

DIRECTORS--Political Activity

Since 1915 the Board has taken the position, as a matter of policy, that directors of Federal Reserve Banks and their branches should not engage in certain types of political activity. This policy has demonstrated its usefulness throughout the history of the Federal Reserve System in preserving the political independence of the System, which is an essential element to the System's ability to conduct its monetary policy, crisis management, financial institution supervision, payments and other activities in a nonpartisan manner.

The Board's policy regarding the political activities of directors is based on the policy followed by Board members, Board officers and Reserve Bank officers. As explained more fully below, as a general principle, directors should not engage in any political activity or serve in any public office where such activity or service might be interpreted as associating the Reserve Bank or the Federal Reserve System with any political party or partisan political activity, might embarrass the Reserve Bank or the Federal Reserve System in the conduct of its operations, or might raise any question as to the independence of the individual's judgment or ability to perform his or her duties with the Reserve Bank or System.

Political Activities Consistent with Service as a Director

The Board's policy does not prohibit all political activity. The policy does not, for example, preclude directors from participating in activities as individual voters or as members of nonpartisan public service bodies when that would not be potentially embarrassing to the System.

In addition, the Board's policy does not restrict the right of any director to express his or her personal political views in an individual capacity or to indicate his or her preference for a political candidate for public office. Directors may also personally donate funds to candidates, campaigns, political parties, political action committees (PACs), and political groups. Directors may vote for the candidates who will receive a PAC's financial support as long as the PAC permits all persons who pay a nominal membership fee to vote on these matters. A director may also encourage employees or members of an employing entity, such as a company, union, or association, to donate funds or services to a PAC as long as the solicitation takes place at the director's place of business and the solicitation is made solely in the director's employment capacity, without reference to the director's position at a Federal Reserve Bank.

The policy does not preclude a director from permitting his or her name to be listed among a group of persons as part of an announcement supporting a specific candidate if such listing does not involve any activity on the director's part as a campaign speaker or fund raiser and if the announcement does not identify the director's affiliation with the Federal Reserve. Moreover, if a director's spouse is hosting a political function at the director's home, the director may attend the function as long as the director does not also host the event, extend invitations to the function, or

engage in soliciting contributions as part of the event.

In addition, directors are not restricted by the Board's policy from contacting and lobbying legislators and others regarding legislation or legislative policy. Thus, directors may express their views, whether personal or on behalf of their employer or others, regarding any legislative matter, including the need for legislation and proposals to revise existing laws or pending legislation.

Similarly, the policy does not prevent participation by directors in activities related to issues, referendum questions, local ordinances, constitutional amendments, levies and bonds, or similar matters. Thus, a director may personally donate funds to support or oppose a position on any issue. A director may also participate as a sponsor, speaker, fund raiser, or officer of a group or organization formed for the purpose of advocating for or against a proposed referendum or a particular issue so long as the advocacy does not involve endorsing a partisan campaign, political party, or partisan candidate. (For example, a director may be an officer of an organization that advocates building new highways, but may not be an officer of a group that is formed for the purpose of endorsing a candidate for partisan political office who advocates building new highways.)

All political activities must be conducted without reference to the director's affiliation with the Federal Reserve System. In addition, a director should ensure that participation in any such activity, including issues advocacy, does not associate the Federal Reserve System with a political party or issue, embarrass the Federal Reserve System, or create the appearance of a conflict of interest.

Political Activities Inconsistent with Service as a Director

There are a number of political activities that the Board believes are not consistent with service as a director. In particular, except as described above with regard to PAC contributions solicited at a director's place of business, a director is expected not to engage in raising funds for a political candidate, campaign, or party, or for an entity whose purpose is to donate to one or more political candidates or campaigns in a partisan election. This includes refraining from serving as an officer, director, member of the governing committee or representative on a PAC or other similar entity that raises or assists in raising funds for political activities. Similarly, a director may not solicit votes or support for (or against) any candidate for any political office in any partisan political election or in any political election that is nominally nonpartisan but is viewed by the local public as partisan. The Board's policy also prevents a director from hosting, sponsoring, or speaking at any political fundraising or campaign event or any event that involves selection or endorsement of a political candidate in a partisan election, except that a director may introduce a candidate for partisan office or participate in a campaign event as long as the introduction or event takes place at the director's worksite, participation is a normal part of the director's employment responsibilities, and no reference is made to the director's role with the Federal Reserve System. Similarly, the policy would not allow participation in the organization, governance or conduct of any political party or campaign, including in a political rally, political nominating convention, fund-raising committee, campaign-candidate recruitment committee, or platform-drafting committee. The policy also prevents a director from permitting his or her name to be included among a list of supporters of a

specific candidate if such list involves any activity on the director's part as a campaign speaker or fund raiser or if the announcement identifies the director's affiliation with the Federal Reserve.

Over the course of the System's history, directors who engage in political activities in the course of their employment have been able to comply with the Board's political activities policy by refraining from engaging in optional political activities and by reassigning employer-mandated political responsibilities to others. For example, directors affiliated with corporations that sponsor a PAC have disengaged from participation in the organization, governance, fundraising activities (except employee solicitation to a PAC as noted above), funds dissemination, and political endorsement and other activities of the PAC while the individual served as a director of a Federal Reserve Bank or branch. Similarly, union representatives have delegated responsibility for union activities involving political campaigns, fundraising, funds dissemination, and political endorsements while serving with the Federal Reserve System.

It is also contrary to the Board's policy for a director to hold, or to be a candidate for, any partisan public office. For example, the Board has found in previous cases that it is contrary to the Board's policy for a person connected with a Reserve Bank to be a candidate for election as a governor of a state or as a state senator. The Federal Reserve Act prohibits a member of Congress from serving as a director. The policy also prevents membership on a state banking board or other body that might create either a direct conflict of interest or the appearance of a conflict of interest with the person's duties with the Federal Reserve. Similarly, a director may not hold public office in a position that is nominally nonpartisan if the office is viewed by the local public as partisan.

Directors should consult with the appropriate Reserve Bank for guidance, as necessary. Ordinarily, the same restriction has been applied to local offices such as a mayor or councilman of a city, a county treasurer or member of the county board of supervisors, or a paid member of various local authorities if participation is in a partisan capacity. The Board has held that its policy is not violated, on the other hand, by service as a member of a school board, a state roads or bridge commission, a park-planning commission, or a local board of health as long as the participation was in a nonpartisan capacity.

The question whether a particular activity or service in a particular office violates the spirit and purpose of the Board's policy is a matter of judgment dependent on the particular facts. A director should contact the general counsel for the relevant Reserve Bank or the Board's general counsel for advice in advance of participating in any questionable political activity.

The following chart provides a general illustration of the political activities of Reserve Bank directors that are permitted and those that are prohibited.

Permitted and Prohibited Partisan Political Activities for Reserve Bank and Branch Directors*	
May	May not
	<ul style="list-style-type: none">• campaign for or against a

<ul style="list-style-type: none"> • express personal preferences for political candidate • express personal opinions about partisan political issues • campaign for or against referendum questions or constitutional amendments 	<p>candidate or slate of candidates in a partisan election</p> <ul style="list-style-type: none"> • hold any leadership position in a partisan political campaign or serve on a fundraising or campaign committee • attend a political nominating convention as a speaker or delegate
<p>May join political clubs or parties</p>	<p>May not hold office in political clubs or parties</p>
<p>May donate money to a political candidate or party</p> <p>May attend, but not host or solicit funds at, a political function at the director's home that is hosted by the director's spouse</p>	<p>May not collect contributions or sell tickets to political fund-raising events</p>
<p>May sign nominating petition for a candidate</p>	<p>May not circulate nominating petitions</p>
<p>May attend political rallies, meetings, and fund-raising events</p> <p>May participate in campaign stops at the director's workplace when it is clear the director is acting in his or her employment capacity</p>	<p>May not organize, manage, host, or speak at political rallies, meetings, or fund-raising events</p>
<p>May</p> <ul style="list-style-type: none"> • participate in nonpartisan voter registration drives • serve on nonpartisan public-service bodies 	<p>May not</p> <ul style="list-style-type: none"> • work to register voters for one party only • be a candidate for public office in a partisan election
<p>May contribute to a PAC</p> <p>May be a member of a PAC so long as membership includes all persons who have contributed money</p> <p>May vote for the candidates who will receive the PAC's financial support as long as the PAC permits all persons who pay a nominal membership fee to vote on these</p>	<p>May not serve</p> <ul style="list-style-type: none"> • as an officer of a PAC • on a PAC's governing committee or board of directors • on a selection committee of a

matters	PAC
May solicit contributions to their organization's PAC when it is clear the director is acting in his or her employment capacity	

* In all instances, directors should avoid any political activity that would publicly identify the director as being associated with the Federal Reserve System or would embarrass the System or raise questions about the independence of the director or the ability to perform Federal Reserve duties.