DIRECTORS -- Appointment of Reserve Bank Presidents and First Vice Presidents

Section 4 of the Federal Reserve Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), provides, in part, that “[t]he president shall be the chief executive officer of the bank and shall be appointed by the Class B and Class C directors of the bank ….” Section 4 further provides, in part, that “[t]he first vice president of the bank shall be appointed in the same manner and for the same term as the president ….” Prior to the Dodd-Frank amendments, the entire Reserve Bank board of directors, including the Class A directors, was responsible for appointing the Reserve Bank president and first vice president.

Congress has expressly excluded Class A directors from the appointment of Reserve Bank presidents and first vice presidents due to concerns about potential conflicts of interest that could arise from bankers participating in the selection of the leadership of their federal bank supervisor. These potential conflicts of interest are present at many stages of the search and selection process, and accordingly, the Board has determined that, in order to comply with the full spirit of the law, Class A directors may not participate in most aspects of the appointment process of Reserve Bank presidents and first vice presidents. This prohibition on involvement in the appointment process means that Class A directors may not (a) be on the search committee for a president or first vice president or take part in its deliberations or the deliberations of the board of directors regarding candidates; or (b) vote for a president or first vice president, including voting on the periodic reappointment of president or first vice president. Class A directors may provide input to members of the search committee regarding particular candidates in the same manner and to the same extent that other bankers outside the System provide such input. Class A directors may also be informed of the appointment of a president or first vice president following Board of Governors’ approval of the appointment and before the appointment is announced publicly.

Similar potential conflicts of interest are also present for Class B directors who are affiliated with a thrift holding company that is supervised by the Federal Reserve. Accordingly, a Class B director who has such an affiliation may participate in the appointment of the Reserve Bank president or first vice president only to the same extent as a Class A director.