



## A VIRTUAL TOUR

*Follow along with Buck as he walks us through the creation, the parts and the various responsibilities of the Federal Reserve System.*

1. The Federal Reserve is made up of three parts: the Board of Governors, the \_\_\_\_\_ banks and the Federal Open Market Committee.
2. Congress wrote the \_\_\_\_\_ in 1913.
3. The Fed combines centralized \_\_\_\_\_ authority with a healthy dose of \_\_\_\_\_ independence.
4. The Board of Governors has \_\_\_\_\_ members, called governors.
5. Governors write the \_\_\_\_\_ that make commercial banks financially sound and that make the nation economically strong.
6. The governors' most important responsibility is participating in the Federal Open Market Committee, or \_\_\_\_\_.
7. The FOMC is the Fed's chief body for monetary \_\_\_\_\_.
8. Each FOMC meeting ends with a \_\_\_\_\_ on actions that will affect the country's money supply.
9. There are \_\_\_\_\_ districts in the Federal Reserve, each of which is served by a regional Reserve bank.
10. Reserve banks have three main responsibilities: 1) providing \_\_\_\_\_ services, contributing to \_\_\_\_\_ policy and \_\_\_\_\_ commercial banks in their regions.

11. A Reserve bank is often called the “\_\_\_\_\_ bank.”
12. Banks deposit billions of dollars at the Fed in cash, check, wire transfers or some other form of \_\_\_\_\_.
13. Besides serving commercial banks, the Fed maintains accounts for the \_\_\_\_\_, processes government checks and assists the Treasury in issuing and redeeming securities.
14. \_\_\_\_\_ at Reserve banks are all experts on different aspects of our national economy.
15. Most economists agree that the economy performs well when inflation is \_\_\_\_\_. As a result, low inflation is a long-term goal of the Fed.
16. In addition to publishing and public speaking, economists prepare their Reserve bank presidents for FOMC meetings, where members together set a target interest rate, called the \_\_\_\_\_ rate.
17. To hit the fed funds rate target, the FOMC issues a directive to the New York Fed’s domestic trading desk, which will then buy or sell \_\_\_\_\_ on the “open market,” which ultimately affects how much money banks have available to lend.
18. Banking *supervision* refers to the \_\_\_\_\_ of the written rules that define what is acceptable behavior for financial institutions and is carried out by staff at the 12 Reserve banks.
19. At the end of an on-site review, Fed examiners issue the bank a rating that reflects whether the institution is in \_\_\_\_\_ or whether it has weaknesses that require corrective action and close monitoring.
20. One way the Fed ensures safety and soundness of the banking system is by making short-term loans to banks through its \_\_\_\_\_.



## **A VIRTUAL TOUR**

### **ANSWER KEY**

1. The Federal Reserve is made up of three parts: the Board of Governors, the **RESERVE** banks and the Federal Open Market Committee.
2. Congress wrote the **FEDERAL RESERVE ACT** in 1913.
3. The Fed combines centralized **NATIONAL** authority with a healthy dose of **REGIONAL** independence.
4. The Board of Governors has **SEVEN** members, called governors.
5. Governors write the **REGULATIONS** that make commercial banks financially sound and that make the nation economically strong.
6. The governors' most important responsibility is participating in the Federal Open Market Committee, or **FOMC**.
7. The FOMC is the Fed's chief body for monetary **POLICY**.
8. Each FOMC meeting ends with a **VOTE** on actions that will affect the country's money supply.
9. There are **TWELVE** districts in the Federal Reserve, each of which is served by a regional Reserve bank.
10. Reserve banks have three main responsibilities: 1) providing **FINANCIAL** services, contributing to **MONETARY** policy and **SUPERVISING** commercial banks in their regions.

11. A Reserve bank is often called the “**BANKERS’** bank.”
12. Banks deposit billions of dollars at the Fed in cash, check, wire transfers or some other form of **ELECTRONIC PAYMENT**.
13. Besides serving commercial banks, the Fed maintains accounts for the **GOVERNMENT**, processes government checks and assists the Treasury in issuing and redeeming securities.
14. **ECONOMISTS** at Reserve banks are all experts on different aspects of our national economy.
15. Most economists agree that the economy performs well when inflation is **LOW AND STABLE**. As a result, low inflation is a long-term goal of the Fed.
16. In addition to publishing and public speaking, economists prepare their Reserve bank presidents for FOMC meetings, where members together set a target interest rate, called the **FEDERAL FUNDS** rate.
17. To hit the fed funds rate target, the FOMC issues a directive to the New York Fed’s domestic trading desk, which will then buy or sell **GOVERNMENT SECURITIES** on the “open market,” which ultimately affects how much money banks have available to lend.
18. Banking *supervision* refers to the **ENFORCEMENT** of the written rules that define what is acceptable behavior for financial institutions and is carried out by staff at the 12 Reserve banks.
19. At the end of an on-site review, Fed examiners issue the bank a rating that reflects whether the institution is in **GOOD SHAPE** or whether it has weaknesses that require corrective action and close monitoring.
20. One way the Fed ensures safety and soundness of the banking system is by making short-term loans to banks through its **DISCOUNT WINDOW**.