

Banking & Financial Systems

Chapter 5: Federal Reserve System—Glossary

bank note. Intended to be used as currency, promised immediate payment by the bank that issued the note and backed by a government bond.

bank panic. Widespread worry that banks do not have enough money to cover customer demands for withdrawals.

bank run. Occurs when a large number of depositors withdraw all of their money from a bank at the same time due to fear that their money is unsafe.

Board of Governors (BOG). The governing body of the Federal Reserve System.

bond. Represents money a government or company has borrowed from the bondholder.

central bank. A financial institution that oversees a nation's monetary system by regulating banks, lending money when commercial banks are not able to, and controlling the money supply.

decentralization. Occurs when a central authority shares power with regional and local authorities.

discount rate. The interest banks pay to borrow money from the Federal Reserve Bank.

era of free banking. The period from 1837 to 1863 during which all bank functions in the US were handled by state banks, and federal funds were held in the US Treasury.

Fed. The central bank for the US that is responsible for the country's monetary system.

Federal Open Market Committee (FOMC). The body of the Federal Reserve System responsible for making monetary policy.

Federal Reserve Bank. One of the twelve regional branches of the Federal Reserve System that were created to avoid establishing a central bank in a single location.

Federal Reserve System. The central bank for the US that is responsible for the country's monetary system. Also known as the *Fed*.

monetary policy. Regulation of a country's money supply to achieve economic goals and stability.

monetary system. The mechanism a nation uses to provide and manage money for itself.

National Banking Acts of 1863 and 1864. Modified the National Currency Act, allowed the federal government to charter private banks, and created a uniform national currency.

National Currency Act. Created the Office of the Comptroller of the Currency; enacted in 1863.

Office of the Comptroller of the Currency (OCC). Established by the National Currency Act to create a uniform national currency and a system of national banks; was the first federal agency charged with bank supervision.

prime rate. The interest rate that banks charge their best customers.

reserve requirement. The amount of money a bank must keep and not invest or loan out.