually beneficial relationships with selected stakeholders and enhances their overall awareness of the FRS. Strategic stakeholders include: • Senior Women Bankers • Minority Bankers • Emerging Bank Leaders • Community Leaders • Labor Leaders The Bank engages with strategic stakeholders through targeted programs, research, resources and other support.	**Actions** • Conducted needs and gap analysis for each group within each District state. In response, developed diverse networks and targeted programs and meetings to provide exposure to the Fed for underrepresented groups. • March 28-29, 2016, listening session with Sunflower Community Action and Center for Popular Democracy. • 2016 Community Leaders Roundtables: Oklahoma City (April 13); Kansas City (May 20); Omaha (Aug. 9); and, Denver (Sept. 27). • 2016 Labor roundtables: Kansas City (May 16); Denver (May 26); and, Oklahoma City (Oct. 12). • Minority Bankers Forum to be hosted Sept. 29, 2016, in Kansas City. **Benefits** • Mutually beneficial interactions with supporters and critics. • Enhanced understanding of the Federal Reserve. • Direct knowledge from diverse sources on economic realities and emerging trends. • Delivery of customized programs and resources that will benefit the stakeholders. • Broad and diverse candidate pool for Bank boards and councils.	Ongoing
Community Development Advisory Council (CDAC)	Established in 2001, the CDAC meets twice annually with senior management to offer its insight on economic and community development issues impacting low and	**Actions** • Hosted annual meetings and an additional conference call with CDAC members and the three Tenth District members on the BOG's CAC.	Ongoing

	moderate income communities. Members are from a wide background of organizations including financial institutions, nonprofits, universities and business from across the Tenth Federal Reserve District.	• Launched an application process to let community development professionals express interest in joining the CDAC in 2017. 57 applications were received. • Proactively communicated relevant content (i.e., speeches, papers, articles) to CDAC members to enhance their knowledge and engagement with the FRS. **Benefits** • Bank Ambassadors: Council members are supportive, informed and engaged ambassadors for the Bank and the FRS. • Board Pipeline: CDAC members are a key pipeline for Bank boards of directors. Over the past five years, two CDAC members have joined branch boards. • Increased Diversity: 56 percent of CDAC members are minority and 56 percent are women.	
Economic and Small Business Development	The Bank's economic and small business development initiatives strengthen entrepreneurship-based economic development in urban and rural communities by providing practitioners and small business owners with industry knowledge, best practices, peer networks and access to capital sources.	**Actions** • Hosted a sold-out, two-day national entrepreneurship-based economic development summit to build a stronger community of practice among economic and community developers. 220 attendees rated the overall effectiveness of the summit a 4.8 on a 5.0 scale. • Provided presentations on minority economic development, the impact of minority owned businesses on the economy and minority business trends. • Conducted a small business roundtable with the U.S. Small Business Administration on access to capital. • Led the formation of a state-wide CDFI coalition in Oklahoma to facilitate best practice and resource sharing and build a greater awareness of CDFIs with bankers and small business owners. A similar coalition has launched in Colorado. • Developing a best practice guide for CDFIs/microlenders that highlight organizations that provide reasonably priced and faster short-term capital options for small businesses. • Partnering with the New York Fed and nine other FRBs on the annual Small Business Access to Credit Survey. • Hosting a national webinar for the System on small business as an	Ongoing

		economic development engine in hard-to-develop communities. **Benefits** • Launch of the Oklahoma CDFI Coalition will increase financial and technical assistance products and services offered to small business owners and consumers. • Economic development practitioners, small business support organizations and small business owners have increased their knowledge of the importance of entrepreneurship-based economic development, effective ecosystems and options for capital.	
Workforce Development	The focus of the Bank's workforce development initiative is to improve the employment outcomes of low-wage and low-skilled workers. Our "Raise the Floor, Build the Ladder" strategy brings employers, educators and funders together to identify growth sectors and develop plans to equip workers for success.	**Actions** • Hosted a series of national webinars and delivered presentations on the policies and practices highlighted in the Bank's *Transforming U.S. Workforce Development Policies for the 21st Century.* The book was a partnership with the Atlanta Fed. • Partnering with the Dallas Fed on a guide for bankers that outlines how CRA can be maximized to support workforce development initiatives. • Helping KC's workforce investment board, the Full Employment Council, fulfill certain requirements related to a $5 million workforce development grant it received from the U.S. Department of Labor. The grant targets low-skilled LMI young adults interested in financial services, IT, advanced manufacturing or healthcare fields. The Bank will assist with financial education and mock employment interviews. Program graduates could become Bank employees. **Benefits** • Low-skilled workers will receive and utilize skills that make them employable for livable-wage careers.	Ongoing
Financial Stability	The financial stability initiatives are focused on increasing public understanding of financial issues impacting LMI communities. Efforts are also focused on increasing the overall financial health of LMI adults by expanding the pool of social service professionals who are trained to	**Actions** • Organized a citywide, daylong event that provided a variety of financial education workshops for about 300 consumers. • Hosted two of four interactive workshops for social service professionals to train them on the content and delivery methods of Consumer Financial Protection Bureau's, "Your Money, Your	Ongoing

	adequately provide financial resiliency coaching.	Goals" toolkit. The remaining workshops will be in August and September. • In October and November, the Bank will partner with Central New Mexico Community College to host a six-day Financial Coaching program for social service professionals. Graduates will be certified by the Center for Credentialing and Education to coach clients on financial and career related goals. • Hosting a national conference on financial resiliency and mobility in September. **Benefits** • Increased awareness of sound financial practices, available resources and credible resource providers. • Social service professionals will acquire basic and advanced financial knowledge and a strong coaching framework that will enable them to effectively coach clients.	

Diversity and Inclusion/Office of Minority and Women Inclusion (OMWI) Activities			
Name of Activity	Description	Key Actions and Expected Benefit	Timeframe
Signature Diversity and Inclusion Summits	Events designed to address a targeted diversity topic such Women in Technology, Disability Inclusion and Unconscious Bias. Summits feature a subject matter expert keynote speaker to address the summit topic. Subsequent group discussions allowed attendees to share best practices. FRS guests and community leaders are invited to participate in each summit.	**Actions** • Hosted a Diversity and Inclusion Summit focused on Unconscious Bias, March 16, 2016, with 189 attendees. • Hosted a Diversity and Inclusion Summit focused on Women in Technology, April 7, 2016, with 92 attendees. • Hosted a Diversity and Inclusion Summit focused on Winning Strategies: Creating an Inclusive Organization, Aug. 11, 2016, with 82 attendees. **Benefits** • Creates a forum around the importance of diversity and inclusion in our organizations and communities. • Enhances both the community and Bank understanding of diversity and inclusion.	Four per year
Diversity Strategy Steering Council (DSSC) and Employee Diversity Council (EDC)	**Diversity Strategy Steering Council** • Comprised of members of senior management and other Bank officers.	**DSSC Actions** • The DSSC meets four times annually.	Ongoing

	• Advises the OMWI office on diversity opportunities and issues. • Provides the necessary leadership, guidance and resources to ensure diversity efforts are well supported and its strategies are achieved. **Employee Diversity Council** • Comprised of select staff chosen by Bank Division heads. • Coordinates activities that create awareness of diversity and inclusion as a business opportunity, increase employee awareness of diversity and inclusion and support the Bank's retention strategy. • Communicates information about Bank and community diversity and inclusion events to employees.	• Reviews and refreshes the three-year diversity and inclusion strategy. • Champions and participates in diversity events and activities at the Bank. **EDC Actions** • The EDC hosted the annual Diversity and Inclusion Champions Retreat, Feb. 25, 2016, which brought together several internal diversity and inclusion groups to collaborate on the future of diversity and inclusion at the Bank as well as hear from external and internal speakers regarding the topic. • The EDC hosted the annual Diversity Awareness Week, Aug. 1-5, 2016, which consisted of a Ted Talk about Exclusion, Illusion, and Collusion; a Multicultural Showcase; and a Lunch and Learn with Kirk Perucca, who shared his perspective in an interactive session titled "Identifying Effective Cultural Competence for an Inclusive Work Environment." • EDC members and EEO Liaisons participate in an annual diversity and inclusion training in addition to the annual Diversity Retreat. **DSSC Benefits** • Provides strategic direction and executive championship in promoting diversity and inclusion in the workplace. **EDC Benefits** • Promotes an inclusive work environment by recognizing the diversity of the Bank's workforce and reinforcing employee awareness of key diversity issues. • Creates awareness of diversity and inclusion as a business opportunity. • Encourages Bankwide involvement in diversity and inclusion activities. • Members serve as a resource for the Bank and employees about diversity and inclusion related activities.	
Diverse Bank Groups	The Bank sponsors two diversity groups, the Minority Members of Management and Women in Technology Community of Practice (WITCOP).	**Minority Members of Management Mentoring Circle Actions** • Hosted luncheon presentation with Brent Stewart, president and CEO of the United Way of Greater Kansas City, on career and	Minority Members of Management Mentoring Circle meets four to six

	The mentoring circle is a forum for minority members of management to focus on professional development and diversity and inclusion in the workplace. WITCOP focuses on empowering current and aspiring women technologists at the Bank to achieve leadership through technology by engaging various mentoring, sharing and community outreach initiatives.	leadership insights. • Members attend Diversity and Inclusion Summits and external Collaborative Partner events. • Members participate in key diversity and inclusion development opportunities. **WITCOP Actions** • Hosted an IT Professional Showcase for Bank employees that highlighted current IT opportunities at the Bank, allowed cross-functional interaction between Bank IT professionals, and provided first-hand knowledge on a day in the life of various technologists. • WITCOP participated in the Women in Technology Signature Diversity and Inclusion Summit. **Minority Members of Management Mentoring Circle Benefits** • Meets and discusses issues regarding diversity and inclusion in the workplace. • Fosters growth and development for greater retention of minorities at the Bank. • Provides key programming events throughout the year with internal and external guest speakers. • Provides networking opportunities for emerging minority talent, minority members of management and minority Bank officers. **WITCOP Benefits** • Nurtures value-creating interactions and provides platform of support and resources. • Empowers members to be positioned to influence and/or drive planned and emergent technology innovations within the Bank. • Improves information flow and knowledge by leveraging internal and external subject matter expertise. • Develops the ability to sense and respond to key problems and opportunities in FRBKC's technology ecosystem. • Focuses on community outreach through sharing, encouraging and facilitating opportunities to get involved in the community and encouraging girls and young women to choose a career in STEM.	times annually. WITCOP has quarterly sessions and monthly activities.

Mentorship Program	The mentoring program connects an experienced Bank employee with a less-experienced employee in developing specific skills and knowledge that will enhance his or her professional growth. Outside of mentor/mentee meetings, employees in the mentoring program are invited to participate in four internal development activities, such as Yan-koloba, a character education activity with roots in the cultures of Africa. It is an intellectual and highly participatory tool for character and multicultural engagement. Participants learn the concepts of compassion, respect, tolerance, trust, responsibility, interdependence and leadership in a fun, relaxed and enjoyable environment. Participants also have the opportunity to hear from external speakers on the importance of mentoring connections and participate in a speed mentoring event, a unique event formatted to share leadership success stories.	**Actions** • 2016 mentoring participation reached its highest level of participation with 454 employees, about 27.9 percent of the total workforce. • Minority and female participation rates increased to 25 percent and 31.2 percent, respectively. **Benefits** • Improves employee retention. • Improves the overall quality and depth of our leadership team. • Supports the Bank's diversity and inclusion objectives. • Increases the number of minorities in management positions. • Increases the success rate in hiring high-quality staff.	Mentor/Mentee Agreements are one year and relationships are ongoing.
Supplier Diversity Practices	The Bank's strategy on supplier diversity encourages acquisition of goods and services from diverse suppliers, including businesses owned by minorities and women. When the Bank makes competitive acquisitions, it carries out this strategy by seeking to include, when available, at least one business owned by a minority and one owned by a woman. The Bank affirms its commitment to supplier diversity by including language in its contracts that states its commitment to equal opportunity in employment and contracting. The contract language further states that by entering into a contract with the Bank, the contractor confirms a similar commitment in its own business practices.	**Actions** • Diverse suppliers are included in all competitive acquisitions when they are available. • Diverse suppliers are identified through engaging in local, regional and national groups and organizations though outreach activities and events targeted to diverse suppliers. • The Bank informs suppliers about its business practices and encourages their participation in contracting opportunities. **Benefits** • Diversity in suppliers creates value by providing the Bank access to a wider pool of qualified suppliers. • The community also benefits in that small and diverse businesses gain access to business opportunities.	Ongoing
Supplier Outreach	The Bank partners with local, regional and national organizations that focus on minority- and women-owned business members. Partner	**Actions** • The Bank has participated in seven outreach events and activities	Ongoing

	organizations include the Asian American Chamber of Commerce of Kansas City, Heartland Black Chamber of Commerce, Mountain Plains Minority Supplier Development Council and Midwest Women's Business Enterprise Council.	this year and targets to attend at least 10 by year's end. • The Bank hosts several meetings with diverse suppliers to learn more about their work and to inform those suppliers about the Bank's general business needs and how to navigate the procurement practices. • The Bank collaborates with other Federal Reserve Banks to develop and promote initiatives that strengthen supplier diversity. **Benefits** • These partnerships help the Bank communicate business opportunities and build its network of diverse suppliers. • Outreach events and activities provide staff with opportunities to network and connect with diverse suppliers, learn more about supplier diversity best practices and support the efforts of the Bank's community partners.	

Diversity Recruitment/HR activities, including Board of Directors and Reserve Bank staff			
Name of Activity	**Description**	**Key Actions and Expected Benefit**	**Time Frame**
OMWI Campus Recruiting	Each year, a number of Bank employees visit college campuses spanning 10 states to recruit talent to the organization. Of these campuses, 14 are majority-minority and women-serving colleges and universities. A Diversity Liaison Program was created in which each team is assigned a team member to connect and build relationships with multicultural offices and diverse student organizations on majority-serving campuses. In addition, the Bank participates in the pilot HBCU/HSI systemwide initiative with Hampton and University of New Mexico. Minority and women-serving colleges the Bank partners with include: • Clark Atlanta University • Colorado State University at Pueblo • Cottey College	**Actions** • The recruiting team attends recruiting events at majority-minority and women serving colleges, delivers classroom presentations, and participates in mock interviews. • The recruiting team has attended 15 events at majority-minority and women serving colleges and universities this year, and targets to attend 26 by year-end. • Diversity Liaisons connect with multicultural offices and organizations on each campus. **Benefits** • Increases the Bank's emphasis on attracting diverse talent from all campuses. • Expands pool of diverse talent beyond the Tenth District. • Supports the Bank's sourcing strategies and talent acquisition needs.	Ongoing

	• Langston University • Lincoln University • Morehouse College • Prairie View A&M University • Saint Mary's College • Spelman College • Stephens College • Texas Southern University • Texas Women's University • University of Arkansas at Pine Bluff • University of New Mexico		
Collaborative Partners	The Bank partners with 17 professional and diverse organizations to connect with the community and create an additional talent sourcing channel for the Bank. Collaborative partners are invited to Signature Diversity and Inclusion Summits and are provided the opportunity to host events in Bank facilities. Collaborative partners also have the opportunity to hear from and connect with Bank Senior Management and members of the Research Division during these events. Employees from across the Bank are invited to attend multiple professional networking events throughout the year with these diverse organizations within the community.	**Actions** • The Bank supports these organizations and seeks to continually enrich the partnerships by placing senior officials at key programs, events and speaking engagements. • Collaborative partners are invited to diversity and inclusion events at the Bank and are allowed to utilize Bank facilities for events. **Benefits** • Partnerships allow the Bank to expand its pool of qualified and diverse candidates through networking and relationship building. • Through partnering with these organizations, the Bank has the opportunity to attend professional networking events. • Networking events allow Bank employees to connect with the community while also providing an opportunity for networking and recruiting. • Enhances community understanding of the Bank's commitment to diversity and inclusion.	Ongoing
Director Pipeline Program	The Bank relies on real-time knowledge gleaned from business and community leaders from the Tenth District. In 2006, economists were placed as the lead officers in Denver, Oklahoma City, and Omaha. They are supported by a Public and Community Affairs	**Actions** • Forty-three percent of the District's Board of Directors are women and/or minorities* representing a broad and diverse cross section of business and industry. **A director who is both female and minority is counted just once*	Annually

	team that enhances the District's ability to maintain a robust programming and public speaking schedule in each zone, thus attracting and retaining a diverse Board of Directors.	**Benefits** • Branch boards create a diverse talent pool for sourcing Kansas City directors. Enhances understanding of the FRS and ensures people with diverse perspectives have input into national policy matters.	
Experienced Professional Recruiting	The Bank attracts experienced professionals through a variety of channels, including hosting professional networking events, attending national conferences and collaborating with national organizations.	**Actions** • This year, the Bank has attended nine urban career fairs and 23 networking events with professional organizations in the community. **Benefits** • Experienced professionals bring outside perspective to the Bank. • Supports the Bank's sourcing strategies and talent acquisition needs • Enhances the diversity of thought at the Bank.	Ongoing

Other Outreach/Education Activities			
Name of Activity	Description	Key Actions and Expected Benefit	Time Frame
Student Board of Directors	The annual Student Board of Directors program has provided mentoring and college and career development for students from urban high schools in Kansas City, Denver, Oklahoma City, and Omaha since 2012. Throughout the year, students meet with Bank employees and business leaders from the community to discuss topics such as career and college preparation, personal finance, public speaking and business etiquette.	**Actions** • During the 2014-15 school year, 67 students across the District participated, including the first class from Albuquerque Public Schools. **Benefits** • Provides mentoring and college and career development for students from urban high schools across the Tenth District. • Participation in the program exposes students to a corporate environment and builds self-confidence. In addition to the immediate benefits students get, the Student Board of Directors also opens long-term relationships with the KC Fed. • Two previous participants in the program were offered a full-time position with the Bank upon completion of a summer internship.	Annual program
Summer @ the Fed	Students who complete the Board of Director program are invited each year to apply for paid summer internships as activities directors for Summer @ the Fed, an economics education summer program for low-to-moderate income	**Actions** • In 2016, more than 750 fourth through sixth grade students participated in the summer camp program.	Annual program

	fourth through sixth grade students in the Kansas City metro area. Student Board members share interactive economics education lessons with the students from June-August. Activities encourage financial literacy and an understanding of the Bank's role in the economy. Activities related to the summer program take place at the Bank's headquarters in Kansas City, our Money Museum and at offsite locations throughout the community.	**Benefits** • The summer program gives these college-bound high school graduates the opportunity to boost their job skills with professional development activities and serve as role models and mentors to younger students. Participants also benefit from exposure to District directors. • The camp participants benefit from early exposure to financial education concepts delivered in a fun and culturally relevant way.	
Financial Education Day	Each Tenth District office sponsors a program with a majority-minority high school or youth programs for Federal Reserve Financial Education Day. The annual program focuses on college and career readiness for diverse high school students, and incorporates financial capability fundamentals along with the concepts of educational attainment.	**Actions** • On Oct. 28, the Bank will host 400 high school students for Financial Education Day. **Benefits** • Increases financial literacy in the community.	Annual program
KC STEM Alliance–Girls in Technology	Program aimed at exposing middle- and high-school-aged girls to computer science education programs. Programming includes networking and the Hour of Code, an activity that helps youth practice their website-building skills with assistance from mentors. Bank employees serve as mentors to the participants.	**Actions** • The Bank hosted a kick-off event for Computer Science Education Week in 2015. • The Bank coordinated volunteers for a weeklong Girls App Camp, hosted by KC STEM Alliance in 2016. **Benefits** • Exposes, engages, excites, and encourages female participation in computer science educational programs to build a stronger and more diverse technology workforce for the Kansas City region. • Addresses an increasing demand for a qualified and diverse workforce to fill tech jobs in the Kansas City region.	Annual program

Payments System Activities			
Name of Activity	Description	Key Actions and Expected Benefit	Time Frame
Payments Research	Some of the Bank's research focuses on the unbanked and access to the U.S. payments system.	**Actions** • Research efforts lead to articles published in Bank journals and other publications. For example, an upcoming article in the Bank's	Ongoing.

		Economic Review is on “Access to Electronic Payments Systems by Unbanked Consumers.” **Benefits** • Allows for better understanding of issues related to the unbanked and to influence policymakers.	

Research/Monetary Policy Activities			
Name of Activity	Description	Key Actions and Expected Benefit	Time Frame
Math X Economics	The program introduces inner-city students to economics as a possible course of study in college and as a career option. During the one-day program, high school juniors and seniors take part in interactive and fun activities to introduce them to economics and learn about potential career paths. Sessions also include small group discussions where students are engaged in the discussion.	**Actions** • 50 students participate in the program annually. **Benefits** • Helps diversify the pool of job candidates in economics for both research associate and economist positions.	Annually each spring.
American Economic Association’s Summer Economics Fellows Program sponsored by the Committee on the Status of Women in the Economics Profession and also administered by the Committee on the Status of Minority Groups in the Economics Profession	Summer economic fellowships are available to senior graduate students and junior facility who are women or underrepresented minorities in economics in the area of macroeconomics or monetary policy.	**Actions** • During their internship, fellows present research seminars, make progress on their research agenda, participate in department activities and engage research staff members. **Benefits** • Advances the participation of women and underrepresented minorities in the economics profession.	We usually host one Summer Fellow for 10 to 12 weeks each year.
Support Speakers Series	Research staff supports several diversity and inclusion programs by speaking at events such as advisory councils, forums, roundtables, workshops and teacher/student events.	**Actions** • Members of the Research Division speak at key diversity and inclusion events, both internally and externally. **Benefits** • Supports diversity and inclusion activities across the Bank.	Throughout the year as needed.