

## **Summary: Restoring American Financial Stability**

*Create a Sound Economic Foundation to Grow Jobs, Protect Consumers, Rein in Wall Street, End Too Big to Fail, Prevent Another Financial Crisis*

Americans have faced the worst financial crisis since the Great Depression. Millions have lost their jobs, businesses have failed, housing prices have dropped, and savings were wiped out.

The failures that led to this crisis require bold action. We must restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them. We must create a sound foundation to grow the economy and create jobs.

### ***HIGHLIGHTS OF THE SENATE PASSED BILL***

**Consumer Protections with Authority and Independence:** Creates a new independent watchdog, housed at the Federal Reserve, with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

**Ends Too Big to Fail Bailouts:** Ends the possibility that taxpayers will be asked to write a check to bail out financial firms that threaten the economy by: creating a safe way to liquidate failed financial firms; imposing tough new capital and leverage requirements that make it undesirable to get too big; updating the Fed's authority to allow system-wide support but no longer prop up individual firms; and establishing rigorous standards and supervision to protect the economy and American consumers, investors and businesses.

**Advance Warning System:** Creates a council to identify and address systemic risks posed by large, complex companies, products, and activities before they threaten the stability of the economy.

**Transparency & Accountability for Exotic Instruments:** Eliminates loopholes that allow risky and abusive practices to go on unnoticed and unregulated - including loopholes for over-the-counter derivatives, asset-backed securities, hedge funds, mortgage brokers and payday lenders.

**Executive Compensation and Corporate Governance:** Provides shareholders with a say on pay and corporate affairs with a non-binding vote on executive compensation.

**Protects Investors:** Provides tough new rules for transparency and accountability for credit rating agencies to protect investors and businesses.

**Enforces Regulations on the Books:** Strengthens oversight and empowers regulators to aggressively pursue financial fraud, conflicts of interest and manipulation of the system that benefit special interests at the expense of American families and businesses.

## **STRONG CONSUMER FINANCIAL PROTECTION WATCHDOG**

The new independent Consumer Financial Protection Bureau will have the sole job of protecting American consumers from unfair, deceptive and abusive financial products and practices and will ensure people get the clear information they need on loans and other financial products from credit card companies, mortgage brokers, banks and others.

American consumers already have protections against faulty appliances, contaminated food, and dangerous toys. With the creation of the Consumer Financial Protection Bureau, they'll finally have a watchdog to oversee financial products, giving Americans confidence that there is a system in place that works for them – not just big banks on Wall Street.

**Why Change Is Needed:** The economic crisis was driven by an across-the-board failure to protect consumers. When no one office has consumer protections as its top priority, consumer protections don't get the attention they need. The result has been unfair and deceptive practices being allowed to spread unchallenged, nearly bringing down the entire financial system.

### **The Consumer Financial Protection Bureau**

- **Independent Head:** Led by an independent director appointed by the President and confirmed by the Senate.
- **Independent Budget:** Dedicated budget paid by the Federal Reserve Board.
- **Independent Rule Writing:** Able to autonomously write rules for consumer protections governing all entities – banks and non-banks – offering consumer financial services or products.
- **Examination and Enforcement:** Authority to examine and enforce regulations for banks and credit unions with assets of over \$10 billion and all mortgage-related businesses (lenders, servicers, mortgage brokers, and foreclosure scam operators) and large non-bank financial companies, such as large payday lenders, debt collectors, and consumer reporting agencies. Banks with assets of \$10 billion or less will be examined by the appropriate bank regulator.
- **Consumer Protections:** Consolidates and strengthens consumer protection responsibilities currently handled by the Office of the Comptroller of the Currency, Office of Thrift Supervision, Federal Deposit Insurance Corporation, Federal Reserve, National Credit Union Administration, the Department of Housing and Urban Development, and Federal Trade Commission.
- **Able to Act Fast:** With this Bureau on the lookout for bad deals and schemes, consumers won't have to wait for Congress to pass a law to be protected from bad business practices.
- **Educates:** Creates a new Office of Financial Literacy.
- **Consumer Hotline:** Creates a national consumer complaint hotline so consumers will have, for the first time, a single toll-free number to report problems with financial products and services.
- **Accountability:** Makes one office accountable for consumer protections. With many agencies sharing responsibility, it's hard to know who is responsible for what, and easy for emerging problems that haven't historically fallen under anyone's purview, to fall through the cracks.
- **Works with Bank Regulators:** Coordinates with other regulators when examining banks to prevent undue regulatory burden. Consults with regulators before a proposal is issued and regulators could appeal regulations they believe would put the safety and soundness of the banking system or the stability of the financial system at risk.
- **Clearly Defined Oversight:** Protects small business from unintentionally being regulated by the CFPB, excluding businesses that meet certain standards.

## LOOKING OUT FOR THE NEXT BIG PROBLEM: ADDRESSING SYSTEMIC RISKS

### The Financial Stability Oversight Council

The newly created Financial Stability Oversight Council will focus on identifying, monitoring and addressing systemic risks posed by large, complex financial firms as well as products and activities that spread risk across firms. It will make recommendations to regulators for increasingly stringent rules on companies that grow large and complex enough to pose a threat to the financial stability of the United States.

**Why Change Is Needed:** The economic crisis introduced a new term to our national vocabulary – systemic risk. In July, [Federal Reserve Governor Daniel Tarullo](#), testified that “Financial institutions are systemically important if the failure of the firm to meet its obligations to creditors and customers would have significant adverse consequences for the financial system and the broader economy.”

In short, in an interconnected global economy, it’s easy for some people’s problems to become everybody’s problems. The failures that brought down giant financial institutions last year also devastated the economic security of millions of Americans who did nothing wrong – their jobs, homes, retirement security, gone overnight.

### The Financial Stability Oversight Council

- **Expert Members:** A 9 member council of federal financial regulators and an independent member will be Chaired by the Treasury Secretary and made up of regulators including: Federal Reserve Board, SEC, CFTC, OCC, FDIC, FHFA, and the new Consumer Financial Protection Bureau. The council will have the sole job to identify and respond to emerging risks throughout the financial system.
- **Tough to Get Too Big:** Makes recommendations to the Federal Reserve for increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity, with significant requirements on companies that pose risks to the financial system.
- **Regulates Nonbank Financial Companies:** Authorized to require, with a 2/3 vote, that a nonbank financial company be regulated by the Federal Reserve if its failure would pose a risk to the financial stability of the US.
- **Break Up Large, Complex Companies:** Able to approve, with a 2/3 vote, a Federal Reserve decision to require a large, complex company, to divest some of its holdings if it poses a grave threat to the financial stability of the United States – but only as a last resort.
- **Technical Expertise:** Creates a new Office of Financial Research within Treasury to be staffed with a highly sophisticated staff of economists, accountants, lawyers, former supervisors, and other specialists to support the council’s work by collecting financial data and conducting economic analysis.
- **Make Risks Transparent:** Through the Office of Financial Research and member agencies the council will collect and analyze data to identify and monitor emerging risks to the economy and make this information public in periodic reports and testimony to Congress every year.
- **Oversight of Important Market Utilities:** Identifies systemically important clearing, payments, and settlements systems to be regulated by the Federal Reserve.
- **No Evasion:** Large bank holding companies that have received TARP funds will not be able to avoid Federal Reserve supervision by simply dropping their banks. (the “Hotel California” provision)
- **Capital Standards:** Establishes a floor for capital that cannot be lower than the standards in effect today.

## ENDING TOO BIG TO FAIL BAILOUTS

Preventing American taxpayers from being forced to bail out financial firms starts with strengthening big financials to better withstand stress, putting a price on excessive growth or complexity that poses risks to the financial system, and creating a way to shut down big financial firms that fail without threatening the economy.

**Why Change Is Needed:** As long as giant financial firms believe the government will bail them out if they get into trouble, they only have incentive to get larger and take bigger risks, believing they will reap any rewards and leave taxpayers to foot the bill if things go wrong. Since the crisis began, a number of institutions considered “too big to fail” have only grown bigger by acquiring failing companies.

### Limiting Large, Complex Financial Companies and Preventing Future Bailouts

- **No Taxpayer Funded Bailouts:** Clearly states taxpayers will not be on the hook to save a failing financial company or to cover the cost of its liquidation.
- **Discourage Excessive Growth & Complexity:** The Financial Stability Oversight Council will monitor systemic risk and make recommendations to the Federal Reserve for increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity, with significant requirements on companies that pose risks to the financial system.
- **Volcker Rule:** Requires regulators implement regulations for banks, their affiliates and holding companies, to prohibit proprietary trading, investment in and sponsorship of hedge funds and private equity funds, and to limit relationships with hedge funds and private equity funds. Nonbank financial institutions supervised by the Fed will also have restrictions on proprietary trading and hedge fund and private equity investments. Regulations will be developed after a study by the Council and based on their recommendations.
- **Extends Regulation:** The Council will have the ability to require nonbank financial companies that pose a risk to the financial stability of the United States to submit to supervision by the Federal Reserve.
- **Funeral Plans:** Requires large, complex financial companies to periodically submit plans for their rapid and orderly shutdown should the company go under. Companies will be hit with higher capital requirements and restrictions on growth and activity, as well as divestment, if they fail to submit acceptable plans. Plans will help regulators understand the structure of the companies they oversee and serve as a roadmap for shutting them down if the company fails. Significant costs for failing to produce a credible plan create incentives for firms to rationalize structures or operations that cannot be unwound easily.
- **Liquidation:** Creates an orderly liquidation mechanism for FDIC to unwind failing systemically significant financial companies. Shareholders and unsecured creditors bear losses and management will be removed.
- **Liquidation Procedure:** Requires that Treasury, FDIC and the Federal Reserve all agree to put a company into the orderly liquidation process, with an up front judicial review.
- **Costs to Financial Firms, Not taxpayers:** Taxpayers will bear no cost for liquidating large, interconnected financial companies. FDIC can borrow only the amount of funds to liquidate a company that it expects to be repaid from the assets of the company being liquidated. The government will be first in line for repayment. Funds not repaid from the sale of the company’s assets will be repaid first through the claw back of any payments to creditors that exceeded liquidation value and then assessments on large financial companies.
- **Federal Reserve Emergency Lending:** Updates the Federal Reserve’s 13(3) emergency lending authority to prohibit emergency lending to an individual entity. Secretary of the Treasury must approve any lending program, and such programs must be broad based and not aid a failing financial company. Collateral must be sufficient to protect taxpayers from losses.
- **Bankruptcy:** Most large financial companies are expected to be resolved through the bankruptcy process.
- **Limits on Debt Guarantees:** To prevent bank runs, the FDIC can guarantee debt of solvent insured banks, but only after meeting serious requirements: 2/3 majority of the Board and the FDIC board determine there is a threat to financial stability; the Treasury Secretary approves terms and conditions and sets a cap on overall guarantee amounts; the President activates an expedited process for Congressional approval.

## CREATING TRANSPARENCY AND ACCOUNTABILITY FOR DERIVATIVES

Under today's proposal, common sense safeguards will protect taxpayers against the need for future bailouts and buffer the financial system from excessive risk-taking. Over-the-counter derivatives will be regulated by the SEC and the CFTC, more will be cleared through centralized clearing houses and traded on exchanges, un-cleared swaps will be subject to margin requirements and swap dealers and major swap participants will be subject to capital requirements, and all trades will be reported so that regulators can monitor risks in this large, complex market.

**Why Change Is Needed:** The over-the-counter derivatives market has exploded— from \$91 trillion in 1998 to \$592 trillion in 2008. During the financial crisis, concerns about the ability of companies to make good on these contracts and the lack of transparency about what risks existed caused credit markets to freeze. Investors were afraid to trade as Bear Stearns, AIG, and Lehman Brothers failed because any new transaction could expose them to more risk.

Over-the-counter derivatives are supposed to be contracts that protect businesses from risks, but they became a way for traders to make enormous bets with no regulatory oversight or rules and therefore exacerbated risks. Because the derivatives market was considered too big and too interconnected to fail, taxpayers had to foot the bill for Wall Street's bad bets. Those bad bets linked thousands of traders, creating a web in which one default threatened to produce a chain of corporate and economic failures worldwide. These interconnected trades, coupled with the lack of transparency about who held what, made unwinding the "too big to fail" institutions more costly to taxpayers.

### Bringing Transparency and Accountability to the Derivatives Market

- **Closes Regulatory Gaps:** Provides the SEC and CFTC with authority to regulate over-the-counter derivatives so that irresponsible practices and excessive risk-taking can no longer escape regulatory oversight. Uses the Administration's outline for a joint rulemaking process with the Financial Stability Oversight Council stepping in if the two agencies can't agree.
- **Central Clearing and Exchange Trading:** Requires central clearing and exchange trading for derivatives that can be cleared and provides a role for both regulators and clearing houses to determine which contracts should be cleared. Requires the SEC and the CFTC to pre-approve contracts before clearing houses can clear them.
- **Safeguards for Un-Cleared Trades:** Requires margin for un-cleared trades in order to offset the greater risk they pose to the financial system and encourage more trading to take place in transparent, regulated markets. Swap dealers and major swap participants will be subject to capital requirements.
- **Market Transparency:** Requires data collection and publication through clearing houses or swap repositories to improve market transparency and provide regulators important tools for monitoring and responding to risks.
- **Regulates Foreign Exchange Transactions:** Foreign exchange swaps will be regulated like all other Wall Street contracts. At \$60 trillion, this is the second largest component of the swaps market and must be regulated.
- **Increases Enforcement Authority to Punish Bad Behavior:** Regulators will be given broad enforcement authority to punish bad actors that knowingly help clients defraud third parties or the public such as when Wall Street helped Greece use swaps to hide the true state of the country's finances.

## HEDGE FUNDS

Hedge funds that manage over \$100 million will be required to register with the SEC as investment advisers and to disclose financial data needed to monitor systemic risk and protect investors.

**Why Change Is Needed:** Hedge funds are responsible for huge transfers of capital and risk, but some operate outside the framework of the financial regulatory system, even as they have become increasingly interwoven with the rest of the country's financial markets.

No regulator is currently able to collect information on the size and nature of these firms or calculate the risks they pose to the broader economy. The SEC is currently unable to examine unregistered hedge funds' books and records.

### Raising Standards and Regulating Hedge Funds

- **Fills Regulatory Gaps:** Ends the "shadow" financial system in which hedge funds operate by requiring that they provide regulators with critical information.
- **Register with the SEC:** Requires hedge funds to register with the SEC as investment advisers and provide information about their trades and portfolios necessary to assess systemic risk. This data will be shared with the systemic risk regulator and the SEC will report to Congress annually on how it uses this data to protect investors and market integrity.
- **Greater State Supervision:** Raises the assets threshold for federal regulation of investment advisers from \$25 million to \$100 million, a move expected to increase the number of advisors under state supervision by 28%. States have proven to be strong regulators in this area and subjecting more entities to state supervision will allow the SEC to focus its resources on newly registered hedge funds.

## INSURANCE

**Office of National Insurance:** Creates a new office within the Treasury Department to monitor the insurance industry, coordinate international insurance issues, and requires a study on ways to modernize insurance regulation and provide Congress with recommendations.

**Streamlines** the regulation of surplus lines insurance and reinsurance through state-based reforms.

## SMALL BUSINESS

**Protects Small Businesses from Unreasonable Fees:** Requires Federal Reserve to issue rules to ensure that fees charged to merchants by credit card companies for credit or debit card transactions are reasonable and proportional to the cost of processing those transactions.

## CREDIT RATING AGENCIES

Establishes a new Office of Credit Rating Agencies at the Securities and Exchange Commission to strengthen regulation of credit rating agencies. New rules for internal controls, independence, transparency and penalties for poor performance will address shortcomings and restore investor confidence in these ratings.

**Why Change Is Needed:** Rating agencies market themselves as providers of independent research and in-depth credit analysis. But in this crisis, instead of helping people better understand risk, they failed to warn people about risks hidden throughout layers of complex structures.

Flawed methodology, weak oversight by regulators, conflicts of interest, and a total lack of transparency contributed to a system in which AAA ratings were awarded to complex, unsafe asset-backed securities - adding to the housing bubble and magnifying the financial shock caused when the bubble burst. When investors no longer trusted these ratings during the credit crunch, they pulled back from lending money to municipalities and other borrowers.

### New Requirements and Oversight of Credit Rating Agencies

- **New Office, New Focus at SEC:** Creates an Office of Credit Ratings at the SEC with its own compliance staff and the authority to fine agencies. The SEC is required to examine Nationally Recognized Statistical Ratings Organizations at least once a year and make key findings public.
- **Disclosure:** Requires Nationally Recognized Statistical Ratings Organizations to disclose their methodologies, their use of third parties for due diligence efforts, and their ratings track record.
- **Independent Information:** Requires agencies to consider information in their ratings that comes to their attention from a source other than the organizations being rated if they find it credible.
- **Conflicts of Interest:** Prohibits compliance officers from working on ratings, methodologies, or sales.
- **Liability:** Investors could bring private rights of action against ratings agencies for a knowing or reckless failure to conduct a reasonable investigation of the facts or to obtain analysis from an independent source.
- **Right to Deregister:** Gives the SEC the authority to deregister an agency for providing bad ratings over time.
- **Education:** Requires ratings analysts to pass qualifying exams and have continuing education.
- **Eliminates Many Statutory Requirements to Use NRSRO Ratings:** Reduces over-reliance on ratings and encourages investors to conduct their own analysis.
- **Independent Boards:** Requires at least half the members of NRSRO boards to be independent, with no financial stake in credit ratings.
- **Ends Shopping for Ratings:** A new SEC-regulated board will make random assignments to prevent issuers of asset backed-securities from picking the agency they think will give the highest rating.

## CREDIT SCORE PROTECTION

**Monitor Personal Financial Rating:** Allows consumers free access to their credit score if their score negatively affects them in a financial transaction or a hiring decision.

## **EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE**

### ***Strengthening Shareholder Rights***

Giving shareholders a say on pay and proxy access, ensuring the independence of compensation committees, and requiring public companies to set policies to take back executive compensation based on inaccurate financial statements are important steps in reining in excessive executive pay and can help shift management's focus from short-term profits to long-term growth and stability.

**Why Change Is Needed:** In this country, you are supposed to be rewarded for hard work.

But Wall Street has developed an out of control system of out of this world bonuses that rewards short term profits over the long term health and security of their firms. Incentives for short-term gains likewise created incentives for executives to take big risks with excess leverage, threatening the stability of their companies and the economy as a whole.

### **Giving Shareholders a Say on Pay and Creating Greater Accountability**

- **Vote on Executive Pay:** Gives shareholders a say on pay with the right to a non-binding vote on executive pay. This gives shareholders a powerful opportunity to hold accountable executives of the companies they own, and a chance to disapprove where they see the kind of misguided incentive schemes that threatened individual companies and in turn the broader economy.
- **Nominating Directors:** Gives the SEC authority to grant shareholders proxy access to nominate directors. Also required directors to win by a majority vote in uncontested elections. These can help shift management's focus from short-term profits to long-term growth and stability.
- **Independent Compensation Committees:** Standards for listing on an exchange will require that compensation committees include only independent directors and have authority to hire compensation consultants in order to strengthen their independence from the executives they are rewarding or punishing.
- **No Compensation for Lies:** Requires that public companies set policies to take back executive compensation if it was based on inaccurate financial statements that don't comply with accounting standards.
- **SEC Review:** Directs the SEC to clarify disclosures relating to compensation, including requiring companies to provide charts that compare their executive compensation with stock performance over a five-year period.



## SEC AND IMPROVING INVESTOR PROTECTIONS

Every investor – from a hardworking American contributing to a union pension to a day trader to a retiree living off of their 401(k) – deserves better protections for their investments. Investors in securities will be better protected by improving the competence of the SEC.

**Why Change Is Needed:** The Madoff scandal demonstrated just how desperately the SEC is in need of reform. The SEC has failed to perform aggressive oversight and is unable to understand some of the very companies it is supposed to regulate. And investors have been used and abused by the very people who are supposed to be providing them with financial advice.

### SEC and Beefed Up Investor Protections

- **Encouraging Whistleblowers:** Creates a program within the SEC to encourage people to report securities violations, creating rewards of up to 30% of funds recovered for information provided.
- **SEC Management Reform:** Mandates an annual assessment of the SEC's internal supervisory controls and a GAO study of SEC management.
- **Investment Advice:** Requires a study on whether brokers who give investment advice should be held to the same fiduciary standard as investment advisers – should be required to act in their clients' best interest.
- **New Advocates for Investors:** Creates the Investment Advisory Committee, a committee of investors to advise the SEC on its regulatory priorities and practices as well as the Office of Investor Advocate in the SEC, to identify areas where investors have significant problems dealing with the SEC and provide them assistance.
- **Funding:** The self-funded SEC will no longer be subject to the annual appropriations process.

## SECURITIZATION

Companies that sell products like mortgage-backed securities are required to retain a portion of the risk to ensure they won't sell garbage to investors, because they have to keep some of it for themselves.

**Why Change Is Needed:** Companies made risky investments, such as selling mortgages to people they knew could not afford to pay them, and then packaged those investments together, called asset-backed securities, and sold them to investors who didn't understand the risk they were taking. For the company that made, packaged and sold the loan, it wasn't important if the loans were never repaid as long as they were able to sell the loan at a profit before problems started. This led to the subprime mortgage mess that helped to bring down the economy.

### Reducing Risks Posed by Securities

- **Skin in the Game:** Requires companies that sell products like mortgage-backed securities to retain at least 5% of the credit risk, unless the underlying loans meet standards that reduce riskiness. That way if the investment doesn't pan out, the company that packaged and sold the investment would lose out right along with the people they sold it to.
- **Better Disclosure:** Requires issuers to disclose more information about the underlying assets and to analyze the quality of the underlying assets.

## MUNICIPAL SECURITIES

Municipal securities will have better oversight through the registration of municipal advisers and increased investor representation on the Municipal Securities Rulemaking Board.

**Why Change Is Needed:** Financial advisers to municipal securities issuers have been involved in “pay-to-play” scandals and have recommended unsuitable derivatives for small municipalities, among other inappropriate actions, and are not currently regulated.

### Better Oversight of Municipal Securities

- **Registers Advisors and Brokers:** Requires SEC registration for municipal financial advisers, swap advisers, and investment brokers – unregulated intermediaries who play key roles in the municipal bond market. Subjects financial advisers, swap advisers, and investment brokers to rules issued by the Municipal Securities Rulemaking Board and enforced by the SEC or a designee.
- **Puts Investors First on the MSRB Board:** Gives investor and public representatives a majority on the MSRB to better protect investors in the municipal securities market where there has been less transparency than in corporate debt markets.

## STRENGTHENING THE FEDERAL RESERVE

The Federal Reserve will oversee the larger, more complex holding companies with assets over \$50 billion and other systemically significant financial firms, where their expertise in capital markets will come into play. With this new role will come new responsibilities, but also new transparency and efforts to eliminate conflicts of interest.

### Strengthening the Federal Reserve

- **Transparency:** GAO will conduct a one-time audit of all Federal Reserve emergency lending that took place during the financial crisis. Details on all lending will be published on the Federal Reserve website by December 1, 2010. In the future GAO will have authority to audit any emergency lending facility set up by the Federal Reserve under section 13(3) of the Federal Reserve Act.
- **Financial Stability Function:** The Board of Governors of the Federal Reserve will now have a formal responsibility to identify, measure, monitor, and mitigate risks to U.S. financial stability.
- **Oversight Accountability:** Creates a Vice Chairman for Supervision, a member of the Board of Governors of the Federal Reserve designated by the President, who will develop policy recommendations regarding supervision and regulation for the Board, and will report to Congress semi-annually on Board supervision and regulation efforts.
- **Federal Reserve Bank Governance:** GAO will conduct a study of the current system for appointing Federal Reserve Bank directors, to examine whether the current system effectively represents the public, and whether there are actual or potential conflicts of interest. It will also examine the establishment and operation of emergency lending facilities during the crisis and the Federal Reserve banks involved therein. The GAO will identify measures that would improve reserve bank governance.
- **Increases Accountability at the New York Federal Reserve Bank:** The president of the New York Federal Reserve Bank will be appointed by the President of the United States, with the advice and consent of the Senate. The New York Federal Reserve president is a permanent member of the Federal Open Market Committee, the Bank executes open market operations and is an important source of information on capital markets, and the Bank supervises many important bank holding companies. However, the president of the New York Federal Reserve Bank is currently chosen by the Bank’s directors, 6 of whom are elected by member banks in that district.