



## FEDERAL RESERVE BANK OF DALLAS

**RICHARD W. FISHER**  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

2200 N. PEARL ST.  
DALLAS, TX 75201-2272

October 12, 2011

Ms. Orice Williams Brown  
Managing Director  
Financial Markets and Community Investment  
Government Accountability Office  
441 G Street, NW  
Washington, D.C. 20548

Dear Ms. Brown:

Thank you for the opportunity to respond to the GAO's draft report on Federal Reserve Bank Governance (GAO-12-18). I am writing this response as Chair of the Conference of Presidents of the Federal Reserve Banks, and the thoughts expressed here represent the consensus opinion of all twelve presidents.

Chairman Bernanke has sent you a letter in response to the GAO report, and the Reserve Bank presidents would like to add our thanks to his for your thorough review of Federal Reserve Bank governance. The presidents share the perspectives expressed by the Chairman regarding the structure and governance framework of the Federal Reserve System, and we are sending this letter to express our united views with respect to the GAO's recommendations.

The four recommendations in the report address improving the Federal Reserve Banks' governance through increased diversity and transparency. These attributes are valued and supported uniformly by all Reserve Banks.

Diversity has been and continues to be supported by the Federal Reserve's director-selection process, which began with the establishment of the Federal Reserve System almost 100 years ago. For instance, the Federal Reserve Act and its subsequent amendments provide that:

- Directors are to be chosen with due consideration to the interests of agriculture, commerce, industry, services, labor and consumers, without discrimination on the basis of race, creed, color, sex, or national origin.
- Certain directors are to represent the interests of member banks, while others are legally required to represent the public.
- Some directors are elected by local member banks, while others are appointed by the Federal Reserve Board, in order to balance regional and national perspectives.

As Bank presidents, we believe that monetary policy is strongest when formed through multiple, differing perspectives; thus, various types of diversity are invaluable to us. Accordingly, we welcome the GAO's recommendation that our Banks consider ways to broaden the pool of potential candidates for directors. In fact, as noted in Chairman Bernanke's letter, several Reserve Banks have already broadened the pool of candidates for Class A and Class B positions to consider qualified candidates who are not chief executives, as the GAO recommends.

Regarding the GAO's other recommendations, we agree that transparency could be enhanced by:

- More clearly documenting the roles and responsibilities of the Reserve Bank directors in our bylaws,
- Formalizing a process for Reserve Banks to request waivers from the director eligibility policy, and
- Publishing our key governance documents on our websites.

We appreciate the GAO's acknowledgement of the considerable amount of work already being done within Reserve Banks to increase transparency. We also appreciate the GAO's recognition of the many safeguards already in place to address potential conflicts of interest.

Federal Reserve governance has proved to be remarkably effective and resilient since its inception in 1913. Nevertheless, any such system can benefit from an objective review in search of how it might be improved. We appreciate the GAO's efforts in this regard, and we will give serious consideration to implementing the recommendations made.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Folsom". The signature is written in a cursive, flowing style with a large initial "R".