

# Explainer - Understanding the US Fed system

US President Trump has recently ramped up his criticism of Fed Chair Powell - citing that the Fed has not cut interest rates quick enough and flagged the possibility of his “termination”. While Trump said later that he has “no intention” to fire Powell before his term ends next year, he declined to rule out the possibility. Below is an overview of the Fed System and the roles of Powell within Fed.



## The Fed System

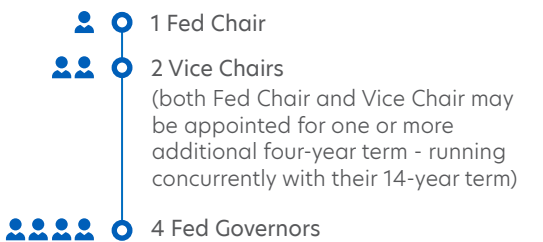
The Federal Reserve System consists of the Federal Reserve Board of Governors, the regional Federal Reserve Banks and the Federal Open Market Committee.



### Federal Reserve Board of Governors

The Board of Governors is the governing body of the Federal Reserve system. The members are nominated by the US President and confirmed by the Senate.

Consists of seven Fed Governors/members including the Fed Chair and 2 Vice Chairs.  
(Fed Governors full term is 14 years with one term beginning every two years - next scheduled term to occur in Jan 2026)



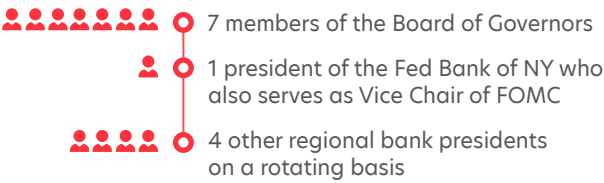
### Regional Federal Reserve banks

The 12 Reserve Banks—and their 24 Branches—are the operating arms of the Federal Reserve System.



### Federal Open Market Committee (FOMC)

A 12-person group of officials that sets crucial US monetary policy at meetings held at least eight times each year.



## Jerome Powell's roles in Fed

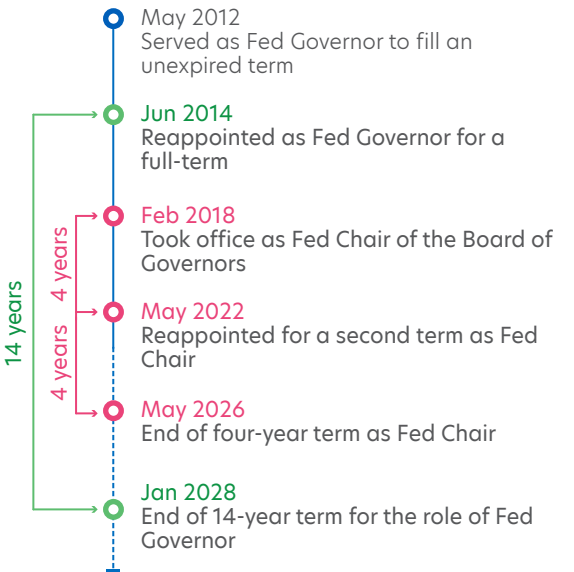
Powell holds three roles - he is the Chair of Federal Reserve System, a member of the Board of Governors as well as Chair of the FOMC.



### Chair of the Federal Reserve System and member of the Board of Governors

Powell was initially nominated by then President Trump as Fed Chair in 2017, and was appointed to another four-year term by former President Biden in 2022.

#### Powell's journey with Fed



### Chair of FOMC

Powell also serves as the Chair of the FOMC - the principal monetary policymaking body.

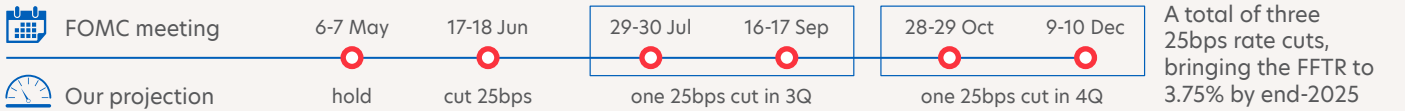
FOMC chair is chosen annually by the panel's 12 members.

## Possibilities of Powell's dismissal, here's what we know

It is unclear if US President Trump has the authority to dismiss Powell as Fed Chair. The Federal Reserve Act 1913 stipulates that Fed governors/members can only be removed for "cause" - thought to mean misconduct, not policy disagreement. However, the law omits reference to limits on removal from its description of the four-year term of the Fed chair, who is one of the seven governors. This is what we know so far on the possibilities of Powell's dismissal from each of his positions.

Position	Chair of the Federal Reserve System	Member of the Board of Governor	Chair of FOMC
Possibility	Powell can still remain as governor till his term ends on Jan 2028 if he is dismissed as Chair of the Fed system.	It is unclear if this is legally allowed. This would have the largest impact as it will affect the rest of Powell positions as well.	US President has no direct control over who heads the FOMC as the chair is chosen annually by the panel's 12 members.

## Our projection for the Fed target rate in 2025



Source: Federal Reserve Board, Media reports, Global Economics & Markets Research  
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