

In Plain English:

MAKING SENSE OF THE FEDERAL RESERVE

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 _____.

**You can watch the video yourself on the St. Louis Fed website:
http://stlouisfed.org/education_resources/in-plain-english-video/**