

112TH CONGRESS  
2D SESSION

**S.** \_\_\_\_\_

To restrict conflicts of interest on the boards of directors of Federal reserve banks, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To restrict conflicts of interest on the 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 “Federal Reserve Inde-  
5 pendence Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) In October 2011, the Government Account-  
9 ability Office found the following:

1 (A) Allowing members of the banking in-  
2 dustry to both elect and serve on the boards of  
3 directors of Federal reserve banks poses  
4 reputational risks to the Federal Reserve Sys-  
5 tem.

6 (B) 18 former and current members of the  
7 boards of directors of Federal reserve banks  
8 were affiliated with banks and companies that  
9 received emergency loans from the Federal Re-  
10 serve System during the financial crisis.

11 (C) Many of the members of the boards of  
12 directors of Federal reserve banks own stock or  
13 work directly for banks that are supervised and  
14 regulated by the Federal Reserve System.  
15 These board members oversee the operations of  
16 the Federal reserve banks, including salary and  
17 personnel decisions.

18 (D) Under current regulations, members of  
19 a board of directors of a Federal reserve bank  
20 who are employed by the banking industry or  
21 own stock in financial institutions can partici-  
22 pate in decisions involving how much interest to  
23 charge to financial institutions receiving loans  
24 from the Federal Reserve System, and the ap-  
25 proval or disapproval of Federal Reserve credit

1 to healthy banks and banks in “hazardous”  
2 condition.

3 (E) 21 members of the boards of directors  
4 of Federal reserve banks were involved in mak-  
5 ing personnel decisions in the division of super-  
6 vision and regulation under the Federal Reserve  
7 System.

8 (F) The Federal Reserve System does not  
9 publicly disclose when it grants a waiver to its  
10 conflict of interest regulations.

11 (2) Allowing currently employed banking indus-  
12 try executives to serve as directors on the boards of  
13 directors of Federal reserve banks is a clear conflict  
14 of interest that must be eliminated.

15 (3) No one who works for or invests in a firm  
16 receiving direct financial assistance from the Federal  
17 Reserve System should be allowed to sit on any  
18 board of directors of a Federal reserve bank or be  
19 employed by the Federal Reserve System.

20 **SEC. 3. END CONFLICTS OF INTEREST.**

21 (a) CLASS A MEMBERS.—The tenth undesignated  
22 paragraph of section 4 of the Federal Reserve Act (12  
23 U.S.C. 302) (relating to Class A) is amended by striking  
24 “chosen by and be representative of the stockholding  
25 banks” and inserting “designated by the Board of Gov-

1 ernors of the Federal Reserve System, from among per-  
2 sons who are not employed in any capacity by a stock-  
3 holding bank”.

4 (b) CLASS B.—The eleventh undesignated paragraph  
5 of section 4 of the Federal Reserve Act (12 U.S.C. 302)  
6 (relating to Class B) is amended by striking “be elected”  
7 and inserting “be designated by the Board of Governors  
8 of the Federal Reserve System”.

9 (c) LIMITATIONS ON BOARDS OF DIRECTORS.—The  
10 fourteenth and fifteenth undesignated paragraphs of sec-  
11 tion 4 of the Federal Reserve Act (12 U.S.C. 303) (relat-  
12 ing to Class B and Class C, respectively) are amended to  
13 read as follows:

14 “No employee of a bank holding company or other  
15 entity regulated by the Board of Governors of the Federal  
16 Reserve System may serve on the board of directors of  
17 any Federal reserve bank.

18 “No employee of the Federal Reserve System or  
19 board member of a Federal reserve bank may own any  
20 stock or invest in any company that is regulated by the  
21 Board of Governors of the Federal Reserve System, with-  
22 out exception.”.

23 **SEC. 4. REPORTS TO CONGRESS.**

24 The Comptroller General of the United States shall  
25 report annually to Congress beginning 1 year after the

1 date of enactment of this Act to make sure that the provi-  
2 sions in this Act are followed.