

Fed Functions: Promoting Financial System Stability

HELENA. Hi, I'm Helena. I work for the Federal Reserve.

SEBASTIAN. And I'm Sebastian. I work for the Federal Reserve, too. The Federal Reserve is the central bank of the United States. It performs five key economic functions in the public interest to help promote the healthy U.S. economy, including promoting the stability of a financial system that is so crucial to the well-being of the American economy.

HELENA. Our financial system is considered stable when its financial institutions and markets are able to provide people, communities, and businesses with the resources, products, and services they need in order to invest in and benefit from a well-functioning economy. The public -- individuals, families, communities, and the businesses that serve them -- play an integral role in the financial system as investors and savers on the one hand and borrowers and spenders on the other, and so does the Federal Reserve.

SEBASTIAN. To help keep this complex financial system stable and working, the Fed constantly monitors the linkages between investors, savers, borrowers, and businesses, all to help make financial institutions and markets more resilient, so that even in times of economic and market distress, they can bend without breaking and keep the financial system from stalling.

HELENA. We have long supervised individual banks and financial institutions, but monitoring the broad financial system and markets in which they operate has grown increasingly important.

SEBASTIAN. The U.S. and global financial systems have evolved considerably over the years, becoming larger, more complex, and more interconnected, and it has become much more challenging to identify and address potential threats.

HELENA. The financial crisis that emerged in 2007 and the recession that followed underscored this evolution, and it demonstrated the need to ensure that our government's approach to supervision and regulation considered the entire financial system, not just individual banks and financial institutions.

SEBASTIAN. The Fed also engages with other central banks and supervisory authorities, all to foster a financial system that promotes the sustainability and stability of the U.S. economy first, and the interdependent global economy more generally.

HELENA. This key function of the Federal Reserve -- to promote U.S. financial system stability - - strongly complements our more well-known monetary policy mandate from the Congress to promote maximum employment and price stability for the people, communities, and businesses that make up the U.S. economy. For more information on this and the other functions of the Federal Reserve, visit www.federalreserve.gov.