Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

Executive Summary, 2026-FMIC-B-013, September 1, 2026

The Board Can Strengthen Its Processes for Selecting Certain Federal Reserve Bank Leaders

Findings

The Board of Governors of the Federal Reserve System can strengthen its processes for appointing, approving, and consulting on certain Federal Reserve Bank leadership selections.

For Class C directors, who sit on Reserve Bank boards of directors,

- The Board does not prescreen candidates for possible conflicts or inform them of specific prohibited stockholdings before appointment. The Board also does not have Class C directors personally review and account for their financial interests and transactions to ensure there are no potential conflicts, policy violations, or eligibility issues; attest that they understand that stockholdings of spouses and minor children may affect their eligibility; or certify they understand they are subject to federal conflict of interest laws.
- The Board has not documented its expected candidate selection process to Reserve Banks in detail, including identifying the Reserve Bank personnel to be involved and their roles and responsibilities. This omission has resulted in the Board's Office of the Secretary not being fully aware of certain practices that vary among Reserve Banks. In addition, many Reserve Banks allow Class A directors to participate in selecting Class C directors, which may give member banks undue influence over the composition of the board of directors.
- The Board has not clearly defined the roles of members of its Committee on Federal Reserve Bank Affairs (BAC) in overseeing the appointment of Class C directors. Clarifying and documenting these roles will strengthen organizational governance.

For Reserve Bank presidents and first vice presidents, the Board's approval process has key controls, but its written guidance does not require Reserve Banks to identify or report potential conflicts of interest between candidates and external search firms. Addressing this risk will limit the possibility of potential conflicts of interest.

For certain executive leadership positions at Reserve Banks, the Board has not provided detailed written guidance about the expected roles and responsibilities for Board and Reserve Bank personnel during consultations preceding those selections. Providing guidance will help ensure consistency and clarity in these processes and help preserve institutional knowledge.

Recommendations

We have 10 recommendations to strengthen the Board's processes for appointing, approving, and consulting on certain Reserve Bank leaders. In its response to our draft report, the Board concurred with our recommendations and outlined planned actions to address the recommendations. We will follow up to ensure that the recommendations are fully addressed.

Purpose

Our evaluation assesses the design and implementation of the Board's processes for appointing, approving, and consulting on the selection of certain Reserve Bank leaders.

Background

The Board of Governors appoints three Class C directors to each Reserve Bank's board of directors, and the Board's Office of the Secretary facilitates this annual process under the BAC chair's guidance. The Board of Governors also approves Reserve Bank president and first vice president appointments made by the Reserve Banks' boards of directors, while the BAC chair and the Board Division of Reserve Bank Operations and Payment Systems oversee this process. The Board also consults with Reserve Banks on the selection of certain executive leadership positions, including general auditors, senior supervisory officers, and chief financial officers.