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Federal Open Market Committee (FOMC): What It Is and Does

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What Is the Federal Open Market Committee (FOMC)?

The term Federal Open Market Committee (FOMC) refers to the branch of the [Federal Reserve System \(FRS\)](#) that determines the direction of monetary policy in the United States by directing [open market operations \(OMOs\)](#).

The committee is made up of 12 members,

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including seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four of the remaining 11 Reserve Bank presidents, who serve on a rotating basis. ^[1]

KEY TAKEAWAYS

- The Federal Open Market Committee is a branch of the Federal Reserve System.
- The FOMC determines the direction of monetary policy by directing open market operations.
- The committee is composed of the seven members of the Board of Governors and five Federal Reserve Bank presidents. ^[1]
- It has eight regularly scheduled meetings each year that are the subject of speculation on Wall Street. ^[1]

Understanding the Federal Open Market Committee (FOMC)

The 12 members of the FOMC meet eight times a year to discuss whether there should be any changes to near-term [monetary policy](#). A vote to change policy would result in either buying or selling [U.S. government securities](#) on the open market to promote the growth of the national economy. Committee members are typically categorized as hawks favoring tighter monetary policies, doves who favor [stimulus](#), or centrists/moderates who are somewhere in between. ^[1]



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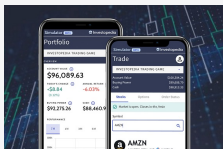
The FOMC chair is also the chair of the Board of Governors. The current makeup of the board is as follows:

- The chair is [Jerome Powell](#), who was sworn in for a second four-year term on May 23, 2022. He began his first term in this role in February 2018. Powell is considered a moderate. ^[2]
- The vice-chair of the FOMC is [Lael Brainard](#). She was also sworn into the position on May 23, 2022, for a full four-year term. She joined the board in June 2014. ^[3]
- Other Federal Reserve Board members include Michelle Bowman, Michael Barr, Lisa Cook, Philip Jefferson, and Christopher Waller. ^[4]

There are 12 Federal Reserve districts, each with its own [Federal Reserve Bank](#). These regional banks operate as extensions of the [central bank](#). The president of the Federal Reserve Bank of New York serves continuously while the presidents of the others serve one-year terms on a three-year rotating schedule (except for Cleveland and Chicago, which rotate on a two-year basis). ^[5]

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The one-year rotating seats of the FOMC are always comprised of one Reserve Bank president from each of the following groups: ^[1]

- Boston, Philadelphia, and Richmond
- Cleveland and Chicago
- St. Louis, Dallas, and Atlanta
- Kansas City, Minneapolis, and San Francisco

The geographic-group system helps ensure that all regions of the United States receive fair representation. Here are the current FOMC members: ^[1]

Current FOMC Members

Name	Position
Jerome Powell	Chair of the Federal Reserve Board
Lael Brainard	Vice-Chair of the Federal Reserve Board
Michelle Bowman	Member of the Federal Reserve Board
Lisa Cook	Member of the Federal Reserve Board
Philip Jefferson	Member of the Federal Reserve Board
Christopher Waller	Member of the Federal Reserve Board

Michael Barr	Member of the Federal Reserve Board
John Williams	President of the Federal Reserve Bank of New York
James Bullard	President of the Federal Reserve Bank of St. Louis
Susan Collins	President of the Federal Reserve Bank of Boston
Esther George	President of the Federal Reserve Bank of Kansas City
Loretta Mester	President of the Federal Reserve Bank of Cleveland

FOMC Meetings


The FOMC has eight regularly scheduled meetings each year, but they can meet more often if the need should arise. The meetings are not held in public and are therefore the subject of much speculation on [Wall Street](#), as analysts attempt to predict whether the Fed will tighten or loosen the [money supply](#) with a resulting increase or decrease in interest rates. ^[1]

In recent years, FOMC meeting minutes have been made public following the meetings. When it is reported in the news that the Fed changed interest rates, it is the result of the FOMC's regular meetings. ^[6]

During the meeting, members discuss developments in the local and global financial markets, as well as economic and financial

markets, as well as economic and [financial forecasts](#). All participants—the Board of Governors and all 12 Reserve Bank presidents—share their views on the country’s economic stance and converse on the monetary policy that would be most beneficial for the country.

After much deliberation by all participants, only designated FOMC members get to vote on a policy that they consider appropriate for the period.

 **Important:** At the December 2022 FOMC meeting, the Fed raised the fed funds rate to a target between 4.25% and 4.5%. This was an increase of 50 basis points from the last increase in November 2022. [\[7\]](#) [\[8\]](#)

FOMC Operations

The Federal Reserve possesses the tools necessary to increase or decrease the money supply. This is done through OMOs, adjusting the [discount rate](#), and setting [bank reserve requirements](#). The Fed's Board of Governors is in charge of setting the discount rate and reserve requirements, while the FOMC is specifically in charge of OMOs, which entails buying and selling government securities. For example, to tighten the money supply and decrease the amount of money available in the banking system, the Fed would offer government securities for sale. [\[1\]](#)

Securities bought by the FOMC are deposited in the Fed's [System Open Market Account \(SOMA\)](#), which consists of a domestic and a foreign

portfolio. The domestic portfolio holds [U.S. Treasuries](#) and federal agency securities, while the foreign portfolio holds investments denominated in [euros](#) and Japanese [yen](#).^[9]

The FOMC can hold these securities until maturity or sell them when they see fit, as granted by the [Federal Reserve Act of 1913](#) and [Monetary Control Act of 1980](#). A percentage of the Fed's SOMA holdings are held in each of the 12 regional Reserve Banks; however, the Federal Reserve Bank of New York executes all of the Fed's open market transactions.^[9]

The process begins with the results of the meeting being communicated to the SOMA manager, who relays them to the trading desk at the Federal Reserve Bank of New York, which then conducts transactions of government securities on the open market until the FOMC mandate is met.^[10]

The interaction of all of the Fed's policy tools determines the [federal funds rate](#) or the rate at which depository institutions lend their balances at the Federal Reserve to each other on an overnight basis. The federal funds rate, in turn, directly influences other short-term rates and indirectly influences long-term interest rates; foreign [exchange rates](#), and the supply of credit and demand for investment, employment, and economic output.

Example of FOMC Policy

On Jan. 30, 2019, at its annual organizational meeting, the FOMC unanimously reaffirmed its

"Statement of Longer-Run Goals and Monetary Policy Strategy" with an updated reference to the median of participants' estimates of the longer-run normal rate of unemployment in its "Summary of Economic Projections" (December 2018).^[11]

This statement is based on the FOMC's commitment to fulfilling a statutory mandate from Congress to promote maximum employment, stable prices, and moderate long-term interest rates. Because monetary policy determines the inflation rate over the long term, the FOMC can specify a longer-run goal for inflation. In the statement, the FOMC reaffirmed its analysis that a 2% target inflation rate was the rate most consistent with its statutory mandate.^[12]

What Does the Fed's Federal Open Market Committee Do?

The Federal Open Market Committee (FOMC) is responsible for directing monetary policy through open market operations. The group is a 12-member group that is the primary committee of the Fed affecting monetary policy. Through its decisions, it sets the Fed's short-term objective for purchasing and selling securities, which is the target level of the fed funds rate, which influences other interest rates.

Is the FOMC the Same as the Fed?

No, the FOMC is not the same as the Fed. The FOMC is a committee within the Fed, the Federal Open Market Committee, and is responsible only

for open market operations. The Fed's Board of Governors set the discount rate and the reserve requirements.

How Often Does the FOMC Meet?

The Federal Open Market Committee (FOMC) meets eight times a year. ^[1]

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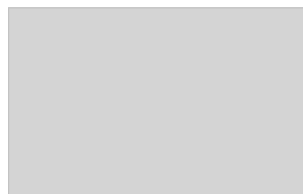
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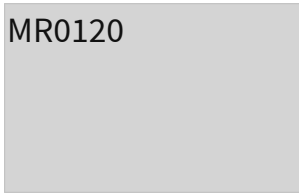
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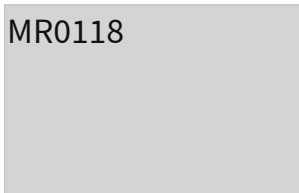
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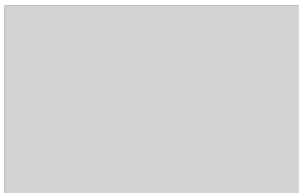


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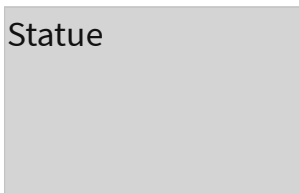


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