



# FEDERAL RESERVE MEMBERSHIP FOR A STATE-CHARTERED BANK

## WHO CAN BECOME A MEMBER OF THE FEDERAL RESERVE SYSTEM

Any state-chartered bank (mutual or stock-formed) may become a member of the Federal Reserve System. The twelve regional Reserve Banks supervise state member banks as part of the Federal Reserve System's mandate to assure strength and stability in the nation's domestic markets and banking system. Reserve Bank supervision is carried out in partnership with the state regulators, assuring a consistent and unified regulatory environment. Regional and community banking organizations constitute the largest number of banking organizations supervised by the Federal Reserve System.

## WHY BECOME A MEMBER

The Federal Reserve has been in the business of ensuring the safety and soundness of banks since 1914. Membership conveys an association with the general reputation and public trust the Federal Reserve enjoys as our country's central bank. Benefits of membership include the eligibility of service as a director, affording member banks the opportunity to participate in monetary policy formulation. Through its decentralized structure, use of emerging technology and partnerships with state regulators, the Federal Reserve has developed a risk-focused supervisory process that provides member banks with:

### RESPONSIVENESS

- Supervisory decisions are made at the Reserve Bank, where officers and examiners are familiar with local business conditions and practices.
- Bankers have ready access to the Reserve Bank officer responsible for their institution.
- State member banks are assigned a Reserve Bank representative to serve as the banks' central point of contact with regard to supervisory and regulatory matters.
- The Federal Reserve's local supervision model is closely aligned with the state banking model and is supportive of the dual banking system.
- Reserve Bank examiners are available to make advisory visits for areas of special interest such as consumer compliance, the Bank Secrecy Act or risk management practices.

### QUALITY

- The Federal Reserve's risk focused examinations are tailored to a bank's size and activities, and allow examiners to balance transaction testing with the strength of the bank's risk management practices.
- Information provided as part of the supervisory process is clear, concise, timely and geared to meet the bank's needs.
- Federal Reserve staff have a well deserved reputation of being professional, dedicated and fair.

## EFFICIENCY

- In the case of a state member bank owned by a bank holding company, the Federal Reserve directly supervises both institutions, promoting a consistent supervisory approach for the entire organization.
- The Federal Reserve's integrated supervision process allows for the coordination of commercial, consumer, fiduciary and information technology examinations to maximize efficiency and minimize regulatory burden.
- The Federal Reserve has advanced its in-house monitoring systems, thus allowing examiners to perform more work off-site.
- Because of its close working relationship with state regulators and other Reserve Districts, the Reserve Bank provides seamless supervision of multi-state organizations.
- Reserve Banks participate in the Alternative Examination Program with the states, which minimizes regulatory burden by decreasing the number of on-site visits.

For more information about the Federal Reserve Bank of Boston and its supervision program for state member banks, visit our web site at [www.bos.frb.org](http://www.bos.frb.org)





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# FAQS

## FEDERAL RESERVE MEMBERSHIP FREQUENTLY ASKED QUESTIONS

**Q: What institutions are eligible for membership?**

A: Any bank or other incorporated banking institution engaged in similar business may become a member of the Federal Reserve System. National banks are required by law to be members. State-chartered banks may join if they meet certain requirements.

**Q: What factors are considered in applications for membership?**

A: Financial condition  
General character of management  
Capital adequacy  
Convenience and needs of the community

**Q: Is there an application fee associated with becoming a member?**

A: There is no application fee.

**Q: Is an examination required prior to my application being approved?**

A: Not always. The need for an on-site examination depends on each bank's individual circumstances.

**Q: Does my application require public notice?**

A: No. This requirement was eliminated in 1998.

**Q: Are there any conditions of membership?**

A: Member banks are required to purchase Federal Reserve stock in accordance with Regulation I (12 CFR 209) and are expected to follow the general safety and soundness guidelines found in Regulation H (12 CFR 208).

**Q: How long does it take for my application to be processed?**

A: As little as 15 days for well-capitalized institutions with CAMELS and compliance ratings of 1 or 2, a satisfactory CRA rating and no major unresolved supervisory issues.

**Q: Does Federal Reserve membership convey FDIC insurance?**

A: No. A separate application needs to be filed with the FDIC.

**Q: Is there a fee for examinations?**

A: The Federal Reserve does not charge a fee for examinations.

**Q: Does a national bank converting to a state charter need to reapply for Federal Reserve membership?**

A: Yes. Federal Reserve membership does not transfer automatically. Stock in the Federal Reserve will also have to be reissued in the name of the new bank.

**Q: Who can I contact for more information?**

A: Contact Robert Augusta Jr., Vice President, Regional and Community Supervision at 617-973-3350 or Robert Brady, Vice President, Risk Management and Analytics at 617-973-3336.