

Fed Functions: Supervising and Regulating Financial Institutions

SEBASTIAN. Hi I'm Sebastian.

HELENA. And I'm Helena. We work for the Federal Reserve, the central bank of the United States. One of the 5 key functions of the Federal Reserve is to supervise and regulate banks and other financial institutions to ensure they operate safely.

While we all rely on these institutions for traditional services like savings and checking accounts, credit cards and loans, they also play an important and increasingly complex role in the broader economy. That's why the Fed along with other regulatory agencies has the responsibility to supervise and regulate these entities, which include very small community banks all the way up to some of the largest and most recognized financial institutions in the nation and the world.

SEBASTIAN. The operations, activities, and characteristics of financial institutions have evolved and expanded tremendously over the years and so has the Fed's approach to making sure they operate safely.

The Fed monitors this changing banking landscape through both a wide and narrow lens. It monitors the financial system as a whole for its broader impact on the entire U.S. economy, paying close attention in particular to how financial institutions interact with each other and even with public institutions, including governments that participate in our economy.

And for more than a hundred years, the Fed has supervised and regulated the operations of individual institutions, making sure they are safe and sound and are following the laws and regulations established for them by both Congress and regulators like the Fed.

HELENA. The Fed sends examiners into a bank it supervises to check that it's operating safely. For example, testing whether it has enough capital to cover the risks from the loans it has made.

And the Fed tailors its bank exams depending on the size of the institution and taking into account the impact they might have on the financial system and economy as a whole.

So the very largest global bank and the smallest community bank are treated very differently. The largest banks have received even greater attention since the financial crisis from 2007 to 2009 when many large financial institutions either failed or were on the brink of failure, contributing to the global economic downturn that affected all of us.

SEBASTIAN. When the Fed finds evidence that an institution hasn't followed laws or regulations, it requires a problem to be fixed and may even issue a penalty or if Fed supervisors and analysts notice trends and recurring activities across a financial system, it may change or enact new regulations to supervise programs that apply more broadly.

HELENA. In the end, all these efforts help ensure that banks and the financial system are helping the U.S. economy and serving the public so that our communities, households, and businesses remain vibrant and growing. For more information on this and other functions of the Federal Reserve, visit [federalreserve.gov](https://www.federalreserve.gov) and click on "About the Fed".