

*Federal Reserve Bank  
of New York*

**SEVENTY-FIFTH  
ANNUAL REPORT**

*For the Year  
Ended  
December 31, 1989*



*Second Federal Reserve District*





## FEDERAL RESERVE BANK OF NEW YORK

March 7, 1990

To the Depository Institutions in the  
Second Federal Reserve District

I am pleased to send you the Seventy-fifth Annual Report of the Federal Reserve Bank of New York. The report contains the Sixth Deshmukh Memorial Lecture, delivered in Bombay, India, on January 11, 1990. The lecture provides a retrospective look at developments in the 1980s with a view toward identifying important lessons from the experience of that decade. Against the background of reflections on the past, I offer some thoughts on economic priorities for the future.

I hope you will find these reflections on the 1980s interesting.

A handwritten signature in cursive script that reads "E. Gerald Corrigan".

E. Gerald Corrigan  
President

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## REFLECTIONS ON THE 1980s

E. Gerald Corrigan  
*President*

Mr. Governor, distinguished guests, and ladies and gentlemen: I am honored to appear before you today to deliver the Sixth Deshmukh Memorial Lecture. Governor Deshmukh's long and distinguished career in public service—including his tenure as the first Governor of the Reserve Bank of India—still serves as a source of inspiration to all who know of the man and his commitment to sound policies. He fully grasped the need to shape policies with a view toward long-term results, with emphasis not only on their economic consequences but also an appreciation of their social and humane implications. The period of Governor Deshmukh's association with the Reserve Bank of India—including his role as a delegate to the Bretton Woods Conference—was surely a difficult if not turbulent era, but were he still alive, I feel safe in suggesting that he would have regarded the decade of the 1980s as equally challenging in many respects, especially for central bankers.

With that in mind, my purpose today is to share with you some of my own reflections on the 1980s, with a view toward seeking to identify what lessons we can learn from the experience of the past decade and how those lessons might help us in the nineties as we seek to secure sustained noninflationary growth in our national and international economic systems.

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Even the most cursory review of the broad sweep of economic and financial developments over the past ten years serves as a forceful reminder of just how much the world economy had to digest in a relatively short period of time. The decade began with much of the world caught up in a virulent inflation the likes of which many countries had not experienced in a peacetime setting in decades. Not surprisingly, that burst of

inflation gave rise to major imbalances in economic performance, culminating in a deep recession that for a number of countries—my own included—was the most severe economic downturn since the 1930s. In that same period, the debt problems of many developing countries exploded onto the scene, bringing with them an enormously complex series of economic and social problems for the debtor countries but also placing truly dangerous strains on the international banking system.

Even as the world economy began to recover from the recession of the early 1980s, it was quite clear that powerful forces—some technological, some political, and some competitive—were to radically transform the economic and financial setting in which governments, businesses, and households would have to manage their economic affairs. In few places were those changes more apparent than in financial markets, where the interrelated forces of technological change, innovation, and deregulation induced changes of several orders of magnitude in the manner in which national and global financial markets operated. Partly as a result of these forces, volatility—at times of extreme proportions—became the order of the day in financial markets. The stock market drop of October 1987 provided a vivid, indeed somewhat frightening, reminder of the risks to our collective economic well-being that can be associated with excessive churning and volatility in financial markets.

Yet despite the LDC debt crisis, the stock market shock, and numerous other disruptions in banking and financial and commodity markets, overall economic performance—especially in the industrialized world—panned out remarkably well over most of the decade. Indeed, in a number of countries—the United States included—the

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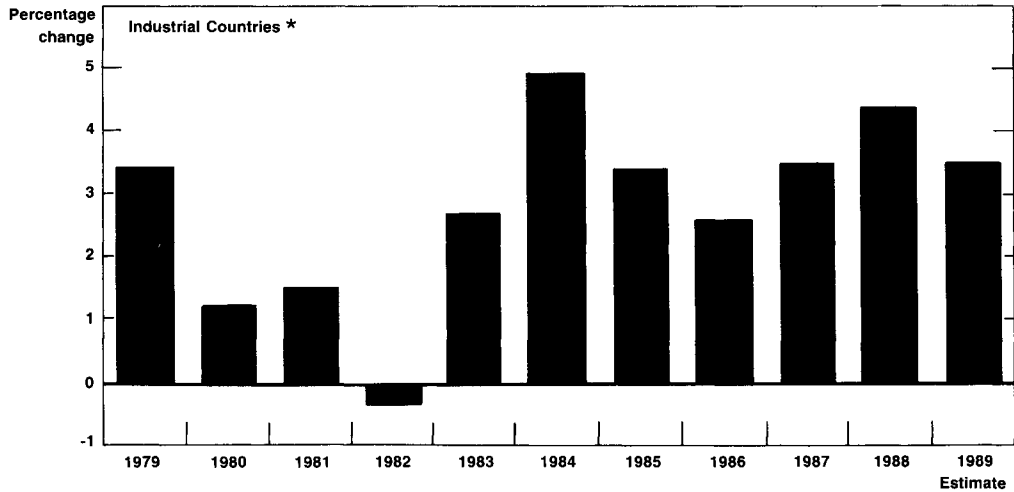
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duration of the economic expansion has been of record proportions. More generally, the growth in world trade has continued to outpace the growth in overall output, and protectionist pressures have been reasonably well contained even in the face of truly massive imbalances in trade and current account positions.

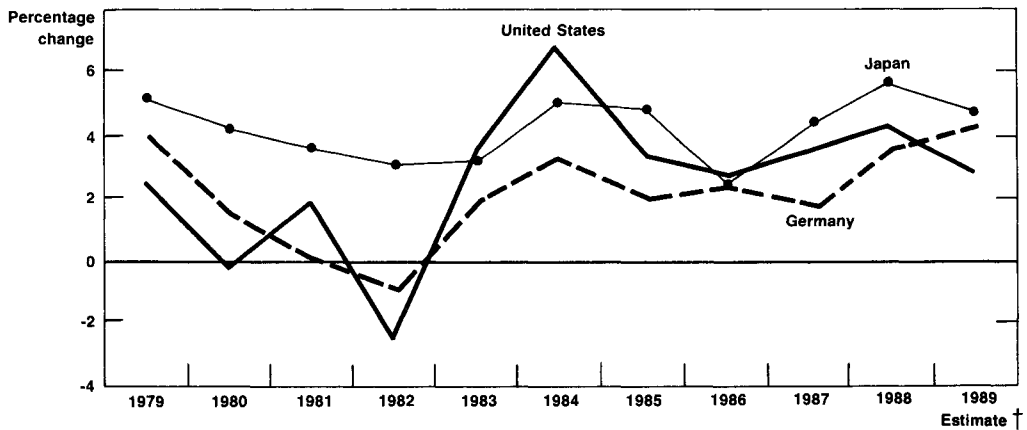
Outside of the major industrialized countries, developments in the 1980s were distinctly more mixed. To be sure, a number of newly industrialized countries—notably on the Pacific rim—showed powerful economic growth over the period and in the process chalked up very large trade and current account surpluses. Perhaps the most

**Chart 1. REAL GNP GROWTH**

**Despite unprecedented structural changes in the economic and financial environment, overall economic performance in the industrialized world fared remarkably well, on average, over the 1980s, . . .**



**with most of the countries, including the three largest economies, experiencing continued economic expansion after the 1982 trough.**



Sources: International Monetary Fund, World Economic Outlook; Organization for Economic Cooperation and Development, OECD Economic Outlook; U.S. Bureau of Economic Analysis.

\* Industrial countries include all OECD member countries except Turkey.

† 1989 data for the United States are preliminary.

graphic example of this is to be found in the case of Taiwan, whose foreign exchange reserves are now significantly greater than those of Saudi Arabia at the peak of oil prices in the early 1980s. In a number of other important cases, major economic strides were made. In this regard, India certainly stands out as one of the countries that has made major gains, as illustrated by both the pronounced acceleration in the trend rate of

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growth in GDP and the ongoing efforts to increase efficiency and competitiveness. But for many countries, especially in Africa and Latin America, the 1980s were indeed a dark decade. Sadly, in more than a few instances, living standards today remain below the levels that had been achieved at the end of the 1970s and in the early 1980s. Nevertheless, in a growing number of heavily indebted developing countries, important progress has been made, especially in the recent past.

In short, the events of the 1980s in much of the developing world must, on balance, be regarded as disappointing. On the other hand, we can claim a measure of satisfaction with developments in the industrialized world. But that sense of satisfaction must be tempered. For example, it would be tempting to conclude that we have somehow come to master our economic fate such that things that at one time seemed to be a matter of great concern are no longer particularly important. For example, I am struck by the number of commentators in the United States who look back at the 1980s and conclude that concerns about the United States' internal and external deficits were misplaced. After all, they would argue, these deficits did not stand in the way of the longest peacetime expansion in history, during which the underlying inflation rate remained essentially stable at 4 to 4.5 percent for several years running.

It will, I am sure, come as no surprise to you when I say that I do not share that view.

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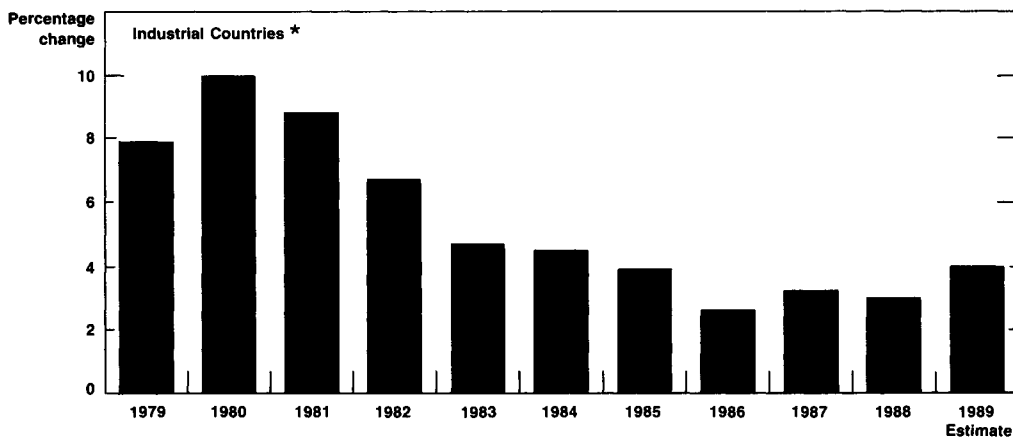
**Not only do I continue to view the U.S. deficits as unsustainable over time, but I surely do not find an inflation rate of 4 to 4.5 percent in any way cause for celebration.**

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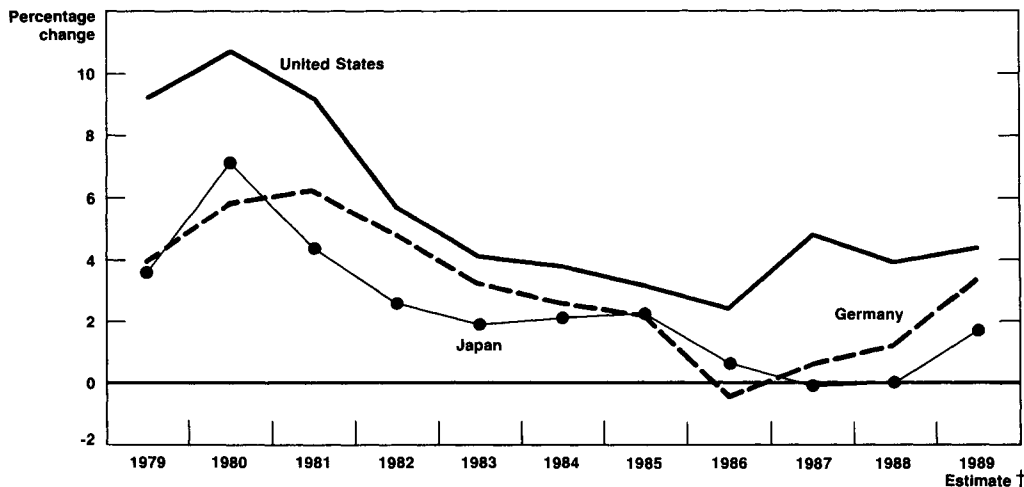
Not only do I continue to view the U.S. deficits as unsustainable over time, but I surely do not find an inflation rate of 4 to 4.5 percent in any way cause for celebration. That, of

**Chart 2. CONSUMER PRICE INFLATION: CHANGES IN PERSONAL CONSUMPTION DEFLATORS**

**Price inflation fell sharply following the 1982 recession and remained exceptionally stable in the industrial countries as a group, . . .**



**and inflation in the three largest economies showed only very slight acceleration even as the expansion completed its seventh year.**



Sources: International Monetary Fund, *World Economic Outlook*; Organization for Economic Cooperation and Development, *OECD Economic Outlook*; U.S. Bureau of Economic Analysis.

\* Industrial countries include all OECD member countries except Turkey.

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course, is simply another way of saying that the impressive performance of the U.S. economy and other industrialized countries' economies over much of the 1980s cannot be allowed to lull us into a false sense of comfort and security about prospects for the 1990s.

Our success in managing economic and financial affairs in the 1990s will, in no small way, depend on the extent to which we take advantage of the experience of the 1980s in framing approaches to economic policy. Looked at in that light, it seems to me that there are several very important lessons to be learned from what we experienced in the 1980s. They are:

The *first* lesson of the 1980s could probably apply to almost any decade but may be especially relevant for the 1980s and that is the utmost need to be cautious about the extremes of economic doctrine and theory. Indeed, whether we are speaking of the Keynesian, the monetarist, the supply sider, the rational expectationalist, or any other school of thought, single-minded approaches to public policy can be very misleading, if not dangerous. Let me cite just two examples in support of this

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view. First, there can be no doubt that cuts in tax rates in the United States that were conceived in the context of a supply side view of economics played a major role in the record expansion in the United States. However, it is also true that those same tax cuts contributed to the budget deficit problem, just as it can be said that the major gains in productivity and savings suggested by the supply side school simply did not materialize. Second, the enormous shifts in monetary velocity that we experienced at times during the 1980s make it quite clear that the pursuit of any strict monetarist approach to monetary policy would have been disastrous. That, of course, is not to say that the supply side or monetarist approaches are not helpful schools of economic thought, for clearly both have much to offer. But it is to say that economics and theology don't mix.

The *second* important lesson of the 1980s is the compelling evidence that

inflation is fundamentally in conflict with stable and growing economies. Whether we look at the industrial world, the developing world, the east, the west, the north, or the south, what we see is that reasonable performance on the inflation front is associated with higher levels of overall economic performance, while high and rising rates of inflation are universally associated with instability and subpar patterns of economic activity. Moreover, it is also true that the economic and social

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costs of correcting inflation, once it has taken hold, are very great indeed. Taking the United States as an example, there is no question in my mind that the depth of the 1981-82 recession was directly related to the severity of inflation that preceded it, just as I have no doubt that the extraordinary duration of the current expansion is importantly related to our relative success in keeping the inflation rate from accelerating in any significant way.

As another example, I would also argue that many of the root causes of the debt problem which still plagues so many developing nations today can be traced back to the inflationary environment of the late 1970s and early 1980s. Similarly, I would argue that it is no coincidence that the individual debtor countries in the developing world that have had the greater measure of success in working their way out of the debt problem are the ones that, on balance, have had the best performance in coping with inflation.

Against that background, one would think that broad-based public and political support for monetary policies designed to keep inflation rates in check would be a given. Unfortunately, I do not sense that is the case, especially when it comes to support for preemptive policies that work to head off rises in the inflation rate before they are actually reflected in statistics and in behavior and expectations. In other words, while the evidence is overwhelming that inflation should be viewed as the economic equivalent of public enemy number one, there is often little or no public support for policies aimed at restricting rises in the inflation rate before they become a reality. A little inflation or a little more inflation always seems so benign

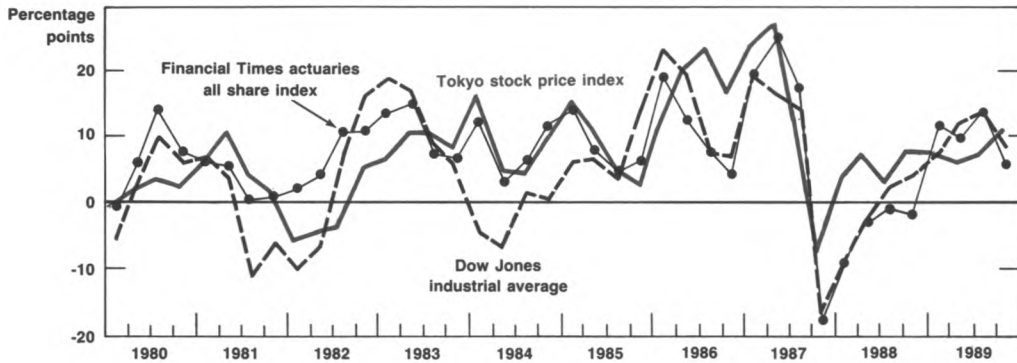
**Chart 3. WORLD STOCK MARKETS IN THE 1980s**

**In line with overall economic performance, stock markets experienced large gains, on average, over the 1980s . . . .**



**VOLATILITY OF WORLD STOCK MARKETS \***

**But the powerful and interrelated forces of technological change, innovation, and deregulation contributed to substantial volatility in financial markets.**



\* Quarterly percentage deviation from twelve-month moving average of stock prices; end-of-quarter value used in calculation of dispersion.

as it occurs. But, as we all have learned the hard way, there is no such thing as a little more inflation because once the process takes hold, it cumulates.

In my judgment, this is the first and foremost reason why central banks should

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have an appropriate degree of independence from short-term political pressures, even though I fully recognize that the degree and form of that independence will vary from country to country. In that connection, I draw some comfort from the fact that in a number of countries, ranging from Chile to New Zealand, to South Korea, and to Sweden, efforts are now underway or have been recently completed to enhance the degree of independence of their central banks. In this regard, let me also add that I find it more than a bit ironic that there are some in the United States who seem to want to go in just the opposite direction by reducing the independence of our central bank.

A *third* important lesson to be learned from the 1980s is that international cooperation on economic and financial affairs is both necessary and can be made to work. For example, in the 1980s we witnessed several extraordinary examples of

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**In the 1980s we witnessed several extraordinary examples of international cooperation at its best, including the initial efforts to contain and stabilize the problems growing out of the LDC debt crisis, the emergence of internationally accepted bank capital standards, the extraordinary speed and relative ease with which the European economic integration has proceeded, and the close collaboration among financial authorities in the time frame of the October 1987 stock market break.**

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More generally, I regard the post-Plaza Accord efforts of the Group of Five (G-5) and Group of Seven (G-7) aimed at improved coordination of macro-economic policy as a distinct plus, even though I recognize that that process is not without its critics. To some extent, however, the critics of the process may have exaggerated expectations about what realistically can emerge from these efforts. At the extreme, there are those who would seem to regard any meeting of the G-7 that does not yield some dramatic policy initiative as a failure.

I simply do not see it that way. To the contrary, from my experience, the simple fact of face-to-face discussion of issues of mutual concern on matters pertaining to economic policy produces the highly valuable result of making all the parties to the discussion more sensitive to the problems and perspectives of others. Accordingly, the measure of success for a meeting of the G-7, the Interim Committee, or the G-10 Central Bank Governors in Basle is not whether there is some major policy change in a communique or, for that matter, whether there even is a communique. Rather, the measure of success is the ability of the participants to grasp more fully all the dimensions of their own situation and the situation of others and their ability to frame their own policies in a manner in which the sensitivities to the problems and perspectives of others loom larger rather than smaller. Looked at in that light, I firmly believe that the broad process of collaboration and cooperation on economic and financial matters is necessary and desirable *and* that our success in such efforts during the 1980s was a significant net plus for the well-being of the world economy.

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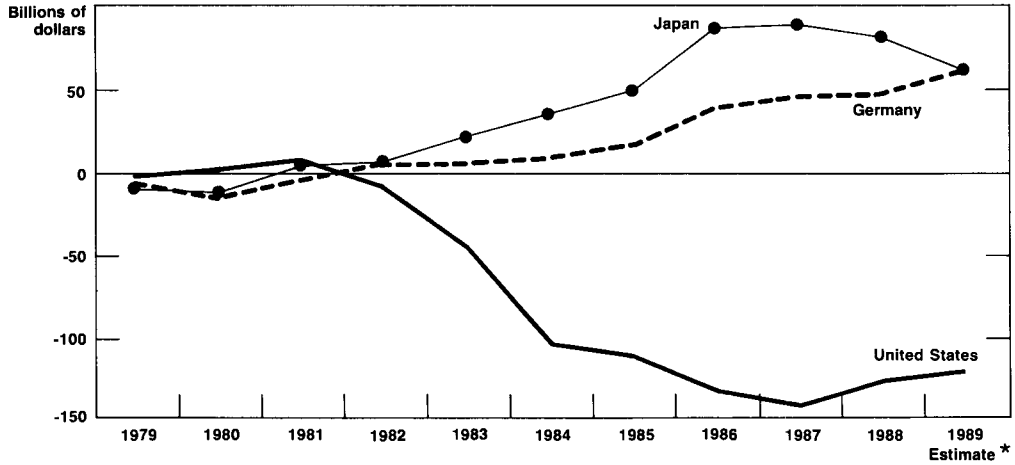
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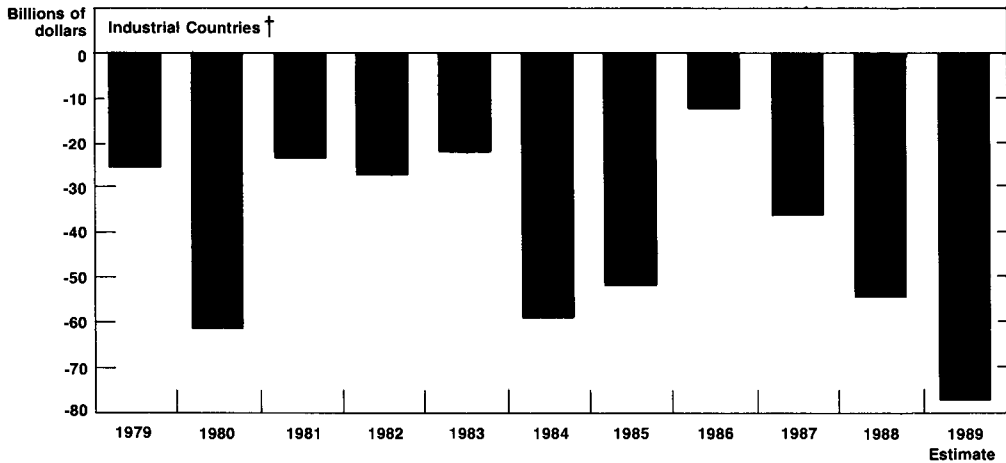
A *fourth* important lesson of the 1980s is that the globalization, innovativeness, and deregulation of financial markets have proven to be very much a two-edged sword. On the one hand, there is little doubt that these developments have expanded the choices for savers and investors, reduced the cost of financial transactions, improved the allocation of saving and investment nationally and internationally, and increased the competitiveness and efficiency of financial institutions and financial markets. But, and this is a very large but, there is also no doubt—at least in my mind—that these same forces have also increased volatility in financial markets and introduced new and highly complex elements of risk—possibly even increasing systemic risk—while at the same time contributing to the

**Chart 4. CURRENT ACCOUNT BALANCES**

**The impressive overall economic performance in the industrial countries has been accompanied with massive external account imbalances in the three largest economies, . . .**



**and, as a group, industrial countries have shown significant external deficits through much of the 1980s.**



Sources: International Monetary Fund, *World Economic Outlook*; Organization for Economic Cooperation and Development, *OECD Economic Outlook*; U.S. Bureau of Economic Analysis.

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apparent condition of overcrowding we are seeing in international and wholesale financial markets. Another very troubling phenomenon that seems to grow out of this process is the manner in which credit flows to individual borrowers—whether a company or a country—can suddenly stop. That is, up to a point, credit flows are almost automatic, even as the creditworthiness of the borrower may be deteriorating. But once the threshold of concern about creditworthiness is reached, the flow

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of credit can come to a full and harsh halt. From one perspective, that may illustrate the marketplace working at its best, but from another, it may imply that we have a financial system that is more prone to rather abrupt and potentially destabilizing shocks.

Leaving that particular issue aside, it seems to me that the characteristics of financial markets and institutions as they have evolved over the decade of the 1980s leave an enormous burden on those who manage and those who supervise such markets and institutions. This burden is all the more compelling when evident pressures on profit margins and spreads can give rise to overly aggressive, if not outright speculative, business strategies on the part of individuals or individual firms. In these circumstances, it seems to me important that central bankers and other supervisory authorities should not feel the slightest bit apologetic—even in this age of deregulation—about insisting that prudential standards in such areas as capital adequacy, liquidity, avoidance of concentrations, and the presence of strong risk management and controls systems are the first order of business for financial institutions.

The *final* major lesson of the 1980s I want to touch on may be the most dramatic and that, of course, would be the sweeping trend toward more open, more competitive, and more market-oriented economic systems at the national level. Even before the recent stunning developments in Eastern Europe and the Soviet Union, the handwriting was on the wall as the gap in performance between more

open and more market-oriented economies relative to closed and governmentally controlled systems became more apparent, as illustrated by the comparative patterns of economic development in the Pacific Basin relative to Latin America.

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This is not to suggest that relative economic performance alone accounts for the recent astonishing turn of events in so many countries. On the other hand, and especially in this age of information technology, there can be little doubt that the relative shortcomings of tightly controlled economic systems are an important driving force in these developments. The great challenge, of course, is for the community of nations to do all that it can in support of this shift in direction—a responsibility which falls heavily on all of the major industrialized nations, with particular emphasis, in my judgment, on the United States.

Against the backdrop of those reflections on the 1980s, allow me to close with a few comments about the key priorities as we enter the 1990s. Looking first to the major industrial countries as a group, it seems clear to me that the priorities are fourfold: first,

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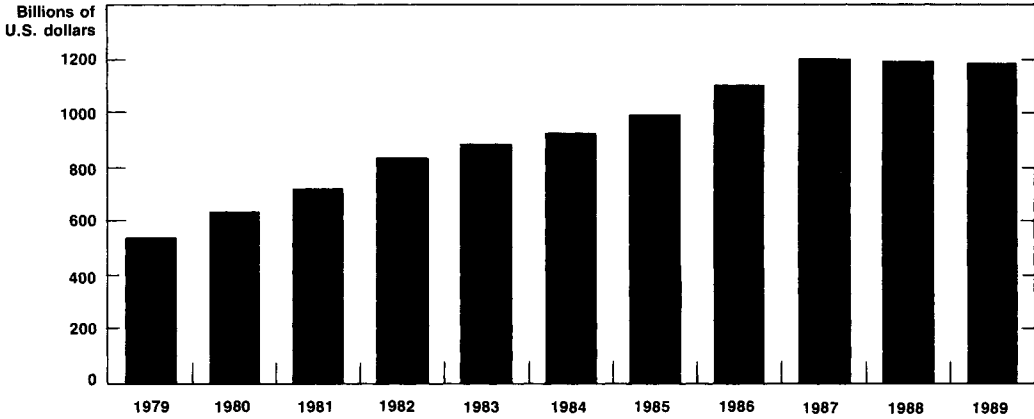
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to keep inflation in check, recognizing that many if not most such countries are already in the “yellow zone” with regard to the potential for some buildup in inflationary forces; second, to redouble efforts to reduce the massive trade and current account imbalances among these nations. This is important in its own right but it is especially important in view of the clear and pressing need to redirect international savings flows

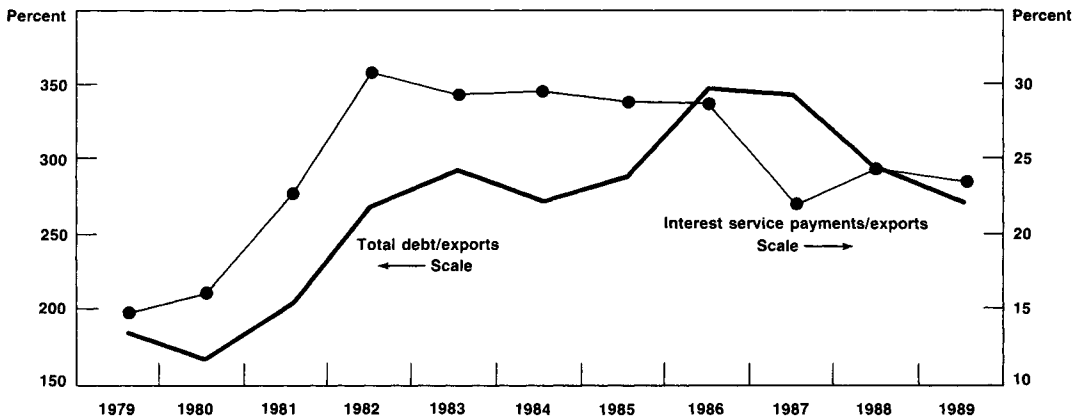
**Chart 5. EXTERNAL DEBT OF DEVELOPING COUNTRIES**

**On balance, economic performance in much of the developing world was disappointing during the 1980s. External debt levels doubled over the decade.**



**EXTERNAL DEBT RATIOS OF THE BAKER FIFTEEN COUNTRIES**

**For many countries, debt service burdens remained very high, contributing to substantial strains on the international banking system and causing economic difficulties in the debtor countries.**



Source: International Monetary Fund, World Economic Outlook, October 1987-89.

away from countries such as the United States and the United Kingdom and toward developing countries and the nations of Eastern Europe; third, to do all that can be done through financial support, technical assistance, and technological transfer to help narrow the gap in economic performance and living standards between the industrial countries and the other nations of the world; and finally, to resist protectionist pressures strongly and, more positively, to seek out opportunities to reduce and eliminate trade barriers even in such politically difficult areas as services—including financial services—and agricultural products.

As for the United States itself, there are several areas of particular emphasis. For our own sake and for the well-being of the world economy, we simply must do a much better job of coming to grips with the savings imbalance in the U.S. economy. To me that means eliminating the budget deficit, even though the private savings rate may be expected to rise somewhat simply on the basis of demographics. As a corollary to this,

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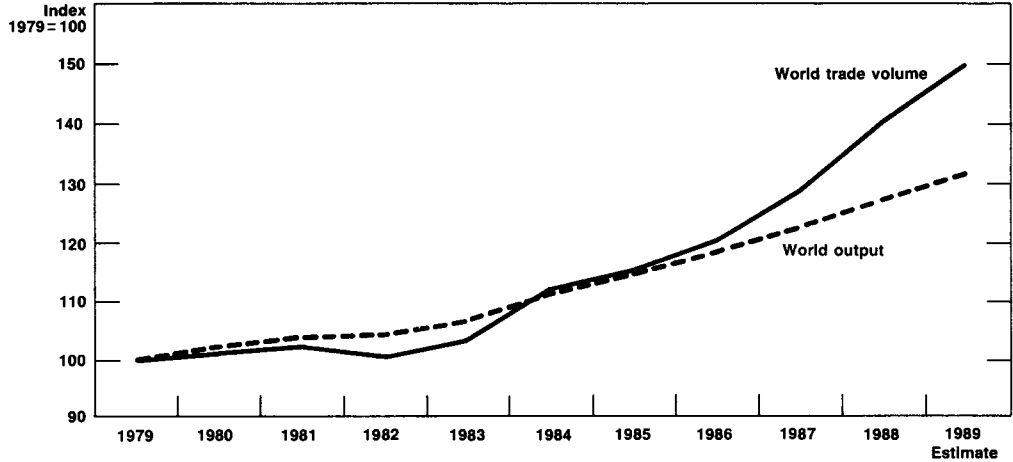
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the U.S. economy also needs a large and sustained increase in net private investment, especially in manufacturing, in order to generate the supply of exports that is critical to the shrinkage of our trade deficit. Indeed, I can see no way in which there can be an orderly reduction in the U.S. trade deficit (and a corresponding cut in our claims on the world's savings) unless a significant fraction of that adjustment takes the form of higher exports of manufactured goods—especially “high-tech” goods—to industrialized and newly industrialized nations.

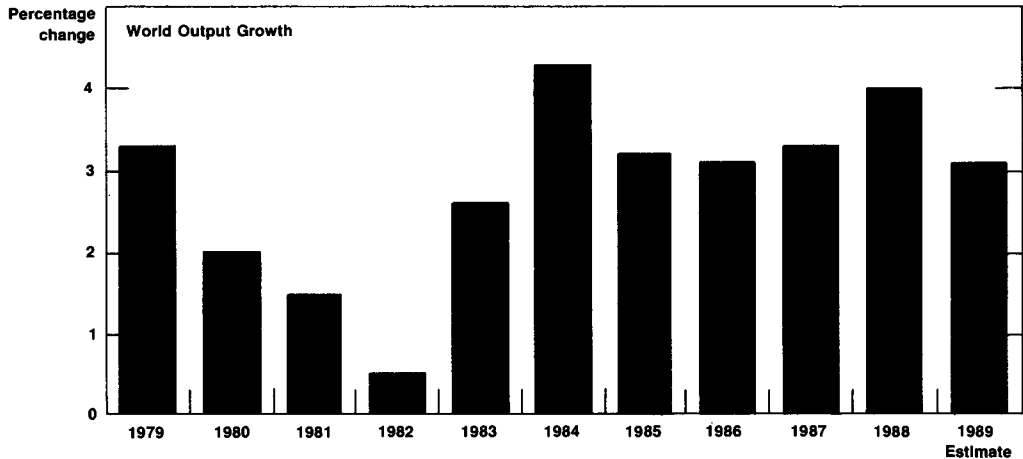
For developing nations it is very clear that the dictates of the 1990s will be importantly captured in two words: competitiveness and creditworthiness. Both of these words presuppose the pursuit of sound macroeconomic and structural policies on the part of individual countries. There is nothing new about that. What will be new, or at least different, will be the extent to which the marketplace will distinguish between strong performance and weak performance. Developing countries, by definition, need external capital flows to develop. In the 1990s, I suspect that competition for such capital flows will be especially keen in a context in which there will simply not be enough official money to go around. For that reason, the countries that stand the better

**Chart 6. WORLD TRADE AND OUTPUT**

**Even with continuing large external imbalances for some countries and groups of countries, overall world trade expanded substantially over the 1980s and outpaced world output in the second half of the decade.**



**In the 1980s, world output growth averaged just below 3 percent, a rate significantly lower than that of the preceding decade.**



Source: International Monetary Fund, World Economic Outlook.

chances for success will be the countries that are able to attract private capital flows, whether in the form of capital reflows, direct investment, capital market funding, or conventional bank loans. This is precisely the reason why shortsighted efforts by some countries to finance themselves by accumulating interest arrearages or by ill-conceived programs of debt reduction can be so very dangerous to the countries' own long-run interests. That is not to say—as we have seen—that it is impossible to assemble

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constructive, innovative, and market-sensitive approaches to reducing debt service burdens. However, it is to say that where such approaches are necessary, they should be framed in a manner that is clearly sensitive to the ongoing need to preserve constructive relationships between the individual country and private sources of fresh credit and finance. It is also to say that countries that follow sound policies which permit them to satisfy their financial obligations in a manner that strengthens their credit standing will be the ones that are much closer to the front of the long line of those seeking external financing during the decade of the nineties.

If those are a few thoughts on priorities for the industrial nations, developing nations, and the United States in particular, there is one final thought that applies to all nations. That is, as I look to the 1990s, the need for a still higher level of international cooperation is clear. Consistent with that, I believe the case for increased financial, political, and moral support for the key multinational official institutions is compelling. Here I have in mind not just the International Monetary Fund, the World Bank, and the Regional Development Banks but also and perhaps especially the General Agreement on Tariffs and Trade. Our successes or failures in the Uruguay round will go a long way—for better or worse—in setting the tone for the balance of the decade. In this regard, let me also say that I would hope and expect—for both substantive and symbolic reasons—that the United States Congress will act swiftly and harmoniously to pass the legislation that is needed to put in place the U.S. share of the contemplated IMF quota

increase, once the details on the quota increase are worked out. A failure to do so, even in the face of our obvious budgetary problems, would in my view send all of the wrong signals at just the point in time when the opportunities for progress on so many fronts are so great.

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In closing, ladies and gentlemen, I wish I could say to you that having navigated reasonably well the uncharted waters of the 1980s, we could safely look forward to clear sailing for the 1990s. But you know and I know, that is not in the charts. We also know, however, that it is within our capacity to forge policies and programs to materially enhance prospects for success and progress. We also know that if we opt for the expedient, if we concern ourselves only about today, or even worse, if we concern ourselves only about ourselves, we will fail. I, for one, see the 1990s as a time of enormous opportunity and look forward to it in that spirit.

## Financial Statements

### STATEMENT OF EARNINGS AND EXPENSES FOR THE CALENDAR YEARS 1988 AND 1989

(In Dollars)

	<b>1989</b>	<b>1988</b>
Total current earnings .....	7,493,515,660	6,380,785,220
Net expenses .....	204,827,641	166,458,976
Current net earnings	<u>7,288,688,019</u>	<u>6,214,326,244</u>
Additions to current net earnings:		
Profit on sales of United States government securities and federal agency obligations (net) .....	4,735,164	7,264,559
Profit on foreign exchange .....	341,988,861	—
All other .....	25,922	990,764
Total additions .....	<u>346,749,947</u>	<u>8,255,323</u>
Deductions from current net earnings:		
Loss on foreign exchange .....	—	134,871,105
All other .....	6,163,601	6,058,959
Total deductions .....	<u>6,163,601</u>	<u>140,930,064</u>
Net additions (deductions)	340,586,346	(132,674,741)
Assessment by the Board of Governors:		
Board expenditures .....	24,011,500	22,217,800
Federal Reserve currency costs .....	59,997,193	53,879,756
Total assessments	<u>84,008,693</u>	<u>76,097,556</u>
<b>Net earnings available for distribution</b>	<b><u>7,545,265,672</u></b>	<b><u>6,005,553,947</u></b>
Distribution of net earnings:		
Dividends paid .....	34,813,338	33,109,144
Transferred to surplus .....	41,891,000	24,741,350
Payments to United States Treasury (interest on Federal Reserve notes) .....	7,468,561,334	5,947,703,453
<b>Net earnings distributed</b>	<b><u>7,545,265,672</u></b>	<b><u>6,005,553,947</u></b>
<b>Surplus account</b>		
Surplus—beginning of year .....	565,787,250	541,045,900
Transferred from net earnings .....	41,891,000	24,741,350
<b>Surplus—end of year</b>	<b><u>607,678,250</u></b>	<b><u>565,787,250</u></b>

**STATEMENT OF CONDITION**

(In Dollars)

Assets	Dec. 29, 1989	Dec. 30, 1988
Gold certificate account .....	3,410,129,070	3,309,987,701
Special drawing rights certificate account .....	2,896,000,000	1,489,000,000
Coin .....	12,696,701	14,119,621
Total	6,318,825,771	4,813,107,322
Advances .....	27,050,000	33,700,000
United States government securities:		
Bought outright* .....	79,933,787,512	79,854,640,160
Held under repurchase agreements .....	1,592,000,000	4,760,465,000
Federal agency obligations:		
Bought outright .....	2,299,795,914	2,380,814,655
Held under repurchase agreements .....	525,000,000	2,100,735,000
Total loans and securities	84,377,633,426	89,130,354,815
Other assets:		
Cash items in process of collection .....	1,069,632,891	1,234,629,280
Bank premises .....	46,821,784	31,911,552
All other† .....	10,529,084,442	4,461,809,404
Total other assets	11,645,539,117	5,728,350,236
Interdistrict settlement account .....	(928,160,980)	113,601,755
<b>Total assets</b>	<b>101,413,837,334</b>	<b>99,785,414,128</b>

\*Includes securities loaned—fully secured . . . . . 722,900,000 2,382,700,000

†Includes assets denominated in foreign currencies revalued monthly at market rates.

**STATEMENT OF CONDITION**

(In Dollars)

<b>Liabilities</b>	<b>Dec. 29, 1989</b>	<b>Dec. 30, 1988</b>
Federal Reserve notes (net) .....	81,921,144,179	78,077,575,955
Reserve and other deposits:		
Depository institutions .....	8,129,648,144	9,198,734,175
United States Treasury—general account .....	6,216,516,022	8,656,496,496
Foreign—official accounts .....	479,687,058	236,550,840
Other .....	503,672,693	310,581,213
<b>Total deposits</b>	<b>15,329,523,917</b>	<b>18,402,362,724</b>
Other liabilities:		
Deferred availability cash items .....	821,635,003	795,092,310
All other* .....	2,126,177,735	1,378,808,639
<b>Total other liabilities</b>	<b>2,947,812,738</b>	<b>2,173,900,949</b>
<b>Total liabilities</b>	<b>100,198,480,834</b>	<b>98,653,839,628</b>
<b>Capital accounts</b>		
Capital paid in .....	607,678,250	565,787,250
Surplus .....	607,678,250	565,787,250
<b>Total capital accounts</b>	<b>1,215,356,500</b>	<b>1,131,574,500</b>
<b>Total liabilities and capital accounts</b>	<b>101,413,837,334</b>	<b>99,785,414,128</b>

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\*Includes outstanding foreign exchange commitments revalued at market rates.

*Alfred Hayes, who was President of this Bank from 1956 to 1975, died on October 21, 1989. He led the Bank with clear vision in an era marked by great challenges and rapid change. He is remembered as a champion of responsible fiscal and monetary policies and as a vigorous spokesman for broad-based economic cooperation among nations. We also remember him for his pride in the institution he served, his kind and gentle manner, and his absolutely uncompromising integrity.*

## **Changes in Directors and Senior Officers**

**CHANGES IN DIRECTORS.** In August 1989, the Board of Governors of the Federal Reserve System reappointed Cyrus R. Vance a Class C director for the three-year term beginning January 1, 1990, and redesignated him Chairman of the board of directors and Federal Reserve Agent for the year 1990. Mr. Vance, presiding partner of the New York law firm of Simpson Thacher & Bartlett, has been serving as a Class C director and as Chairman and Federal Reserve Agent since January 1989.

Also in August, the Board of Governors reappointed Ellen V. Futter Deputy Chairman for the year 1990. Ms. Futter, President of Barnard College, New York, N. Y., has been serving as a Class C director since January 1988 and as Deputy Chairman since September 1988.

In December 1989, member banks in Group 2 elected Victor J. Riley, Jr., a Class A director and reelected John A. Georges a Class B director, both for three-year terms beginning January 1, 1990. Mr. Riley, Chairman and President of KeyCorp, Albany, N. Y., succeeded Alberto M. Paracchini, Chairman of Banco de Ponce, Ponce, Puerto Rico, who had served as a Class A director since January 1987. Mr. Georges, Chairman of International Paper, Purchase, N. Y., has been serving as a Class B director since February 1987.

*Buffalo Branch.* In August 1989, the board of this Bank appointed Wilbur F. Beh a director of the Buffalo Branch for a three-year term beginning January 1, 1990. Mr. Beh, Chief Executive Officer of First National Bank of Rochester, Rochester, N. Y., succeeded Harry J. Sullivan, President of Salamanca Trust Company, Salamanca, N. Y., who had served as a Branch director since January 1987.

At the same time, the board of this Bank redesignated Mary Ann Lambertsen Chairman of the Branch board for the year 1990. Mrs. Lambertsen, Vice President—Human Resources and Information Systems of Fisher-Price, Division of The Quaker

Oats Company, East Aurora, N.Y., has been a director of the Branch and Chairman of the Branch board since January 1986.

Also in August, the Board of Governors of the Federal Reserve System reappointed Matthew Augustine a director of the Buffalo Branch for a three-year term beginning January 1, 1990. Mr. Augustine, President and Chief Executive Officer of Eltrex Industries, Inc., Rochester, N. Y., has been a director of the Branch since January 1986.

**CHANGES IN SENIOR OFFICERS.** The following changes in the official staff at the level of vice president and above have occurred since the publication of the previous *Annual Report*:

Stephen G. Thieke, Executive Vice President, Credit and Capital Markets Group, resigned from the Bank effective August 1, 1989, after completing more than twenty years of distinguished service. Mr. Thieke joined the Bank's staff in 1969 and became an officer in 1974.

Chester B. Feldberg, formerly Senior Vice President, was appointed Executive Vice President, effective June 9, 1989, and assigned as the officer in charge of the Credit and Capital Markets Group.

Charles M. Lucas, Senior Vice President, was assigned responsibility for the Dealer Surveillance Function, effective June 9, 1989, in addition to his responsibility for the International Capital Markets Staff.

J. Andrew Spindler, formerly Vice President, was appointed Senior Vice President, effective June 16, 1989, and assigned to the Bank Supervision Group.

Christopher J. McCurdy, formerly Assistant Vice President, was appointed Vice President, effective June 16, 1989, and assigned to the International Capital Markets Staff.

Effective January 1, 1990:

Israel Sendrovic, formerly Senior Vice President, was appointed Executive Vice President and assigned as the officer in charge of the Automation and Telecommunications Group.

Cathy E. Minehan, Senior Vice President, was assigned additional responsibility as the officer in charge of the newly reorganized Funds, Securities and Accounts Group.

Robert M. Abplanalp, Vice President responsible for senior oversight of the Cash Processing and Check Processing Functions, was also assigned special responsibility for Bankwide coordination of transition planning for the Bank's operations center to be constructed in East Rutherford, New Jersey.

James O. Aston, Vice President, formerly assigned as the officer in charge of the Personnel Function, was assigned to the Buffalo Branch in anticipation of the retirement, effective April 1, 1990, of John T. Keane, Vice President and Branch Manager.

Ralph A. Cann, III, Vice President, formerly assigned senior oversight of the Accounting Function and the Planning and Control Function, was assigned as the officer in charge of the Systems Development Function.

James H. Gaver, formerly Assistant Vice President, was appointed Vice President and assigned to the Automation and Telecommunications Group.

Patricia Y. Jung, formerly Assistant Vice President, was appointed Vice President and assigned to the Systems Development Function.

David L. Roberts, formerly Assistant Vice President, was appointed Vice President and assigned to the Foreign Group.

Carl W. Turnipseed, formerly Assistant Vice President, was appointed Vice President and assigned as the officer in charge of the Personnel Function.

Donald T. Vangel, formerly Assistant Vice President, was appointed Vice President and assigned as the officer in charge of the newly established Corporate Planning Group.

Betsy Buttrill White, Vice President, formerly assigned to the Banking Studies and Analysis Function, was assigned to the Open Market Function.

# Directors of the Federal Reserve Bank of New York

<b>DIRECTORS</b>	<i>Term expires Dec. 31</i>	<i>Class</i>
J. KIRBY FOWLER . . . . . President and Chief Executive Officer, The Flemington National Bank and Trust Company, Flemington, N.J.	1990	A
JOHN F. MCGILlicUDDY . . . . . Chairman of the Board, Manufacturers Hanover Trust Company, New York, N.Y.	1991	A
VICTOR J. RILEY, JR. . . . . Chairman of the Board and President, KeyCorp, Albany, N.Y.	1992	A
JOHN F. WELCH, JR. . . . . Chairman of the Board, GE, Fairfield, Conn.	1990	B
RICHARD L. GELB . . . . . Chairman of the Board, Bristol-Myers Squibb Company, New York, N.Y.	1991	B
JOHN A. GEORGES . . . . . Chairman of the Board, International Paper, Purchase, N.Y.	1992	B
ELLEN V. FUTTER, <i>Deputy Chairman</i> . . . . . President, Barnard College, New York, N.Y.	1990	C
MAURICE R. GREENBERG . . . . . President and Chief Executive Officer, American International Group, Inc., New York, N.Y.	1991	C
CYRUS R. VANCE, <i>Chairman and Federal Reserve Agent</i> . . . . . Presiding Partner, Simpson Thacher & Bartlett, New York, N.Y.	1992	C
 <b>DIRECTORS—BUFFALO BRANCH</b>		
PAUL E. MCSWEENEY . . . . . Executive Vice President, United Food and Commercial Workers District Union (Local 1), AFL-CIO, Amherst, N.Y.	1990	
NORMAN W. SINCLAIR . . . . . Chairman of the Board, Lockport Savings Bank, Lockport, N.Y.	1990	
MARY ANN LAMBERTSEN, <i>Chairman</i> . . . . . Vice President—Human Resources and Information Systems, Fisher-Price, Division of The Quaker Oats Company, East Aurora, N.Y.	1991	
RICHARD H. POPP . . . . . Operating Partner, Southview Farm, Castile, N.Y.	1991	
ROBERT G. WILMERS . . . . . Chairman of the Board, Manufacturers and Traders Trust Company, Buffalo, N.Y.	1991	
MATTHEW AUGUSTINE . . . . . President and Chief Executive Officer, Eltrex Industries, Inc., Rochester, N.Y.	1992	
WILBUR F. BEH . . . . . Chief Executive Officer, First National Bank of Rochester, Rochester, N.Y.	1992	

# Advisory Groups

## FEDERAL ADVISORY COUNCIL

### SECOND DISTRICT MEMBER AND ALTERNATE MEMBER

WILLARD C. BUTCHER, *Member*

Chairman of the Board, The Chase Manhattan Bank (National Association), New York, N.Y.

THOMAS G. LABRECQUE, *Alternate Member*

President, The Chase Manhattan Bank (National Association), New York, N.Y.

### ADVISORY COUNCIL ON SMALL BUSINESS AND AGRICULTURE

ROBERT W. BITZ, *Chairman*

President, Plainville Turkey Farm, Inc., Plainville, N.Y.

GEORGE E. ALLEN

Manager and President, Allenwaite Farms, Inc.,  
Schaghticoke, N.Y.

IRVING S. CAPLAN

President, National Army Stores Corp., Malone, N.Y.

HARRY G. CHARLSTON

President, Apollo Audio-Visual, Ronkonkoma, N.Y.

JUDY COLUMBUS

President, Judy Columbus, Inc., Realtors, Rochester, N.Y.

PATRICIA A. DUNCANSON

President, Duncanson Electric Co., Inc., Long Island City, N.Y.

JERRI SHERMAN HESSOL

President, Jerri Sherman Ltd., New York, N.Y.

CHARLES L. LAIN

President, Pine Island Turf Nursery, Inc., Sussex, N.J.

JAMES R. SHAW

President, Shaw Aero Devices, Inc., Wainscott, N.Y.

### THRIFT INSTITUTIONS ADVISORY PANEL

DAVID E. A. CARSON

President, People's Bank, Bridgeport, Conn.

HERBERT G. CHORBAJIAN

President and Chief Operating Officer, Albany Savings Bank,  
Albany, N.Y.

SPENCER S. CROW

Chairman and President, Maple City Savings and Loan  
Association, Hornell, N.Y.

BEATRICE R. D'AGOSTINO

President and Chief Executive Officer, New Jersey Savings Bank,  
Somerville, N.J.

HENRY DREWITZ

Chairman and President, Astoria Federal Savings and Loan  
Association, Jackson Heights, N.Y.

JOHN T. MORGAN

Former Chairman, American Savings Bank, FSB,  
White Plains, N.Y.

GERALD T. MURPHY

President, Garden State Corporate Central Credit Union,  
Hightstown, N.J.

ROBERT B. O'BRIEN, JR.

Chairman and President, Carteret Savings Bank, FA,  
Morristown, N.J.

WILLIAM F. OLSON

Chairman and President, Peoples Westchester Savings Bank,  
Hawthorne, N.Y.

# Officers of the Federal Reserve Bank of New York

E. GERALD CORRIGAN, *President*  
JAMES H. OLTMAN, *First Vice President*

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SAM Y. CROSS, *Executive Vice President*  
Foreign

SUZANNE CUTLER, *Executive Vice President*  
Operations

CHESTER B. FELDBERG, *Executive Vice President*  
Credit and Capital Markets

ERNEST T. PATRIKIS, *Executive Vice President and*  
*General Counsel*  
Legal

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FREDERICK C. SCHADRACK, *Executive Vice President*  
Bank Supervision

ISRAEL SENDROVIC, *Executive Vice President*  
Automation and Telecommunications

PETER D. STERNLIGHT, *Executive Vice President*  
Open Market

## AUDIT

JOHN E. FLANAGAN, *General Auditor*  
ROBERT J. AMBROSE, *Assistant General Auditor*  
LORETTA G. ANSBRO, *Audit Officer*  
ELIZABETH S. IRWIN-McCAUGHEY, *Manager, Auditing*  
*Department*  
IRA LEVINSON, *Manager, Audit Analysis Department*

## AUTOMATION AND TELECOMMUNICATIONS GROUP

ISRAEL SENDROVIC, *Executive Vice President*  
JAMES H. GAVER, *Vice President*

## DATA PROCESSING

PETER J. FULLEN, *Vice President*  
RONALD J. CLARK, *Assistant Vice President*  
GEORGE LUKOWICZ, *Assistant Vice President*  
PETER M. GORDON, *Manager, Operations and Communications*  
*Support Department*  
GERALD HAYDEN, *Manager, General Computer Operations*  
*Department*  
JOHN C. HEIDELBERGER, *Manager (Evening Officer)*  
KENNETH C. MONTGOMERY, *Manager, Contingency*  
*Operations and Quality Assurance Department*  
LENNOX A. MYRIE, *Manager, Fedwire and Communications*  
*Operations Department*

## SYSTEMS DEVELOPMENT

RALPH A. CANN, III, *Vice President*  
OM P. BAGARIA, *Vice President*  
PATRICIA Y. JUNG, *Vice President*  
MONIKA K. NOVIK, *Assistant Vice President*  
CLAUDIA H. COUCH, *Manager, Funds Transfer Systems*  
*Department*

VIERA A. CROUT, *Manager, Advanced Technology Staff*  
CHRISTOPHER M. KELL, *Systems Development Officer*  
JOSEPH E. MCCOOL, *Manager, Funds Transfer Systems*  
*Department*

MARIE J. VEIT, *Manager, Funds Transfer Systems Department*  
MIRIAM I. WIEBOLDT, *Manager, Administrative and Office*  
*Support Systems Department*

## BANK SUPERVISION GROUP

FREDERICK C. SCHADRACK, *Executive Vice President*  
J. ANDREW SPINDLER, *Senior Vice President*

## BANK EXAMINATIONS

ROBERT A. O'SULLIVAN, *Vice President*  
KATHLEEN A. O'NEIL, *Vice President and Chief Financial*  
*Examiner*  
WILLIAM L. RUTLEDGE, *Vice President*  
JAMES K. HODGETTS, *Chief Compliance Examiner*  
LEON KOROBOW, *Adviser*  
MARGARET E. BRUSH, *Assistant Chief Examiner, Compliance*  
*Examinations Department*  
BARBARA A. KLEIN, *Examining Officer, International Banking*  
*Department*  
A. JOHN MAHER, *Assistant Chief Examiner, Specialized*  
*Examinations Department*  
THOMAS P. MCQUEENEY, *Assistant Chief Examiner,*  
*International Banking Department*  
GERALD P. MINEHAN, *Assistant Chief Examiner, Multinational*  
*Banking Department*  
ALBERT TOSS, *Assistant Chief Examiner, Domestic Banking*  
*Department*  
WALTER W. ZUNIC, *Examining Officer, International Banking*  
*Department*

## Officers (Continued)

### BANKING APPLICATIONS

WILLIAM L. RUTLEDGE, *Vice President*  
JOHN S. CASSIDY, *Assistant Vice President*  
JAMES P. BARRY, *Manager, Supervision Support Department*

### BANKING STUDIES AND ANALYSIS

J. ANDREW SPINDLER, *Senior Vice President*  
ARTURO ESTRELLA, *Assistant Vice President*  
PETER S. HOLMES, *Banking Research Officer\**  
MARK E. LEVONIAN, *Manager, Banking Studies Department*  
DONALD E. SCHMID, *Manager, Bank Analysis Department*

### CORPORATE PLANNING GROUP

DONALD T. VANGEL, *Vice President*

### PERSONNEL

CARL W. TURNIPSEED, *Vice President*  
MICHELE S. GODFREY, *Assistant Vice President and Secretary*  
ROBERT C. SCRIVANI, *Assistant Vice President*  
EVELYN E. KENDER, *Manager, Personnel Department*  
ELAINE D. MAURIELLO, *Manager, Personnel Department*

### PLANNING AND CONTROL

NIRMAL V. MANERIKAR, *Assistant Vice President*  
NATHAN BEDNARSH, *Manager, Management Information Department*

### SECRETARY'S OFFICE

MICHELE S. GODFREY, *Assistant Vice President and Secretary*  
WILLENE A. JOHNSON, *Assistant Vice President and Assistant Secretary*  
THEODORE N. OPPENHEIMER, *Assistant Secretary*

### CREDIT AND CAPITAL MARKETS GROUP

CHESTER B. FELDBERG, *Executive Vice President*

### DEALER SURVEILLANCE

CHARLES M. LUCAS, *Senior Vice President*  
BARBARA L. WALTER, *Vice President*  
GARY HABERMAN, *Adviser*  
EDWARD J. OZOG, *Assistant Vice President*

### INTERNATIONAL CAPITAL MARKETS

CHARLES M. LUCAS, *Senior Vice President*  
CHRISTOPHER J. MCCURDY, *Vice President*  
CHRISTINE M. CUMMING, *Assistant Vice President*  
ANDREW T. HOOK, *Senior International Economist*  
BONNIE E. LOOPESKO, *Senior International Economist*

### LOANS AND CREDITS

ROBERTA J. GREEN, *Senior Vice President*  
JOHN WENNINGER, *Assistant Vice President*

\*On leave of absence.

### PAYMENTS SYSTEM STUDIES

ROBERTA J. GREEN, *Senior Vice President*  
GEORGE R. JUNCCKER, *Vice President*  
ANDREW T. HOOK, *Senior International Economist*  
LAWRENCE M. SWEET, *Senior International Economist*

### EQUAL EMPLOYMENT OPPORTUNITY

PETER BAKSTANSKY, *Vice President*  
DONALD R. MOORE, *Equal Employment Opportunity Officer*

### FOREIGN GROUP

SAM Y. CROSS, *Executive Vice President*

### FOREIGN EXCHANGE

MARGARET L. GREENE, *Senior Vice President*  
DAVID L. ROBERTS, *Vice President*  
WILLENE A. JOHNSON, *Assistant Vice President and Assistant Secretary*  
PAUL DI LEO, *Manager, Foreign Exchange Department*  
MICHAEL J. PAULUS, *Foreign Exchange Trading Officer*

### FOREIGN RELATIONS

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TERRENCE J. CHECKI, *Vice President*  
DAVID L. ROBERTS, *Vice President*  
GEORGE W. RYAN, *Vice President*  
GEORGE H. BOSSY, *Manager, Developing Nations Staff*  
HILDON G. JAMES, *Manager, Foreign Relations Department*  
FRANCIS J. REISCHACH, *Manager, Foreign Relations Department*

### FUNDS, SECURITIES AND ACCOUNTS GROUP

CATHY E. MINEHAN, *Senior Vice President*

### ACCOUNTING

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LEON R. HOLMES, *Assistant Vice President*  
DONALD R. ANDERSON, *Manager, Accounting Department*  
JANET K. ROGERS, *Manager, Accounting Department*

### ELECTRONIC PAYMENTS

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DANIEL C. BOLWELL, *Assistant Vice President*  
H. JOHN COSTALOS, *Adviser*  
HENRY F. WIENER, *Assistant Vice President*  
ANDREW HEIKAUS, *Manager, Funds Transfer Department*  
PATRICIA HILT-LUPACK, *Manager, Securities Transfer Department*  
MICHAEL W. MOWBRAY, *Manager, Electronic Operations Support Department*

## Officers (Continued)

### ELECTRONIC SECURITY AND SECURITY CONTROL

HERBERT W. WHITEMAN, JR., *Security Adviser*

RICHARD P. PASSADIN, *Security Officer*

### FISCAL SERVICES

WHITNEY R. IRWIN, *Vice President*

PAULINE E. CHEN, *Assistant Vice President*

CHRISTINA H. RYAN, *Manager, Government Bond Department*

JOHN J. STRICK, *Manager, Savings Bond Department*

JOANNE M. VALKOVIC, *Manager, Safekeeping Department*

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### LEGAL

ERNEST T. PATRIKIS, *Executive Vice President and General Counsel*

THOMAS C. BAXTER, JR., *Associate General Counsel*

JOYCE E. MOTYLEWSKI, *Associate General Counsel*

DON N. RINGSMUTH, *Associate General Counsel*

PETER RYERSON FISHER, *Counsel\**

BRADLEY K. SABEL, *Counsel*

RALEIGH M. TOZER, *Counsel*

ERIC A. MARTIN, *Associate Counsel*

WEBSTER B. WHITE, *Associate Counsel*

### OPEN MARKET GROUP

PETER D. STERNLIGHT, *Executive Vice President*

JOAN E. LOVETT, *Vice President*

BETSY BUTTRILL WHITE, *Vice President*

ROBERT W. DABBS, *Assistant Vice President*

KENNETH J. GUENTNER, *Assistant Vice President*

SANDRA C. KRIEGER, *Manager, Open Market Department*

ANN-MARIE MEULENDYKE, *Manager, Open Market Department*

### OPERATIONS GROUP

SUZANNE CUTLER, *Executive Vice President*

### BANK SERVICES

HOWARD F. CRUMB, *Senior Bank Services Officer*

BRUCE A. CASSELLA, *Bank Services Officer*

### BUILDING SERVICES

JOHN M. EIGHMY, *Vice President*

JASON M. STERN, *Assistant Vice President*

PAUL L. McEVILY, *Assistant Vice President*

JOSEPH D. J. DEMARTINI, *Manager, Administrative Support Services Department*

JOSEPH C. MEEHAN, *Manager, Building Services Department*

\*On leave of absence.

### CASH PROCESSING

ROBERT M. ABPLANALP, *Vice President*

MARTIN P. CUSICK, *Assistant Vice President*

EDWARD J. CHURNEY, *Manager, Paying and Receiving Department*

LILLIE S. WEBB, *Manager, Currency Verification Department*

MICHAEL L. ZIMMERMAN, *Manager, Operations Support Department*

### CHECK PROCESSING

ROBERT M. ABPLANALP, *Vice President*

JOHN F. SOBALA, *Vice President*

FRED A. DENESEVICH, *Regional Manager (Cranford Office)*

STEVEN J. GAROFALO, *Assistant Vice President*

ANGUS J. KENNEDY, *Regional Manager (Utica Office)*

ANTHONY N. SAGLIANO, *Regional Manager (Jericho Office)*

KENNETH M. LEFFLER, *Check Processing Officer*

MATTHEW J. PUGLISI, *Manager, Check Services Department*

### SERVICE

JOHN M. EIGHMY, *Vice President*

ROBERT V. MURRAY, *Vice President*

WILLIAM J. KELLY, *Manager, Protection Department*

JEROME P. PERLONGO, *Manager (Night Officer)*

JOSEPH R. PRANCL, JR., *Manager, Food and Office Services Department*

### TECHNICAL DEVELOPMENT

JOSEPH P. BOTTA, *Vice President*

THOMAS J. LAWLER, *Manager*

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### PUBLIC INFORMATION

PETER BAKSTANSKY, *Vice President*

### RESEARCH AND STATISTICS GROUP

RICHARD G. DAVIS, *Senior Vice President and Director of Research*

### RESEARCH

M. AKBAR AKHTAR, *Vice President and Assistant Director of Research*

PAUL B. BENNETT, *Vice President and Economic Adviser*

EDWARD J. FRYDL, *Vice President and Assistant Director of Research*

## Officers *(Continued)*

A. STEVEN ENGLANDER, *Senior Research Officer*  
CHARLES A. PIGOTT, *Senior Research Officer*  
LAWRENCE J. RADECKI, *Senior Research Officer\**  
KAUSAR HAMDANI, *Research Officer and Senior Economist*  
SUSAN A. HICKOK, *Research Officer and Senior Economist*  
ROBERT N. MCCAULEY, *Research Officer and Senior Economist*  
DOROTHY M. SOBOL, *Research Officer and Senior Economist*  
CHARLES STEINDEL, *Research Officer and Senior Economist*

## STATISTICS

SUSAN F. MOORE, *Vice President*  
NANCY BERCOVICI, *Assistant Vice President*  
PAULA B. SCHWARTZBERG, *Manager, International Reports  
and Support Department*

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## Officers—Buffalo Branch

JOHN T. KEANE, *Vice President and Branch Manager*†  
JAMES O. ASTON, *Vice President*†

### AUTOMATED SYSTEMS; GENERAL DIRECTION OF OPERATIONS; MANAGEMENT INFORMATION

PETER D. LUCE, *Assistant Vice President*

### CASH; CENTRAL OPERATIONS; CREDIT, DISCOUNT, AND FISCAL AGENCY

GARY S. WEINTRAUB, *Cashier*

### BANK SERVICES AND PUBLIC INFORMATION; PERSONNEL; PROTECTION

ROBERT J. McDONNELL, *Operations Officer*

### BUILDING OPERATING; CHECK; SERVICE

DAVID P. SCHWARZMUELLER, *Operations Officer*

\*On leave of absence.

†On April 1, 1990, Mr. Keane will retire and Mr. Aston will become Vice President and Branch Manager.

# THE SECOND FEDERAL RESERVE DISTRICT



HEAD OFFICE TERRITORY



BUFFALO BRANCH TERRITORY