

118TH CONGRESS
1ST SESSION

S. 1663

To amend the Federal Reserve Act to limit banker representation on boards of directors of Federal Reserve banks, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 17, 2023

Ms. WARREN (for herself and Mr. SCOTT of Florida) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Federal Reserve Act to limit banker representation on boards of directors of Federal Reserve banks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strengthening Federal
5 Reserve System Accountability Act of 2023”.

6 **SEC. 2. BANKER REPRESENTATION ON FEDERAL RESERVE**

7 **BANK BOARDS.**

8 (a) CLASS A DIRECTORS.—

1 (1) ELIGIBILITY.—The tenth undesignated
2 paragraph of section 4 of the Federal Reserve Act
3 (12 U.S.C. 302) is amended—

4 (A) by inserting “with \$50,000,000,000 or
5 less in assets” before the period at the end; and

6 (B) by inserting “The Reserve bank, in
7 consultation with the Board of Governors of the
8 Federal Reserve System, may remove a Class A
9 director if, after the director is elected, the as-
10 sets of the bank of the director grow rapidly
11 greater than \$50,000,000,000. No individual
12 may serve as a Class A director if the individual
13 represents a bank that has a CAMELS rating
14 of 3 or higher or outstanding Matters Requir-
15 ing Attention or Matters Requiring Immediate
16 Attention above the average number for banks
17 of similar size and complexity.” after the period
18 at the end.

19 (2) NOMINATION AND ELECTION.—The 16th
20 undesignated paragraph of section 4 of the Federal
21 Reserve Act (12 U.S.C. 304) is amended—

22 (A) in the third sentence, by inserting
23 “with \$50,000,000,000 or less in assets” after
24 “member bank”; and

1 (B) by striking the first and second sen-
2 tences.

3 (b) ELECTION OF CLASS B DIRECTORS.—

4 (1) IN GENERAL.—The 11th undesignated
5 paragraph of section 4 of the Federal Reserve Act
6 (12 U.S.C. 302) is amended by striking “three mem-
7 bers,” and all that follows through the period at the
8 end and inserting “6 members who shall be des-
9 ignated by the Board of Governors of the Federal
10 Reserve System. They shall be elected to represent
11 the public, without discrimination on the basis of
12 race, creed, color, sex, or national origin, and with
13 due but not exclusive consideration to the interests
14 of agriculture, commerce, industry, services, labor,
15 and consumers. When the necessary subscriptions to
16 the capital stock have been obtained for the organi-
17 zation of any Federal reserve bank, the Board of
18 Governors of the Federal Reserve System shall ap-
19 point the class B directors and shall designate one
20 of such directors as chairman of the board to be se-
21 lected. Pending the designation of such chairman,
22 the organization committee shall exercise the powers
23 and duties appertaining to the office of chairman in
24 the organization of such Federal reserve bank.”.

1 (2) TECHNICAL AND CONFORMING AMEND-
2 MENTS.—

3 (A) The 16th undesignated paragraph of
4 section 4 of the Federal Reserve Act (12 U.S.C.
5 304) is amended—

6 (i) in the first sentence, as redesign-
7 ated by subsection (a)(2)(B) of this sec-
8 tion, by striking “and one candidate for di-
9 rector of Class B”; and

10 (ii) in the third sentence, as redesign-
11 ated by subsection (a)(2)(B) of this sec-
12 tion, by striking “and Class B”.

13 (B) Section 4 of the Federal Reserve Act
14 is amended—

15 (i) in the fifth paragraph of the fourth
16 undesignated paragraph, by striking “and
17 Class C”;

18 (ii) by striking the 12th undesignated
19 paragraph;

20 (iii) by striking the 15th undesignated
21 paragraph (12 U.S.C. 303);

22 (iv) by striking the 17th undesignated
23 paragraph (12 U.S.C. 304); and

24 (v) by striking the 20th undesignated
25 paragraph.

1 (c) FINANCIAL INSTITUTIONS REGULATED BY THE
2 BOARD OF GOVERNORS.—Section 4 of the Federal Re-
3 serve Act is amended—

4 (1) in the 14th undesignated paragraph (12
5 U.S.C. 303), by striking “No director of class B
6 shall be an officer, director, or employee of any
7 bank.” and inserting “No individual who served as
8 an officer, director, or employee of any bank or
9 other financial institution regulated by the Board of
10 Governors of the Federal Reserve System during the
11 preceding 5-year period shall serve as a director of
12 class B.”; and

13 (2) by striking the 15th undesignated para-
14 graph (12 U.S.C. 303).

15 **SEC. 3. RESERVE BANK DIRECTOR RESPONSIBILITIES.**

16 (a) IN GENERAL.—The eighth undesignated para-
17 graph of section 4 of the Federal Reserve Act (12 U.S.C.
18 301) is amended by inserting after the period at the end
19 of the second sentence the following: “The board of direc-
20 tors may not be involved in bank examinations or super-
21 visory processes, including the selection, appointment, and
22 compensation of all Federal reserve bank officers whose
23 primary duties involve supervisory matters, budgetary
24 matters, and any other decisions or deliberations that per-
25 tain to supervisory activities.”.

1 (b) **TERM LIMITS.**—The 24th undesignated para-
 2 graph of section 4 of the Federal Reserve Act (12 U.S.C.
 3 308) is amended by inserting “No director of a Federal
 4 reserve bank may serve more than 2 full terms.” after the
 5 period at the end of the second sentence.

6 **SEC. 4. FEDERAL RESERVE TRANSPARENCY AND INDE-**
 7 **PENDENCE.**

8 (a) **DIRECTOR ELECTIONS.**—

9 (1) **CLASS A.**—The 19th undesignated para-
 10 graph of section 4 of the Federal Reserve Act (12
 11 U.S.C. 304) is amended by inserting “, which shall
 12 be published on the website of each Federal reserve
 13 bank not later than 3 years after such declaration”
 14 before the period at the end of the fifth sentence.

15 (2) **CLASS B.**—The 11th undesignated para-
 16 graph of section 4 of the Federal Reserve Act (12
 17 U.S.C. 302) is amended by inserting “The list of the
 18 final 3 candidates considered for such designation
 19 shall be published on the website of the Board of
 20 Governors of the Federal Reserve System not earlier
 21 than 3 years after the date of its completion.” after
 22 the period at the end of the second sentence.

23 (b) **DIRECTOR AND PRESIDENT SELECTION**
 24 **INPUT.**—Section 4 of the Federal Reserve Act is amended

1 by inserting after the 20th undesignated paragraph (12
2 U.S.C. 305) the following:

3 “The Federal reserve banks and the Board of Gov-
4 ernors of the Federal Reserve System shall develop proc-
5 esses for allowing public comment and input for nomi-
6 nating Class A directors and designating Class B direc-
7 tors, and appointing presidents. Each Federal reserve
8 bank shall publish a public contact for such nominations,
9 designations, and appointments. The Board of Governors
10 of the Federal Reserve System shall disclose any vote or
11 veto by a member of the Board for a Class B director
12 or a president not later than 3 years after such vote or
13 veto. The Board of Governors of the Federal Reserve Sys-
14 tem shall release a public statement after the date on
15 which a president is selected describing the involvement
16 of the Board in the selection process.”.

17 (c) OFFICE STAFF FOR MEMBERS OF THE BOARD
18 OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.—
19 Section 11(l) of the Federal Reserve Act (12 U.S.C.
20 248(l)) is amended by inserting “Of amounts made avail-
21 able for staff of the Federal Reserve System, each member
22 of the Board of Governors may employ not more than 4
23 individuals for the purpose of staffing the member’s office,
24 with such individuals selected by such member and the sal-

1 aries of such individuals set by such member.” after the
2 period at the end.

3 (d) VOTE BY BOARD OF GOVERNORS ON CERTAIN
4 SETTLEMENTS.—Section 10 of the Federal Reserve Act
5 is amended—

6 (1) by redesignating paragraph (12) (12 U.S.C.
7 247b) as paragraph (11); and

8 (2) by adding at the end the following:

9 “(12)(A) The Board of Governors of the Fed-
10 eral Reserve System shall vote, at a properly noticed
11 public meeting of the Board, on whether to resolve
12 any enforcement action if the resolution of that ac-
13 tion involves the payment of not less than
14 \$5,000,000 in compensation, penalties, or fines, or
15 other payments.

16 “(B) The results of the vote of each member of
17 the Board under subparagraph (A) shall—

18 “(i) be included at the appropriate place in
19 the official minutes of the Board; and

20 “(ii) be made publicly available on the
21 website of the Board.”.

22 (e) TERM LIMITS; REVIEW.—The fifth paragraph of
23 the fourth unenumerated paragraph of section 4 of the
24 Federal Reserve Act (12 U.S.C. 341) is amended by in-
25 serting “A president may continue to serve after the expi-

1 ration of the term of office to which the president was
2 appointed until the earlier of the date on which a successor
3 has been appointed and qualified, the date on which the
4 next session of Congress subsequent to the expiration of
5 such term expires, or the date on which the President of
6 the United States removes the president. No appointed
7 president shall serve more than a total of 10 years, not
8 including any such continuation in service. The Board of
9 Governors of the Federal Reserve System, in consultation
10 with the relevant Reserve bank board of directors, shall
11 initiate a review of the Reserve bank president and vice
12 President and the appropriateness of their removal in the
13 event of a bank failure in the Reserve district. The Board
14 of Governors shall also publish the results of the review
15 not later than 90 days following the bank failure.” after
16 the period at the end of the fourth sentence.

17 **SEC. 5. FEDERAL RESERVE ETHICS.**

18 Section 4 of the Federal Reserve Act, as amended
19 by section 4(b) of this Act, is amended by adding at the
20 end the following:

21 “Each director, president, and vice president shall
22 comply with the same rules for investment and trading
23 activity prescribed by the Board of Governors of the Fed-
24 eral Reserve System. Each director shall disclose any fi-
25 nancial interest in the same manner as presidents. Each

1 Federal reserve bank shall publicly disclose and explain
2 any rationale for waivers granted to directors from conflict
3 of interest rules. The Comptroller General of the United
4 States shall annually review conflict of interest rules of
5 the Federal reserve banks and the Board of Governors of
6 the Federal Reserve System and implementation of and
7 compliance with such rules.”.

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