

DIRECTORS--Guide to Conduct for Directors of Federal Reserve Banks and Branches

Directors of Federal Reserve Banks and branches have a special obligation for maintaining the integrity, dignity, and reputation of the Federal Reserve System. In their capacity as directors, these individuals are charged by law with the responsibility of supervising and controlling the operations of the Reserve Banks, under the general supervision of the Board of Governors, and for ensuring that the affairs of the Banks are administered fairly and impartially. Chosen, as they are, from diverse segments of the community at large, directors are expected to bring to their deliberations the benefit of experienced judgment and advice on specific matters within their respective Districts and on other general issues confronting the System as a whole. To ensure the proper performance of System business and the maintenance of public confidence in the System, it is essential that directors, through adherence to high ethical standards of conduct, avoid actions that might impair the effectiveness of System operations or in any way tend to discredit the System. Therefore, Federal Reserve directors should be guided by the following principles.

1. Their personal financial dealings should be above reproach and information obtained by them as directors of the System should never be used for personal gain.
2. Directors of Federal Reserve Banks and branches, in carrying out their System responsibilities, should avoid any action that might result in or create the appearance of—
 - a. affecting adversely the confidence of the public in the integrity of the Federal Reserve System
 - b. using their position as directors, including their access to Federal Reserve officials, for private gain,
 - c. using their position as a director to influence any supervisory matter (such as an application, formal or informal enforcement action, examination or inspection rating, or the like) involving the institution with which the director is affiliated (through stock ownership, employment, or otherwise).
3. Directors should strictly preserve the confidentiality of Reserve Bank and System information. In public speeches and communications, directors should avoid statements that suggest the nature of any monetary policy action that has not been officially disclosed.
4. Directors are expected to adhere to high ethical standards of conduct. Directors are also expected to comply fully with all applicable laws and regulations governing their actions as directors and in their conduct outside of the Federal Reserve System. The Board reserves the right to suspend or remove any director at a Reserve Bank or branch who fails to adhere to the high ethical and legal compliance standards of the System.

Whenever a director is charged with the commission of or participation in a crime which is punishable by imprisonment for a term exceeding one year under state or federal law, the Board will immediately suspend or remove said director from continued service at the Federal Reserve Bank or branch.

Director Involvement in Reserve Bank Procurements

Although Reserve Bank director involvement in procurements is rare, it has the potential to raise conflicts of interest or the appearance of conflicts of interest. Accordingly, each Reserve Bank shall develop, adopt, and maintain a policy that reflects the Board's commitment to procurement practices that are untainted by any potential for conflicts of interest from directors. Each policy should address, at a minimum, the following elements:

- the role of directors in procurements including the types of procurements involved
- the nature of procurement information that would be shared with the directors
- an education program for directors that at a minimum includes
 - an initial orientation for new directors on the need to avoid conflicts of interest, both actual and the appearance thereof, the associated criminal penalties, and their applicability to procurement matters
 - review of these matters prior to procurement actions involving the directors
 - proper treatment of pending procurement information and related non-public information to maintain confidentiality
- a written procedure for a director to follow for recusal from a matter to be discussed and a process for determining circumstances where recusal is not sufficient and another action, such as contractor exclusion or director resignation, may be warranted
- a written procurement certification process whereby each director certifies that he or she does not have any financial interest in a specific procurement presented to the board of directors at a stage where director involvement could have an influence on the ultimate selection. The certification form prescribed by the Board of Governors is attached.
- recordkeeping of training materials and attendance, recusals, and procurement certifications

Documenting the Roles and Responsibilities of Directors

The Reserve Banks shall clearly document, in their bylaws, the roles and responsibilities of directors, including restrictions on their involvement in supervision and regulation activities.

Waivers

It is highly unlikely that the Board would grant a waiver of the Guide to Conduct, which sets forth ethical standards of conduct that are essential to maintaining the integrity of the Federal Reserve System. Reserve Banks are, therefore, strongly discouraged from requesting such waivers except under the most exigent and extraordinary circumstances. A Reserve Bank may submit a written request to the Board describing the need for the waiver upon a vote of the board of directors on whether to recommend a waiver from the Board. The Board must approve the Reserve Bank's waiver request in order for it to become effective.

**Federal Reserve Bank of _____
Procurement Certification**

I am a director of the Federal Reserve Bank of _____. I am aware that the agenda for the board meeting scheduled for _____, 20____, includes consideration of the following Reserve Bank procurement (the Procurement):

[Describe the procurement, including a list of bidders, and if possible, potential bidders and subcontractors.]

I understand that, pursuant to 18 U.S.C. § 208, it may be a federal crime for me to participate in the Procurement as a Reserve Bank director if it will affect my financial interests or those of my spouse, minor children, general partner, or an organization of which I am an officer, director, trustee, partner, or employee or with which I am negotiating or have an arrangement for future employment.

I certify as to the above-described Procurement that to the best of my knowledge based on reasonable efforts and inquiries:¹

_____ I have no conflict of interest regarding the Procurement.

- I have no financial interest in any entity listed above, such as (1) ownership of its stock or bonds, or (2) ownership of shares of a non-diversified (sector) mutual fund that invests in these entities;
- My spouse and minor children (if any) have no financial interest in any listed entity;
- None of the listed entities employs me or anyone in my immediate family (spouse, minor child(ren));
- I am not an officer, director, trustee, general partner or employee of any organization that has a financial interest in any listed entity, and I am not a partner with any general partner that does; and,
- I currently am not seeking employment and have no arrangement concerning prospective employment with any listed entity or with any organization that, to my knowledge, has a financial interest in any of these entities.

¹ The federal conflicts of interest statute, 18 U.S.C. 208, makes it a crime for a director of a Federal Reserve Bank to participate in a matter in which, to his or her knowledge, he or she has a financial interest. To avoid conflicts under this standard, directors must make reasonable efforts to be aware of and understand their financial interests. For example, a director's receipt (personally or through an investment advisor) of periodic statements or reports that list an investment may be used as evidence of the director's knowledge of the investment. Violations of the statute may result in a fine up to \$50,000 or up to five years in prison or both.

_____ I have a possible conflict of interest and will not participate in the Procurement without first consulting with the Reserve Bank's ethics officer.

Director's Name

Date: _____