Letter of Transmittal

Board of Governors of the Federal Reserve System
Washington, D.C.

June 2007

The Speaker of the House of Representatives:

Pursuant to the requirements of section 10 of the Federal Reserve Act, I am pleased to submit the ninety-third annual report of the Board of Governors of the Federal Reserve System.

This report covers operations of the Board during calendar year 2006.

Sincerely,

Ben Bernanke
Chairman
Overview of the Federal Reserve

As the nation’s central bank, the Federal Reserve System has numerous, varied responsibilities:

- conducting the nation’s monetary policy by influencing monetary and credit conditions in the economy
- supervising and regulating banking institutions, to ensure the safety and soundness of the nation’s banking and financial system and to protect the credit rights of consumers
- maintaining the stability of the financial system and containing systemic risk that may arise in financial markets
- providing financial services to depository institutions, the U.S. government, and foreign official institutions

The Federal Reserve is a federal system composed of a central, governmental agency—the Board of Governors—and twelve regional Federal Reserve Banks. The Board of Governors, located in Washington, D.C., is made up of seven members appointed by the President of the United States and supported by a staff of about 1,850. In addition to conducting research, analysis, and policymaking related to domestic and international financial and economic matters, the Board plays a major role in the supervision and regulation of the U.S. banking system and administers most of the nation’s laws regarding consumer credit protection. It also has broad oversight responsibility for the nation’s payments system and the operations and activities of the Federal Reserve Banks.

The Federal Reserve Banks, which combine public and private elements, are the operating arms of the central banking system. They carry out a variety of System functions, including operating a nationwide payments system; distributing the nation’s currency and coin; under authority delegated by the Board of Governors, supervising and regulating bank holding companies and state-chartered banks that are members of the System; serving as fiscal agents of the U.S. Treasury; and providing a variety of financial services for the Treasury, other government agencies, and other fiscal principals.

A major component of the Federal Reserve System is the Federal Open Market Committee (FOMC), which is made up of the members of the Board of Governors, the president of the Federal Reserve Bank of New York, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC establishes monetary policy and oversees open market operations, the Federal Reserve’s main tool for influencing overall monetary and credit conditions. The FOMC sets the federal funds rate, but the Board has sole authority over changes in reserve requirements and must approve any change in the discount rate initiated by a Reserve Bank.

Two other groups play roles in the functioning of the Federal Reserve: depository institutions, through which monetary policy operates, and advisory councils, which make recommendations to the Board and the Reserve Banks regarding System responsibilities.

All federally chartered banks are, by law, members of the Federal Reserve System. State-chartered banks may become members if they meet Board requirements.
FEDERAL RESERVE BANKS
Developments in Federal Reserve Priced Services
Developments in Currency and Coin
Developments in Fiscal Agency and Government Depository Services
Electronic Access to Reserve Bank Services
Information Technology
Examinations of the Federal Reserve Banks
Income and Expenses
Holdings of Securities and Loans
Volume of Operations
Federal Reserve Bank Premises
Pro Forma Financial Statements for Federal Reserve Priced Services

THE BOARD OF GOVERNORS AND THE GOVERNMENT PERFORMANCE
AND RESULTS ACT
Strategic Plan, Performance Plan, and Performance Report
Mission
Goals and Objectives

FEDERAL LEGISLATIVE DEVELOPMENTS
Financial Services Regulatory Relief Act of 2006
Unlawful Internet Gambling Enforcement Act of 2006
Military Personnel Financial Services Protection Act
Financial Netting Improvements Act of 2006

Records

RECORD OF POLICY ACTIONS OF THE BOARD OF GOVERNORS
Regulation D (Reserve Requirements of Depository Institutions)
Regulation E (Electronic Fund Transfers)
Regulation H (Membership of State Banking Institutions in the
    Federal Reserve System) and Regulation Y (Bank Holding Companies and
    Change in Bank Control)
Regulation K (International Banking Operations)
Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of
    Member Banks)
Regulation Y (Bank Holding Companies and Change in Bank Control)
Regulation BB (Community Reinvestment)
Rules Regarding Equal Opportunity
Policy Statements and Other Actions
Discount Rates in 2006
MINUTES OF FEDERAL OPEN MARKET COMMITTEE MEETINGS

Authorization for Domestic Open Market Operations
Domestic Policy Directive
Authorization for Foreign Currency Operations
Foreign Currency Directive
Procedural Instructions with Respect to Foreign Currency Operations

Meeting Held on January 31, 2006
Meeting Held on March 27–28, 2006
Meeting Held on May 10, 2006
Meeting Held on June 28–29, 2006
Meeting Held on August 8, 2006
Meeting Held on September 20, 2006
Meeting Held on October 24–25, 2006
Meeting Held on December 12, 2006

LITIGATION

Federal Reserve System Organization

BOARD OF GOVERNORS

FEDERAL OPEN MARKET COMMITTEE

ADVISORY COUNCILS TO THE BOARD OF GOVERNORS
Federal Advisory Council
Consumer Advisory Council
Thrift Institutions Advisory Council

FEDERAL RESERVE BANKS AND BRANCHES
Officers of the Banks and Branches
Conference of Chairmen
Conference of Presidents
Conference of First Vice Presidents
Directors of the Banks and Branches

MEMBERS OF THE BOARD OF GOVERNORS, 1913–2006
Statistical Tables

1. Federal Reserve Open Market Transactions, 2006
3. Federal Reserve Bank Interest Rates on Loans to Depository Institutions, December 31, 2006
4. Reserve Requirements of Depository Institutions, December 31, 2006
5. Banking Offices and Banks Affiliated with Bank Holding Companies in the United States, December 31, 2005 and 2006
6. Reserves of Depository Institutions, Federal Reserve Bank Credit, and Related Items
   A. Year-End 1984–2006 and Month-End 2006
   B. Year-End 1918–1983
7. Principal Assets and Liabilities of Insured Commercial Banks, by Class of Bank, June 30, 2006 and 2005
8. Initial Margin Requirements under Regulations T, U, and X
10. Income and Expenses of the Federal Reserve Banks, by Bank, 2006
13. Number and Annual Salaries of Officers and Employees of the Federal Reserve Banks, December 31, 2006

Federal Reserve System Audits

AUDITS OF THE FEDERAL RESERVE SYSTEM
BOARD OF GOVERNORS FINANCIAL STATEMENTS
FEDERAL RESERVE BANKS COMBINED FINANCIAL STATEMENTS
OFFICE OF INSPECTOR GENERAL ACTIVITIES
GOVERNMENT ACCOUNTABILITY OFFICE REVIEWS
MAPS OF THE FEDERAL RESERVE SYSTEM
INDEX