The Federal Reserve System: Purposes and Functions

by Board of Governors Federal Reserve System

Federal Reserve System: Definition, Function, How It Works


The Federal Reserve System, also known as Federal Reserve (FED), is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and efficient system for conducting monetary and financial affairs. The Federal Reserve, also known as the Fed, is a collection of institutions, including regional Federal Reserve banks and a national Board of Governors. It plays a critical role in the U.S. financial system and in the broader global economy.

The Federal Reserve System: Purposes and Functions

The Federal Reserve System: Purposes and Functions (Fifth Edition) provides an in-depth overview of the Federal Reserve System, including information about monetary policy and the economy. The Federal Reserve serves as the central bank of the United States, providing a variety of services to commercial banks and other financial institutions. It performs five key functions: conducting monetary policy to influence the overall economy; regulating member banks; providing financial services to government; promoting the financial stability of the banking system; and providing payment services to the U.S. economy.

The Federal Reserve System: Structure and Functions

The Federal Reserve System is structured around a board of governors and 12 regional Federal Reserve banks. These entities work together to carry out the system's mission, which includes ensuring the safety and soundness of the U.S. financial system.

The Federal Reserve System: Purposes and Functions

Overall, the Federal Reserve System is committed to promoting the effective operation of the U.S. economy and, more generally, to serving the public interest. It includes three key entities: the Board of Governors, 12 Federal Reserve Banks, and the Federal Open Market Committee. The Federal Reserve System: Purposes and Functions series is revised by staff members of the Federal Reserve Board to reflect changes in the U.S. economy and the role of the Federal Reserve System.