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Regionalism at the Federal Reserve: Many Voices, One Purpose

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Introduction

Good morning and thank you for inviting me to southern Utah. I am delighted to be here and look forward to a lively conversation.¹

The Federal Reserve has been in the news these days. There are questions about Fed independence, the structure of the Federal Reserve System, and the accountability of Fed policymakers to elected officials and to the American people. But what most people want to know is whether they can trust the Federal Reserve.

Today, I will try to address these issues and describe how the structure of the Federal Reserve, designed by Congress over 100 years ago, had these very concerns in mind. They realized then what we know today: Trust starts with representation and accountability. And that's a key reason I'm here today.

Origins: Regional, Independent, Accountable

So, let's talk about the structure of the Fed. I'll start with representation. If you have been to Washington, D.C., or New York City, you know that the rest of the country looks different. Indeed, the United States is a vast array of people, economies, experiences, and sensibilities.

Congress saw this. Previous attempts to form a U.S. central bank had failed, in large part because they were centered around D.C. and New York, prioritizing Wall Street over Main Street.²

The final attempt remedied this. In 1913, the Federal Reserve was created, reflecting national and regional interests and public and private-sector perspectives.³ These elements are evident in the Federal Reserve's structure and footprint (see Figure 1).⁴ There is a Board of Governors in Washington, D.C.,

¹ The views expressed are the author's own and do not necessarily reflect those of anyone else on the Federal Open Market Committee (FOMC) or in the Federal Reserve System.

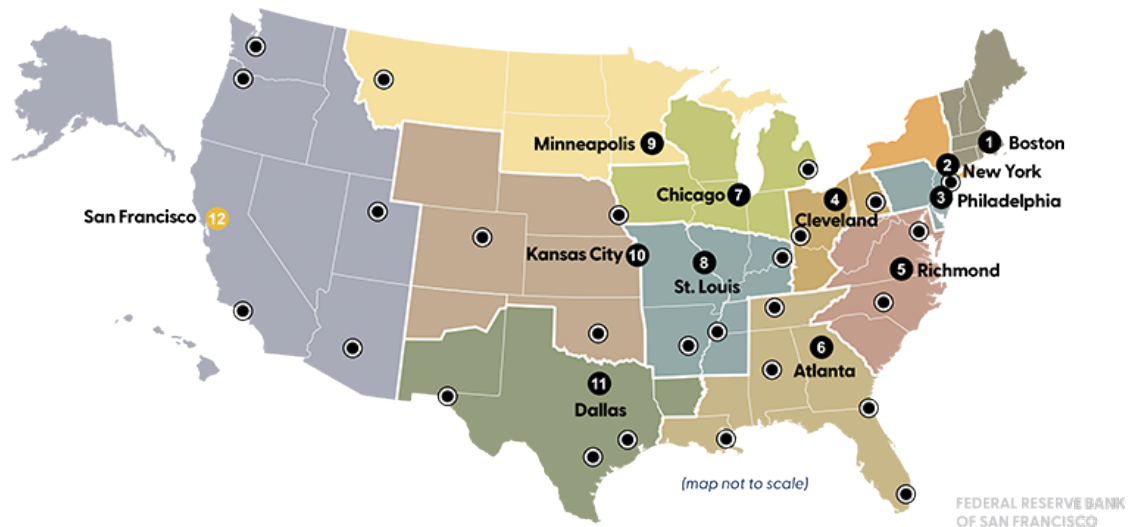
² As Paul M. [Warburg \(1930\)](#), a key advocate for reforming the nation's banking system in the early 1900s and a member of the first Federal Reserve Board, wrote: "The view was generally held that centralization of banking would inevitably result in one of two alternatives: either complete governmental control, which meant politics in banking, or control by "Wall Street," which meant banking in politics."

³ There were several proposals to reform the nation's monetary system and laws in the years following the 1907 global financial panic. The final form of the Federal Reserve Act, as signed by President Woodrow Wilson in 1913, was a product of years of debate and deliberation. For more information, see the Federal Reserve History project by the [Federal Reserve Bank of Kansas City \(2013\)](#).

⁴ See the Federal Reserve Act ([U.S. Congress 1913](#)) and [Ghizoni \(2013\)](#).

and 12 regional Reserve Banks. Together, the 12 regional banks, with their branches and operational locations, represent the United States.

Figure 1: Map of the Federal Reserve Districts



The designers didn't stop there. They also recognized that, to be effective, the central bank had to be independent.⁵ One way independence shows through is in how monetary policymakers are selected. In D.C., members of the Board of Governors are nominated by the President and confirmed by the Senate. They serve long and staggered terms to insulate them from undue influence of any given Administration.⁶ Reserve Bank presidents are chosen by their Bank's Board of Directors,⁷ honoring the commitment to regionalism and private-sector governance.⁸

⁵ See [Todd \(2012\)](#) for a summary of the debate among members of Congress on the degree of influence federal government officials, such as the Secretary of the Treasury and the Comptroller of the Currency, and financial sector executives should have on Federal Reserve decisions. In addition, see work by [Goodfriend \(2000\)](#), [Bordo and Prescott \(2022\)](#), and [Richardson and Wilcox \(2025\)](#).

⁶ Members of the Board of Governors of the Federal Reserve System serve 14-year terms. A Governor who has served a full term may not be reappointed, but a Governor who was appointed to complete the balance of an unexpired term may be reappointed to a full 14-year term.

⁷ Reserve Bank boards of directors are made up of leaders of businesses, civic organizations, and banks; see [Federal Reserve Bank of San Francisco \(2026\)](#). Reserve Bank presidents are appointed with the concurrence of the Board of Governors.

⁸ Pursuant to the Dodd-Frank Act, directors representing District member banks may not participate in the appointment of Reserve Bank presidents and first vice presidents ([Board of Governors 2024](#)).

Finally, to ensure accountability, Congress set the Federal Reserve’s mission and goals.⁹ It also kept the right to regularly review the Federal Reserve’s performance.¹⁰ At the Reserve Banks, a private-sector Board of Directors oversees operations and, along with Reserve Bank leadership, is accountable to the Board of Governors.¹¹

Although the system has evolved over time, these principles remain: regionalism, independence, and accountability.¹²

The Federal Reserve in Practice

That’s how the Federal Reserve was formed, but what does it do? To understand that, we have to go back to 1913 and why Congress created a central bank—to quell financial panics and bank failures and ensure that the U.S. had a common currency, accepted anywhere in the nation.¹³ The solutions are reflected in the Fed’s core responsibilities—managing payments, regulating and supervising banks, and conducting monetary policy.

Let’s start with payments. The Federal Reserve processes around \$5 trillion in payments each day and runs the key rails of payment services including cash, checks, ACH, instant payments, and wire transfers.¹⁴ Reserve Banks are responsible for most of these operations, ensuring efficiency, effectiveness, and resiliency across the nation.

⁹ For example, it was through the 1977 Federal Reserve Reform Act that Congress first directed the Federal Reserve to promote the goals of maximum employment, stable prices, and moderate long-term interest rates.

¹⁰ The Federal Reserve Act requires the Federal Reserve Board to submit written reports to Congress containing discussions of the conduct of monetary policy, economic developments, and prospects for the future. Since 1979, this report, called the [Monetary Policy Report](#), is submitted semiannually along with testimony from the Federal Reserve Board Chair. The Federal Reserve also publishes [other reports and briefs directed to Congress](#) as required by law or in the spirit of transparency.

¹¹ Reserve Bank directors, by federal law and Federal Reserve policy, must adhere to strict conflict of interest standards in the fulfillment of their duties. Reserve Bank directors may not be involved in, nor be consulted about, the supervision and regulation of financial institutions and may not receive or have access to confidential supervisory information. See [Board of Governors \(2017\)](#) and [Federal Reserve Bank of San Francisco \(2024, 2026\)](#).

¹² The current structure and responsibilities of the Federal Reserve have evolved over time through several pieces of legislation, including the 1935 Banking Act, the 1978 Humphrey-Hawkins Act, and the 2010 Dodd-Frank Act ([Todd 2012](#)).

¹³ See Lowenstein (2015) and [Dudley \(2016\)](#) for an overview of the financial and economic conditions that surrounded the creation of the Federal Reserve.

¹⁴ See [Federal Reserve Financial Services](#).

A little-known fact is that the Federal Reserve manages cash distribution for the nation. It's a large-scale logistical operation, one where being near your customers matters. Each Federal Reserve District operates cash facilities. You have one here in Utah, at our branch office in Salt Lake City.

Another large component of our work is bank regulation and supervision. The Federal Reserve Board in Washington, D.C., and the Vice Chair for Supervision hold primary responsibility for this work.¹⁵ That said, many of the examination teams sit in regional Reserve Banks, leveraging local knowledge about economic conditions to better serve the banks in their communities.¹⁶

The rest of our work focuses on monetary policy. And here, a diversity of views supports better outcomes. In practice, this means each Reserve Bank has its own research team.¹⁷ This helps guard against groupthink and ensures that the system is debating and challenging institutional norms and perspectives.¹⁸ Reserve Banks also provide centers of expertise that serve the entire system, for example, financial markets at the New York Fed, energy studies at the Dallas Fed, and emerging technologies at the San Francisco Fed, just to name a few.¹⁹

Reserve Banks also rely on regional engagement teams, who meet regularly with local businesses, bankers, and community groups to gather real-time information about the economy.²⁰ This has been one of the priorities of my presidency, putting people in the field to learn from the people we

¹⁵ Supervision is a function of the Board, with Reserve Banks conducting supervision under the Board's delegated authority. Bank supervision at the federal level is carried out by three agencies: the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC). State banking agencies also supervise certain banks. Each agency supervises banks organized under different types of legal charters. For more information, see [Board of Governors \(2023a\)](#).

¹⁶ The Board and Reserve Bank staff both play a critical role in carrying out the function of supervision. Most examinations are conducted by Reserve Bank staff, with involvement of Board staff on horizontal exercises and key decisions. Board staff set expectations for how Reserve Bank staff conduct examinations and, in turn, conduct oversight of Reserve Bank supervision to determine how well supervision is executed. See [Board of Governors \(2023b\)](#) for more information.

¹⁷ The FOMC is made up of nineteen participants—the seven Board of Governors members and twelve Federal Reserve Bank presidents. The Committee meets eight times per year, during which Fed presidents have the opportunity to share insights and findings from their respective research teams that help inform and support monetary policy decisions.

¹⁸ As [Goodfriend \(2000\)](#) noted, “one of the great strengths of policy made by representatives from a system of regional central banks is the diversity and number of points of view brought to the table.” He continues to state that “a system of central banks promotes a healthy competition that stimulates innovative thinking on operational, regulatory, research, and policy questions.”

¹⁹ To learn more, see the New York Fed's [Markets Group](#), Dallas Fed's [Center for Energy and the Economy](#), and San Francisco Fed's [EmergingTech Economic Research Network](#).

²⁰ The information used for monetary policy deliberations comes from multiple sources, including quantitative data and economic analyses, as well as qualitative information from ongoing engagement with our [Regional Community and Economic Perspectives](#) network. Conversations with our communities help us understand the different economic experiences of the people we serve, from households and consumers, small business owners, and large employers that drive local economic growth.

serve. Whether we are hosting roundtables, conducting surveys, or doing events like the one today, we are learning how the economy works in practice, not just in theory.²¹

So, that's the Federal Reserve. Our work reflects our founding principles. And it has stood the test of time.

The Responsibility to Evolve

So, what does our future hold? As a longtime public servant, I know that public institutions are pillars of democracy. But to remain strong, they must evolve—ready to meet new challenges and allow for new possibilities.

The Federal Reserve is no exception.

In my 30 years at the Fed, I have seen—and led—a lot of change, including efforts to modernize and innovate our practices, processes, and operations. In each of these efforts, the motivations were the same: to be more efficient, more effective, and more resilient.

But we are never done. The world is always changing, and the Federal Reserve must change with it, always grounded in our principles—the ones that Congress established: to be regional in our work, independent in our thinking, and accountable to those we serve.

Thank you. I look forward to our discussion.

²¹ Insights from our roundtables, surveys, and on-the-ground engagement are shared through our [SF Fed blog post](#) series and the [Twelfth District Beige Book](#) reports.

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