



Annual Performance Plan 2023



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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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Preface

Congress founded the Federal Reserve System (System) in 1913 as the central bank of the United States. While established as an independent central bank, the Federal Reserve is subject to oversight by the Congress and must work within the framework of the overall objectives of economic and financial policy established by its enabling statutes. Over time, the Congress has expanded the Federal Reserve's role in the economy and the financial system, as reflected in its mission:

As the nation's central bank, the fundamental mission of the Federal Reserve System is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems and to promote optimal economic performance.

As the governing body of the System, the Board of Governors (Board) guides the operations of the System to promote the goals and fulfill the responsibilities given to the Federal Reserve by the Federal Reserve Act. The Board conducts research, analysis, and policymaking related to domestic and international financial and economic matters; supervises and regulates certain U.S. financial institutions and activities; oversees the operations and activities of the Federal Reserve Banks, including important aspects of the nation's payments system; and plays an important role in promoting consumer protection, fair lending, and community development. The mission and activities of the Board are grounded in its institutional values:

Public interest. In its actions and policies, the Board seeks to promote the public interest. It is accountable to the general public and the Congress.

Integrity. The Board adheres to the highest standards of integrity in its dealings with the public, the U.S. government, the financial community, and its employees.

Excellence. The conduct of monetary policy, responsibility for supervision, and maintenance of the payment system demand high-quality analysis; high performance standards; and a secure, robust infrastructure. The pursuit of excellence drives the Board's policies concerning recruitment, selection, and retention of employees.

Efficiency and effectiveness. In carrying out its functions, the Board recognizes its obligation to manage resources efficiently and effectively on behalf of the U.S. taxpayer.

Independence of views. The Board values the diversity of its employees, input from a variety of sources, and the independent professional judgment fostered by the System's regional structure.

It relies on strong teamwork and consensus building to mold independent viewpoints into coherent, effective policies.

Additional information on the Board and the System can be found in *The Fed Explained: What the Central Bank Does* (formerly *The Federal Reserve System Purposes & Functions*) (<https://www.federalreserve.gov/aboutthefed/the-fed-explained.htm>) and throughout its website (<https://www.federalreserve.gov/>).

Introduction

The Board of Governors of the Federal Reserve System's (Board) *Strategic Plan 2020–23* (Plan) identifies and frames the organization's strategic goals and objectives.¹ On December 27, 2019, the Board published its Plan, which outlines the organization's priorities within five functional areas for maintaining the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems:

- Monetary Policy and Financial Stability
- Supervision
- Payment System and Reserve Bank Oversight
- Public Engagement and Community Development
- Mission Enablement

The Board continuously seeks to understand changes in the economic and financial environment and how these changes may impact policy decisions. Additionally, the Board monitors changes in the financial services industry, including the influence of advances in technology, to execute its supervisory and regulatory responsibilities.

The Board's work has become increasingly complex, with growing responsibilities and skill requirements, resulting in a need for enhanced capabilities in operational areas such as data, cybersecurity, technology, and workforce planning. To ensure the System remains an effective steward of public resources, the Board is committed to pursuing additional efficiencies in its operations, as well as the operations throughout the Reserve Banks.

The planning process allows the Board to continuously develop and evaluate how to best prioritize initiatives and investments and then allocate resources in support of strategic objectives. The Board recognizes that there are differences between government and private-sector strategic planning and measurement of those efforts. While private-sector planning often relies on measures of revenue, the Board measures its performance relative to public policy objectives and statutory responsibilities.

This document sets forth the planned projects and initiatives that will contribute to furthering the Federal Reserve's mission and strategic goals and objectives in the year ahead. Given the large scope of work performed by the Board, not all activities are identified within this document. The Board's senior leadership reassess priorities throughout the year and will adjust priorities and

¹ The *Strategic Plan 2020–23* is available at <https://www.federalreserve.gov/publications/2020-23-strategic-plan.htm>.

resources as necessary to fulfill the organization's mandate from Congress to promote maximum employment and stable prices, along with its responsibilities to promote the stability of the financial system. The Federal Reserve remains committed to using its full range of tools to support households, businesses, and the U.S. economy overall.

The Board issues these reports in the spirit of the *Government Performance and Results Act of 1993* (GPRA), as amended by the *GPRA Modernization Act of 2010*, which requires that federal agencies prepare a strategic plan covering a multiyear period and submit an annual performance plan and an annual performance report.² Although the Board is not covered by GPRA, the Board voluntarily complies with the spirit of the act and, like other federal agencies, prepares a strategic plan as well as an annual performance plan and an annual performance report. The Board will release a report to the public on its performance toward achieving its 2023 initiatives.

As required by the Federal Reserve Act, the Board also annually submits to the Congress the Annual Report describing the operations of the System for the previous year, as well as a detailed explanation of the plans and resources discussed in the approved budgets of the Board and the 12 Federal Reserve Banks.³

² The annual performance plans and reports are available at <https://www.federalreserve.gov/publications/gpra.htm>.

³ The *Annual Report* is available at <https://www.federalreserve.gov/publications/annual-report.htm>.

Monetary Policy and Financial Stability

Goal 1: Facilitate efforts that support the congressional mandate for maximum employment and price stability through monetary policy.

Objective 1.1: Support the Board's and the Federal Open Market Committee's policy deliberations through the timely provision of high-quality research, analysis, and other information that enables sound and objective decision-making.

1.1.1 Identify and analyze economic and financial developments in support of the Federal Reserve's mission.

1.1.2 Stay abreast of technological and other changes to the financial system and assess potential impacts on the economy.

1.1.3 Monitor the evolution and function of financial markets and related infrastructures, including the impact on monetary policy and financial stability.

Objective 1.2: Actively pursue research, analysis, monitoring, and measurement to advance the public's understanding of key economic and financial issues.

1.2.1 Pursue research that promotes understanding of labor markets, inflation, and the financial system, including differences or inequities across demographic groups and areas, and implications for the functioning of the economy.

1.2.2 Incorporate diversity of thought, perspective, experience, and talent into the Board's research program.

1.2.3 Conduct research focusing on low- and moderate-income financial and economic conditions of traditionally underserved and economically vulnerable consumers and communities.

Objective 1.3: Further promote transparency, accountability, communication, and public education in monetary policy, economic research, and financial stability.

1.3.1 Improve delivery of, and public access to, information that effectively communicates the Board's understanding of economic and financial conditions, financial stability, and the impact and efficacy of monetary policy.

1.3.2 Foster public education and engage in communication across a wide range of audiences, including on information related to the economic and financial experiences of economically vulnerable consumers and communities.

Objective 1.4: Broaden capabilities to effectively and efficiently fulfill the Board's research mission through investment in people, technology, and data.

1.4.1 Ensure applicable expertise and a broad range of perspectives are used to conduct economic research, analysis, monitoring and measurement, strengthening the understanding of economic development and the implication for monetary policy and financial stability.

1.4.2 Enhance the Board's ability to collaborate with internal and external colleagues on research and analysis through technology, automation, infrastructure, and process advancements.

1.4.3 Sustain and nurture an inclusive culture and support a collaborative environment that encourages diversity of perspectives.

Supervision

Goal 2: Promote safety, soundness, and stability of financial institutions and consumer protection through supervision and regulation.

Objective 2.1: Continue to refine rules, practices, and tools to enhance the efficiency and effectiveness of supervision.

2.1.1 Consider public comments and finalize amendments to the operational risk-management expectations in Regulation HH applicable to Board-supervised designated financial market utilities.

2.1.2 Enhance efficiency and communications of consumer compliance supervision.

2.1.3 Progress the development of a pilot post-exam survey for supervised institutions to provide feedback on their examination experience.

2.1.4 Implement the policy and procedures for receiving and handling whistleblower claims regarding misconduct, unsafe or unsound practices, or violations of law or regulation.

Objective 2.2: Improve forward-looking risk-identification and assessment capabilities to inform policy and support timely and effective risk mitigation through supervision.

2.2.1 Progress development of a supervisory framework and tools, and implement an analytics strategy and training program for fintech-related risks.

2.2.2 Advance development of a policy and Systemwide supervisory approach to address climate-related financial risks to large, supervised firms.

2.2.3 Assess the capital framework, identifying and implementing improvements, while also implementing Basel III.

2.2.4 Review the implementation of the Bank Merger Act, identifying areas for modernization, and implementing improvements.

2.2.5 Enhance monitoring of consumer compliance risks in financial markets to inform supervision.

2.2.6 Reform regulations and supervisory guidance implementing the Community Reinvestment Act, in collaboration with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Objective 2.3: Further promote transparency, accountability, communication, diversity of perspectives, and public outreach to support the System's supervisory responsibilities.

2.3.1 Engage in regular outreach to a range of stakeholders to obtain balanced and diverse perspectives on safety and soundness, community reinvestment, and consumer protection risks to guide supervisory policy development and examination programs.

Objective 2.4: Further improve supervisory and regulatory activities to support financial system stability.

2.4.1 Investigate new ways to identify risks to financial stability.

2.4.2 Build a tool to support analysis and financial stability-related monitoring during business-as-usual and crisis events.

Objective 2.5: Broaden capabilities to effectively and efficiently execute supervisory responsibilities through investment in people, technology, and data.

2.5.1 Develop a strategy to onboard products to the common data platform, including governance, platform design, roadmap, and capabilities.

2.5.2 Progress the development and begin implementation of multiyear System Supervision strategy and roadmap.

2.5.3 Advance the common exam platform strategy.

2.5.4 Identify capabilities and dependencies for potential development by the Federal Reserve of interagency credit review tooling in conjunction with the planned work to move products for community and regional banking organizations to the common exam platform.

2.5.5 Evolve the examiner commissioning programs.

Payment System and Reserve Bank Oversight

Goal 3: Foster a safe, efficient, and accessible payment and settlement system through Reserve Bank oversight.

Objective 3.1: Support payment infrastructure modernization to serve changing stakeholder needs.

3.1.1 Lead efforts to draft *Federal Register* notice on expanding operating hours for the Fedwire Funds Service and National Settlement Service.

3.1.2 Collaborate with the Reserve Banks on oversight, implementation, and enhancement of the FedNowSM Service.

3.1.3 Advance experimentation and policy analysis of digital innovations in payments and clearing and settlement topics.

Objective 3.2: Maintain an effective and secure U.S. currency program.

3.2.1 Collaborate with the U.S. Treasury and the Bureau of Engraving and Printing on ways to improve quality and increase efficiencies in the manufacturing of Federal Reserve notes.

3.2.2 Educate users of U.S. currency on the designs and security features of Federal Reserve notes by leveraging a full range of the latest communication technologies and training tools.

3.2.3 Strengthen the capacity of Reserve Banks and financial institutions to efficiently manage the circulation and processing of Federal Reserve notes.

3.2.4 Enhance counterfeit-deterrence capabilities through research, innovation, and education.

Objective 3.3: Further evolve the Reserve Bank oversight approach.

3.3.1 Enhance capabilities to assess Reserve Bank risk-management activities, including information sharing and accountability for stewardship of resources.

Objective 3.4: Advance diversity in System leadership.

3.4.1 Support System initiatives related to expanding and diversifying candidate pools for System leadership positions.

Objective 3.5: Broaden capabilities to effectively and efficiently execute oversight responsibilities for payment systems and Reserve Banks through investment in people, technology, and data.

3.5.1 Strengthen hiring, development, alignment, and retention of diverse talent in support of long-term workforce development and growth.

3.5.2 Provide oversight of Reserve Bank implementations of enterprise-wide systems and continue to develop agile oversight approaches, including leveraging data analytics.

Public Engagement and Community Development

Goal 4: Promote broader, ongoing engagement with external individuals and groups and improved understanding of the Board's mission through outreach and public engagement.

Objective 4.1: Develop strategies to identify and engage audiences with a balanced and broad range of diverse perspectives.

4.1.1 Increase outreach and engagement on the Federal Reserve's mission and responsibilities, including interaction with the public and through the use of plain language.

4.1.2 Engage with community and consumer groups, financial institutions, and policy and research organizations to ensure inclusion of balanced, diverse, and differing perspectives on community needs and consumer risks, particularly for low- and moderate-income households and communities.

Objective 4.2: Expand communication and outreach efforts to increase transparency and understanding of the Federal Reserve's mission and activities and better inform decisions.

4.2.1 Facilitate communications with the public, the media, and Congress to ensure timely and accurate dissemination of information through direct engagement and indirectly to all audiences through official Board communications platforms.

4.2.2 Broaden awareness of consumer protection and community development issues by maximizing opportunities to share diverse perspectives among stakeholders and increase understanding of a wide range of community issues.

4.2.3 Enhance public access to information through effective records management practices and in compliance with the Freedom of Information Act.

Objective 4.3: Continue adapting and improving information management processes and communication vehicles.

4.3.1 Assess future needs for the Board's website, social media, other internal content delivery platforms to expand and improve the content strategy and usability to better inform the public.

Objective 4.4: Promote understanding of community development and consumer risks.

4.4.1 Collect data, conduct analysis, and disseminate information on consumer financial protection and the financial conditions and experiences of households, communities, and businesses—including those traditionally underserved, economically vulnerable, or experiencing demographic inequities.

Mission Enablement

Goal 5: Optimize operations and capabilities through efficient, effective, and sustainable stewardship and governance of resources.

Objective 5.1: Attract, develop, and retain diverse talent with varied experiences and perspectives to ensure the Board is able to meet workforce needs in a rapidly changing environment.

5.1.1 Foster employee engagement and an inclusive culture, including through the development of strategic initiatives based on human capital industry best practices.

5.1.2 Strategically source highly qualified, diverse talent using market information, data analytics, targeted outreach, and leading recruiting practices.

5.1.3 Implement an education strategy to ensure maximum understanding and use of human resource services for the Board's workforce.

5.1.4 Provide targeted learning and development opportunities to cultivate current and future leaders to ensure readiness for leadership roles.

5.1.5 Conduct comprehensive workforce planning reviews throughout the organization to assess current human capital and to guide future workforce requirements.

Objective 5.2: Optimize the Board's workspace strategy and use of resources by leveraging opportunities to increase collaboration, efficiency, and productivity.

5.2.1 Manage and continue the implementation of a long-term space strategy to ensure appropriate stewardship of resources.

Objective 5.3: Enhance organizational efficiencies and capabilities to provide automation solutions that respond to stakeholder needs.

5.3.1 Further the adoption of cloud services and innovative technologies such as artificial intelligence and machine learning to advance business capabilities.

5.3.2 Create a modern digital workspace that makes it easier to securely create, find, share, and preserve information, and enables staff to work from any location or Board device with a consistent user experience.

5.3.3 Enhance cybersecurity and privacy programs for cloud services, cyber-risk management governance, Identity, Credential and Access Management, and continuous monitoring to meet federal cybersecurity mandates related to Zero Trust Architecture, Multifactor Authentication, Encryption, and supply chain risk management.

5.3.4 Establish the consistent use of an agile-based system delivery model on behalf of the enterprise by updating and/or clarifying roles, responsibilities, and business processes for business and IT stakeholders.

5.3.5 Ensure continuity of operations for essential mission and business functions during disaster-recovery events.

5.3.6 Continue to oversee and guide the implementation of the transformational technology solutions, modernizing the human capital and financial management, and procurement platforms and other administrative functions resulting in an improved employee experience, adoption of industry-leading best practices, empowerment of users, and support of an enhanced culture of collaboration.

5.3.7 Develop an electronic database to store ethics disclosures, which will create efficiency by reducing reliance on paper records.

Objective 5.4: Accelerate the ability to obtain, integrate, analyze, and share data and information throughout the organization.

5.4.1 Implement a data strategy to support timely decisionmaking and the availability of robust data and related systems by improving responsiveness to stakeholders and enhancing capabilities in discovery, access, and use of data.

5.4.2 Establish and enhance the data-management life cycle to meet business needs and comply with legal and regulatory requirements.

5.4.3 Increase efficiency and capabilities by researching and adopting innovative data and analytics approaches and collaborating with other federal agencies and the Reserve Banks.

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