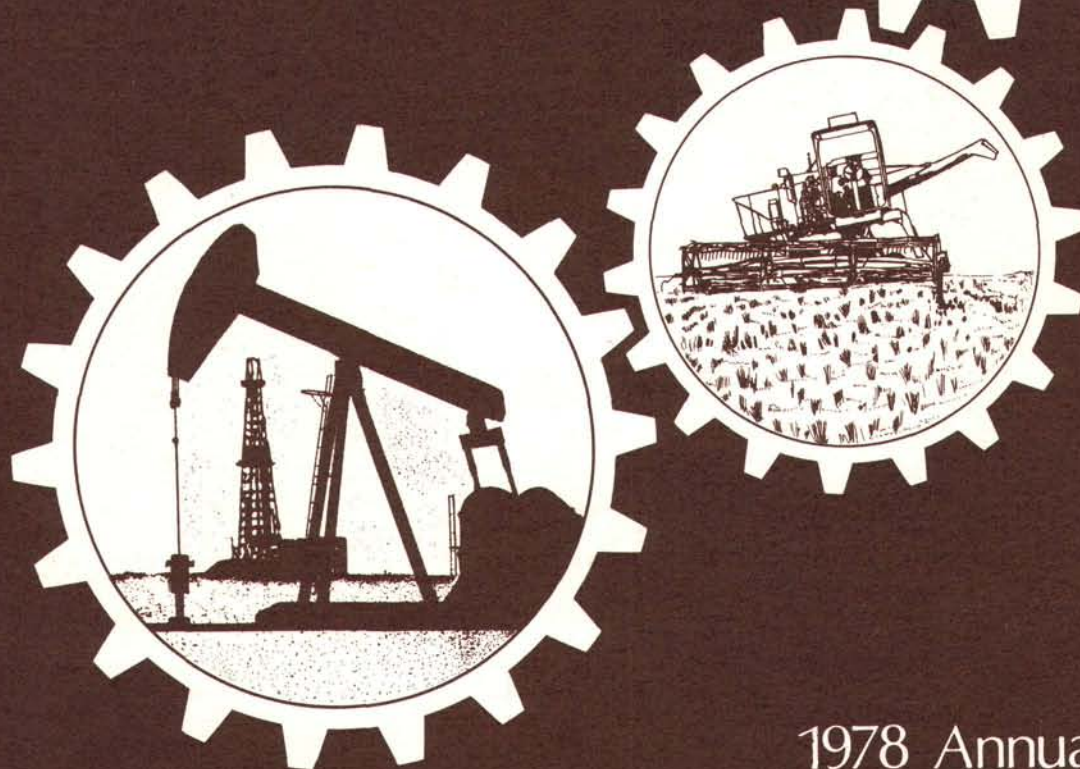
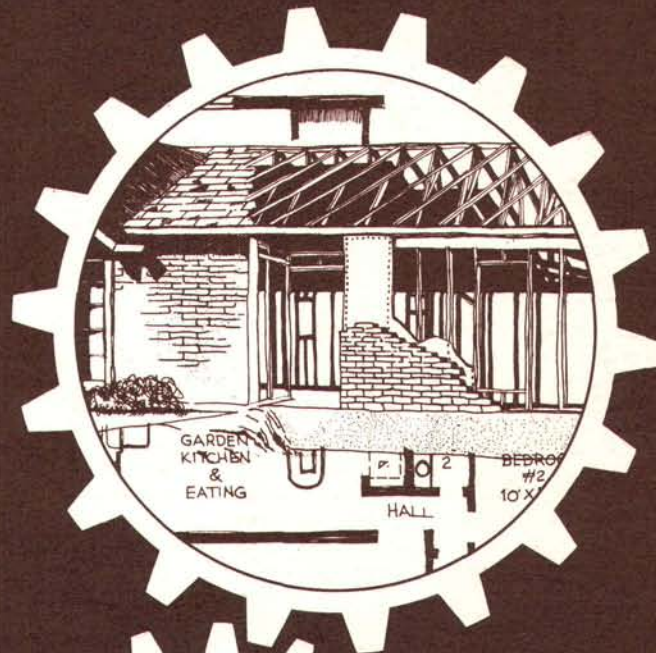


Federal Reserve Bank of Dallas

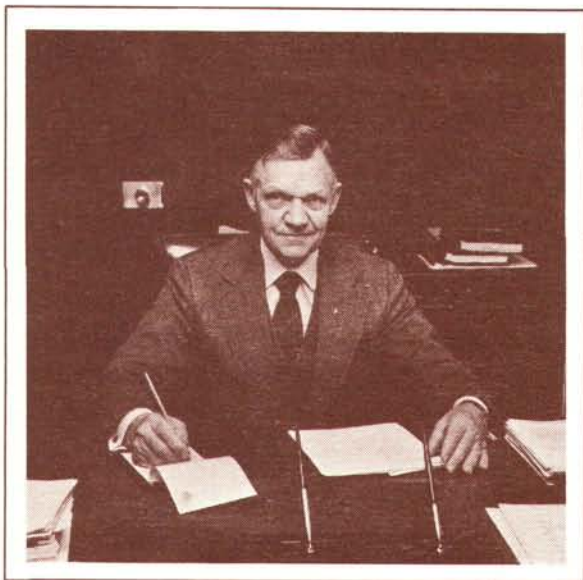
El Paso
Houston
San Antonio



1978 Annual Report

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Ernest T. Baughman, President, Federal Reserve Bank of Dallas.

To Member Banks in the Eleventh Federal Reserve District:

1978 brought three major thrusts to activities at the Federal Reserve Bank of Dallas and Branches at El Paso, Houston, and San Antonio. In the interest of providing improved service, *communications* with banks in the District were restructured and given greater emphasis. With your cooperation, this has enabled us to detect problem areas and respond to them sooner. As ongoing changes are made in the payments and fiscal agent functions of the Federal Reserve, the need for timely communication between commercial banks and Reserve Banks will continue. Hence, we propose to maintain close attention to effective communications in 1979.

The flow of new, expanded and revised *regulations* continued unabated during the past year as the Congress responded to demands for more comprehensive and more effective supervision of financial institutions. The associated heavy demand for experienced accountants, analysts, and attorneys by both the regulatory agencies and the regulated financial institutions, has made it difficult to "field" seasoned, knowledgeable staffs in all circumstances. Nevertheless, we view with at least mild satisfaction achievements

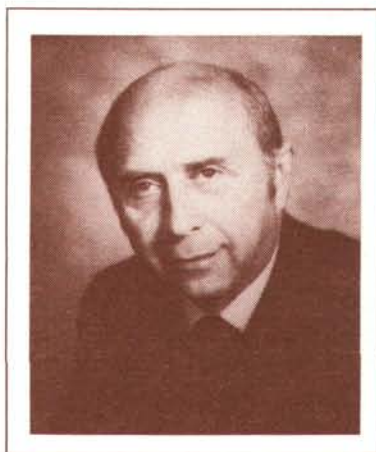
during the year in accommodating on a timely basis increased demands resulting from the recent rush of regulations. Obviously, this service area will require continued emphasis in 1979.

The Federal Reserve System has given high priority to *cost effectiveness* in recent years and this objective was high on the list of priorities for the manager of each department of this Bank and its Branches in 1978. Opportunities for automation and organizational improvements have been pursued aggressively as we attempt to maintain an appropriate balance between service levels and expenses.

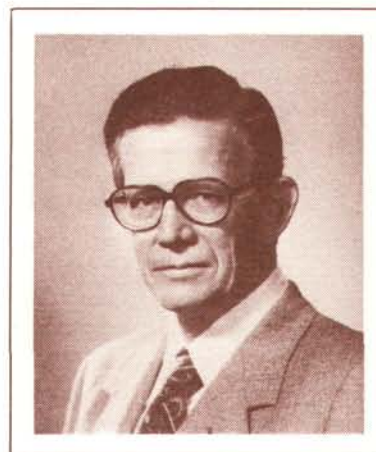
The current high interest in membership and related proposals for reserve requirements and charges for Federal Reserve services are discussed briefly in this report. Hopefully, the Congress, banks, and other financial institutions will soon develop a consensus on an equitable and effective resolution of these issues.

Ernest T. Baughman
Ernest T. Baughman
President

Membership



Irving A. Mathews, Chairman, Membership Committee, effective January 1, 1979.



Charles T. Beaird, Chairman, Membership Committee; term expired December 31, 1979.

Membership in the Federal Reserve System continued to be a matter of widespread interest in 1978. Over the past 9 years, 530 banks have withdrawn from membership countrywide, while 128 have joined. In 1978, 99 withdrew. About two-fifths of all banks are members. The decline has reduced the proportion of deposits held by member banks to less than 72 percent of total commercial bank deposits, down about 9 percentage points since 1970.

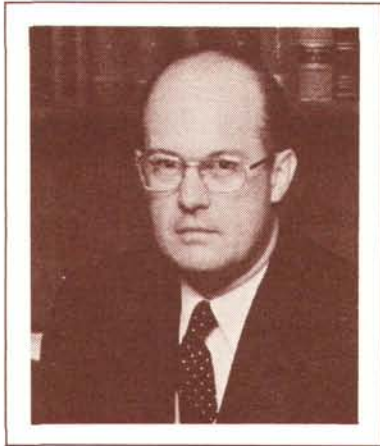
In the Eleventh Federal Reserve District, the trend has been similar. Member banks in the district accounted for about 53 percent of all banks in 1966 and 45 percent in 1978. Member banks held 79 percent of total deposits in 1966; this had declined 12 percentage points to 67 percent in mid-1978.

The major reason for the decline in membership is the "cost" of maintaining required reserves. While nonmember banks may hold their reserves largely in the form of earning assets, member banks must keep their required reserves entirely in non-earning form. An inflationary environment and the associated high interest rates have sharply increased the cost to member banks of maintaining required reserves.

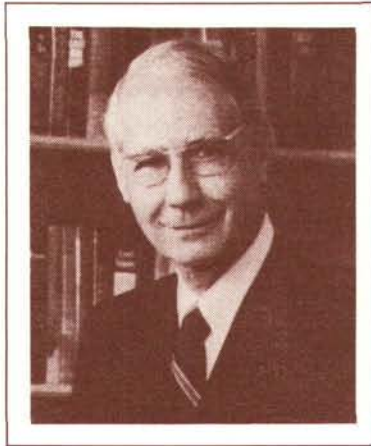
Last November, the Membership Committee

of the Board of Directors of the Federal Reserve Bank of Dallas sponsored a meeting with G. William Miller, Chairman of the Board of Governors of the Federal Reserve System, and banking leaders from Louisiana, New Mexico, Oklahoma, and Texas to discuss membership. Several proposals put forth in 1978 by the Congress and the Federal Reserve to solve the membership problem were discussed. Key elements included the need for more effective monetary policy administered in the national interest and the need for regulatory equality among deposit institutions of various size and kinds. Clearly, if the nation is to have a monetary system based on fractional reserves, equity among financial institutions calls for greater uniformity of reserve requirements. Moreover, the public's interest in effective monetary policy could likely be better served by neutralizing the cost of holding reserves mandated by the Congress and the Federal Reserve.

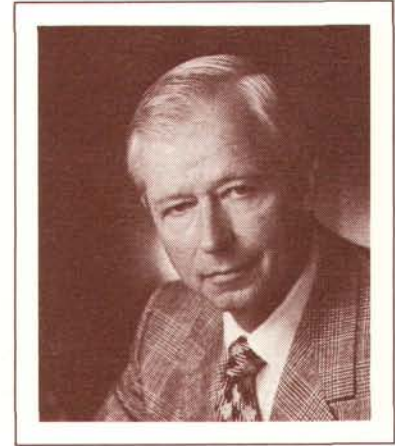
An array of proposals has been discussed to neutralize this cost, including a uniform low level of reserve requirements for all depository institutions, paying interest on required reserve balances, and authorizing reserves in the form of interest-earning assets. Some students of banking have suggested that reserve requirements be



Gene D. Adams, Membership Committee.



Frank Junell, Membership Committee.



Lewis H. Bond, Membership Committee; term began January 1, 1979.

dispensed with altogether. The 95th Congress considered a number of proposals to improve monetary management and resolve the membership issue, but no action was consummated prior to the end of the session. Early in the 96th Congress, the leadership of the banking committees has introduced proposals similar to those under consideration at the close of the 95th Congress.

The question may be asked, Why is membership of growing concern at this time? The issue has been around a long time. One reason it has become more urgent is because of increased competition in the financial sector in recent years.

As banking has become more competitive and operating costs have increased, bank managements have searched aggressively for ways to maximize current earnings. In some instances, this has included withdrawing from membership and thereby avoiding reserve requirements.

Competition has intensified with the proliferation of demand deposit substitutes to the point where distinctions between checking accounts and savings accounts and between banks and thrift institutions are increasingly blurred. Rapidly changing technology that facilitates money

transfers by non-depository as well as depository businesses has also increased competition.

In addition it is generally agreed that if this nation is to succeed in its efforts to harness inflation, foster economic growth, and maintain the value of the dollar, it must have adequate control over monetary and credit aggregates. A related issue concerns whether the cost of monetary control should be borne by the financial institutions affected or be offset by reimbursement in some form by the Federal Reserve Banks.

Monetary policy is developed for national purposes in the public's interest. It is not a program for banks or even the limited number of member banks. Nevertheless, monetary policy, being concerned with money, must be implemented through the depository institutions. Since all depository institutions are chartered in the public interest by State and Federal authorities, it appears logical and reasonable that monetary control mechanisms should be conceived and applied broadly and equitably.

There is concern also that as membership declines, fewer banks have assured access to liquidity and this could be a source of financial instability during periods of economic stress.

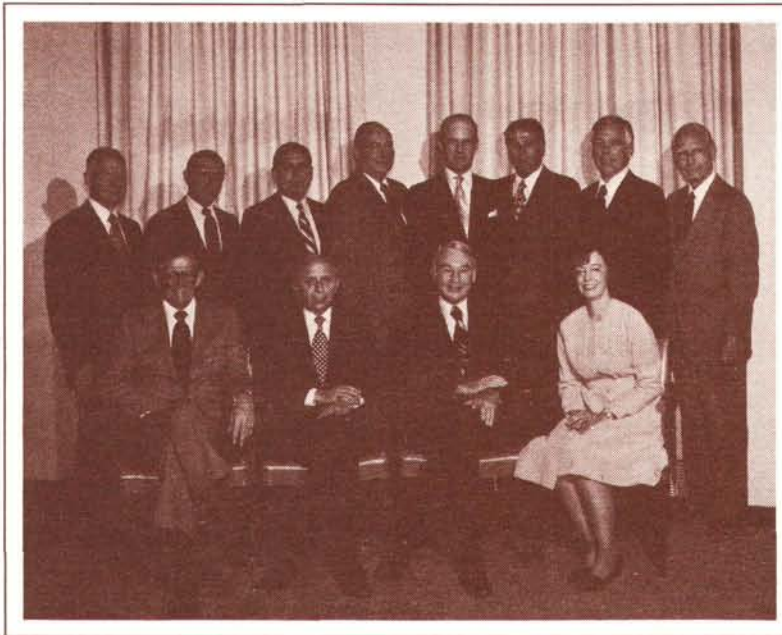
Board of Directors

The Board of Directors of the Federal Reserve Bank of Dallas consists of nine members. Three are Class A directors who represent member banks. There are three Class B and three Class C directors, all of whom engage in pursuits other than banking. This mix of bank, business, and public members brings varied expertise to the operation and management of the Reserve Bank. Class A and Class B directors are elected by the member banks in the District, and Class C directors are appointed by the Board of Governors in Washington. The Chairman and Deputy Chairman of the Board are designated by the Board of Governors from among the Class C directors. No Class B or Class C director may be an officer, director, or employee of any bank; in addition, Class C directors are prohibited from being stockholders of any bank.

The Board of Directors has responsibilities common to directors of commercial banks — it hires and fires officers, establishes budgets, evaluates performance, and provides general supervision, all subject to the overriding surveillance of the Board of Governors. In addition to overseeing the operations of the Bank, the Board of Directors also establishes, subject to approval by the Board of Governors, the discount rate, the interest rate charged on loans to member banks.

Each of the branches in El Paso, Houston, and San Antonio has a seven-member Board of Directors, three of whom are appointed by the Board of Governors, and four of whom are appointed by the Board of Directors of the Federal Reserve Bank of Dallas.

Directors



Head Office Board. Seated left to right: Charles T. Beaird, Irving A. Mathews, G. William Miller (Chairman of the Board of Governors), Margaret S. Wilson. Standing left to right: Ernest T. Baughman (President of the Federal Reserve Bank of Dallas), Stewart Orton, Robert H. Stewart, III, James D. Berry (Federal Advisory Council Member), Gene D. Adams, Thomas W. Herrick, Robert H. Boykin (First Vice President of the Federal Reserve Bank of Dallas), Frank Junell. Not shown in picture: Gerald D. Hines.

Federal Reserve Bank of Dallas

(Chairman and Federal Reserve Agent), Chairman of the Board and Chief Executive Officer, Frost Bros., Inc., San Antonio, Texas
(Deputy Chairman), Publisher, *Shreveport Journal*, Shreveport, Louisiana
President, The First National Bank of Seymour, Seymour, Texas
Cattle and Investments, Amarillo, Texas
Owner, Gerald D. Hines Interests, Houston, Texas
Chairman of the Board, The Central National Bank of San Angelo, San Angelo, Texas
President, Foley's, Division of Federated Department Stores, Inc., Houston, Texas
Chairman of the Board, First International Bancshares, Inc., Dallas, Texas
Chairman of the Board and Chief Executive Officer, Scarbroughs Stores, Austin, Texas

Irving A. Mathews

Charles T. Beaird

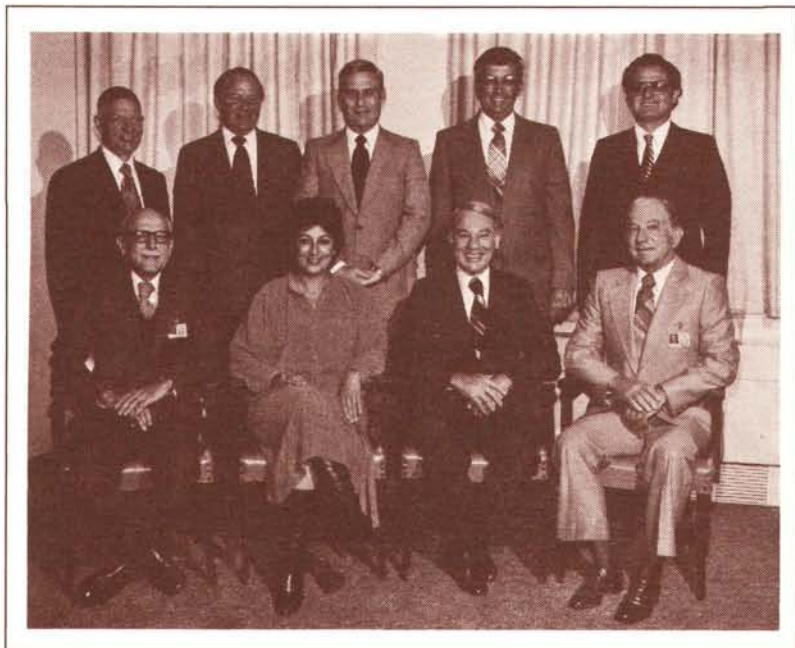
Gene D. Adams
Thomas W. Herrick
Gerald D. Hines
Frank Junell

Stewart Orton

Robert H. Stewart, III

Margaret S. Wilson

Prepared as of December 31, 1978



El Paso Branch Board. Seated left to right: Fredric W. Reed (Vice President in Charge of the El Paso Branch), Josefina A. Salas-Porras, G. William Miller (Chairman of the Board of Governors), Chester J. Kesey. Standing left to right: Ernest T. Baughman (President of the Federal Reserve Bank of Dallas), A. J. Losee, Reed H. Chittim, Claude E. Leyendecker, Arnold B. Peinado, Jr. Not shown in picture: Arthur L. Gonzales.

El Paso Branch

Josefina A. Salas-Porras

A. J. Losee

Reed H. Chittim

Arthur L. Gonzales

Chester J. Kesey

Claude E. Leyendecker

Arnold B. Peinado, Jr.

(Chairman), Executive Director, BI Language Services, El Paso, Texas

(Chairman Pro Tem), Shareholder, Losee, Carson, & Dickerson, P.A. (a lawyers' professional corporation), Artesia, New Mexico
President, First National Bank of Lea County, Hobbs, New Mexico

President, First City National Bank of El Paso, El Paso, Texas

C. J. Kesey Enterprises, Pecos, Texas

President, Mimbres Valley Bank, Deming, New Mexico

Partner, AVC Development, El Paso, Texas

Prepared as of December 31, 1978



Houston Branch Board. Seated left to right: J. Z. Rowe (Vice President in Charge of the Houston Branch), Alvin I. Thomas, G. William Miller (Chairman of the Board of Governors), Bookman Peters. Standing left to right: Ernest T. Baughman (President of the Federal Reserve Bank of Dallas), Raymond L. Britton, Jerome L. Howard, P. K. Stubblefield. Not shown in picture: Gene M. Woodfin, Nat S. Rogers.

Houston Branch

(Chairman), President, Prairie View A&M University, Prairie View, Texas
 (Chairman Pro Tem), Chairman of the Board and Chief Executive Officer, Marathon Manufacturing Company, Houston, Texas
 Labor Arbitrator and Professor of Law, University of Houston, Houston, Texas
 Chairman of the Board and Chief Executive Officer, Mortgage and Trust, Inc., Houston, Texas
 Chairman of the Board and Chief Executive Officer, The City National Bank of Bryan, Bryan, Texas
 Chairman of the Board, First City National Bank of Houston, Houston, Texas
 Chairman of the Board, Victoria Bank & Trust Company, Victoria, Texas

Alvin I. Thomas
Gene M. Woodfin
Raymond L. Britton
Jerome L. Howard
Bookman Peters
Nat S. Rogers
P. K. Stubblefield

Prepared as of December 31, 1978



San Antonio Branch Board. Seated left to right: Carl H. Moore (Vice President in Charge of the San Antonio Branch), Pete Morales, Jr., G. William Miller (Chairman of the Board of Governors), Pat Legan. Standing left to right: Ernest T. Baughman (President of the Federal Reserve Bank of Dallas), Richard W. Calvert, John H. Garner, Ben R. Low, John H. Holcomb. Not shown in picture: John J. McKetta, Jr.

San Antonio Branch

Pete Morales, Jr.	(Chairman), President and General Manager, Morales Feed Lots, Inc., Devine, Texas
Pat Legan	(Chairman Pro Tem), Owner, Legan Properties, San Antonio, Texas
Richard W. Calvert	Chairman of the Board, National Bank of Commerce of San Antonio, San Antonio, Texas
John H. Garner	President and Chief Executive Officer, Corpus Christi National Bank, Corpus Christi, Texas
John H. Holcomb	Owner-Manager, Progreso Haciendas Company, Progreso, Texas
Ben R. Low	President, National Bank of Commerce, Kerrville, Texas
John J. McKetta, Jr.	E. P. Schoch Professor of Chemical Engineering, Department of Chemical Engineering, The University of Texas, Austin, Texas

Prepared as of December 31, 1978

Changes in Directors and Officers

Directors and Council Member

Head Office Board Irving A. Mathews, Chairman of the Board and Chief Executive Officer of Frost Bros., Inc., San Antonio, Texas, was redesignated Chairman of the Board for 1979. Gerald D. Hines, Owner, Gerald D. Hines Interests, Houston, Texas, was appointed a Class C director for a three-year term and designated Deputy Chairman for 1979. In both capacities, Hines succeeded Charles T. Beaird, Publisher, *Shreveport Journal*, Shreveport, Louisiana.

Member banks in the Eleventh District elected two new directors. Effective January 1, 1979, Lewis H. Bond, Chairman of the Board and Chief Executive Officer, Texas American Bancshares Inc., Fort Worth, Texas, succeeded Robert H. Stewart, III, Chairman of the Board, First International Bancshares, Inc., Dallas, Texas. J. Wayland Bennett, Associate Dean for Industry Relations and Professor of Agricultural Economics, College of Agricultural Sciences, Texas Tech University, Lubbock, Texas, succeeded Thomas W. Herrick, Cattle and Investments, Amarillo, Texas.

One vacancy exists on the Board, effective January 1, 1979, due to the appointment of Gerald Hines to a Class C director before his term as a Class B director had expired. A special election is being held to fill this position.

El Paso Branch Board Josefina A. Salas-Porras, Executive Director, BI Language Services, El Paso, Texas; and Arnold B. Peinado, Jr., Partner, AVC

Development, El Paso, Texas, were reappointed to the Branch Board. Charles A. Joplin, President, Security National Bank of Roswell, New Mexico, was appointed to the Board, succeeding Reed H. Chittim, President, First National Bank of Lea County, Hobbs, New Mexico.

During the year, Arthur L. Gonzales, President, First City National Bank of El Paso, El Paso, Texas, was appointed to fill the unexpired term of George V. Janzen, who resigned because he was no longer associated with a bank.

Houston Branch Board Three new members joined the Board of the Houston Branch, effective January 1, 1979. Granville M. Sawyer, President, Texas Southern University, Houston, Texas; John T. Cater, President, Bank of the Southwest National Association, Houston, Texas; and Ralph E. David, President, First Freeport National Bank, Freeport, Texas, were appointed to the Branch Board for three-year terms.

Sawyer succeeded Alvin I. Thomas, President, Prairie View A&M University, Prairie View, Texas. Cater succeeded Nat S. Rogers, Chairman of the Board, First City National Bank of Houston, Houston, Texas; and David succeeded Bookman Peters, Chairman of the Board and Chief Executive Officer, The City National Bank of Bryan, Bryan, Texas.

During 1978, Raymond L. Britton, Labor Arbitrator and Professor of Law, University of Hous-

ton, Houston, Texas, was appointed to the Branch Board. Britton succeeded J. Earl Williams, who resigned because he moved to Atlanta, Georgia, where he is Director of the Industrial Relations Center at Georgia State University.

San Antonio Branch Board Carlos A. Zuniga, Partner, Zuniga Storage and Forwarding Company, Laredo, Texas; and Charles E. Cheever, Jr., President, Broadway National Bank, San Antonio, Texas, were appointed to the Branch Board for three-year terms. Zuniga succeeded Pete Morales, Jr., President and General Manager, Morales Feed Lots, Devine, Texas; and Cheever succeeded Richard W. Calvert, Chairman of the Board, National Bank of Commerce of San Antonio, San Antonio, Texas. John H. Holcomb, Owner-Manager, Progreso Haciendas Company, Progreso, Texas, was reappointed to the Branch Board for a second three-year term.

Federal Advisory Council Member James D. Berry, Chairman of the Board and Chief Executive Officer, Republic of Texas Corporation, Dallas, Texas, was reappointed for a one-year term as a member of the Federal Advisory Council to represent the Eleventh Federal Reserve District.

Officers

Head Office Official changes during 1978 at the Head Office included the promotion of Jo-

seph E. Burns to Senior Vice President with supervision of the Bank and Public Information, Publications, Research, and Statistical Departments.

Ralph T. Green, Vice President and Senior Economic Adviser, retired.

Thomas R. Sullivan, Vice President, retired.

Several other official changes were made, effective January 1, 1979.

Neil B. Ryan, Assistant Vice President, was promoted to Vice President. Billy J. Dusek, Mary M. Rosas, and Phillip E. Sellers were elected Assistant Vice Presidents.

El Paso Branch Fredric W. Reed, Vice President in Charge of the El Paso Branch, retired after more than 45 years of service with the Federal Reserve System.

Joel L. Koonce, Jr., was promoted to Vice President and succeeded Reed.

Robert W. Schultz, Assistant Vice President at the San Antonio Branch, was transferred to the El Paso Branch. Schultz had been promoted earlier in the year to Assistant Vice President.

Houston Branch Vernon L. Bartee and C. O. Holt, Jr., were promoted to Assistant Vice Presidents.

San Antonio Branch Thomas C. Cole was promoted to Assistant Vice President.

1978 Earnings

Gross current earnings of the Federal Reserve Bank of Dallas were \$434.8 million in 1978; current expenses were \$34.3 million, leaving current net earnings of \$400.5 million.

Net earnings, after additions, deductions and assessments, and before payments to the Treasury, totaled \$361.9 million. Of this, \$353.7 million was paid to the U.S. Treasury as interest on Federal Reserve notes; statutory dividends of \$3.6 million were paid to member banks; and \$4.5 million was added to surplus. The Federal Reserve pays to the Treasury all net earnings in excess of the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital.

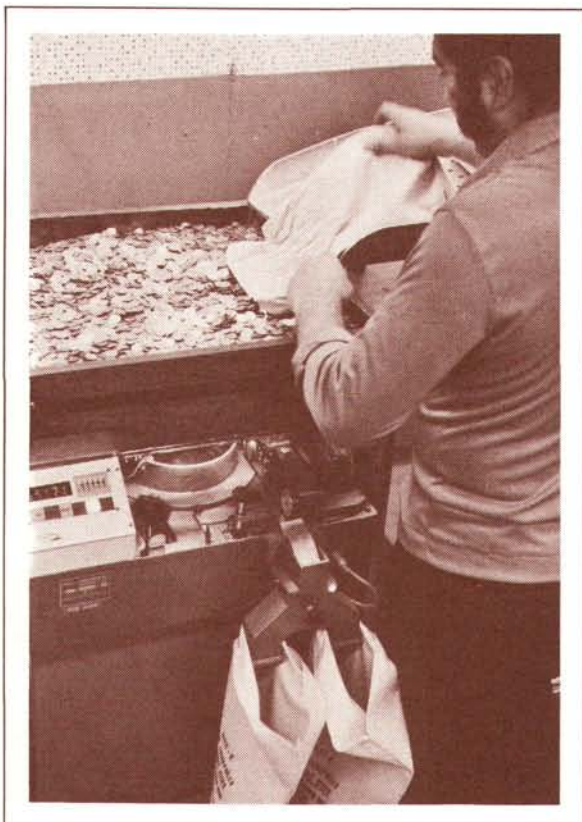
Assessment for expenditures of the Board of Governors amounted to \$3 million. There was a \$35.7 million net deduction in the profit and loss account mainly because of a \$28.8 million net loss on foreign exchange operations and a net loss of \$6.7 million on transactions in U.S. Government securities. The Federal Reserve buys and sells Government securities and foreign exchange for the purpose of implementing national monetary policy. The transactions are not designed to earn a profit, however, earnings of the Federal Reserve System are derived primarily from U.S. Government securities acquired through open market purchases.

Current expenses at \$34.3 million were up 8 percent over 1977, largely due to increases in the volume of checks and currency processed. The number of employees was down 1.4 percent, reflecting progress in automation and cost control.

1978 Operations

Cash

Currency processing at the Federal Reserve Bank of Dallas was largely mechanized during 1978. Two currency verifying, counting, sorting, packaging, and destructing systems were acquired, tested, and put into production. The systems reduce both the staff and space requirements for currency processing and through the use of electronic sorting devices, provide the capability to gradually improve the quality of currency in circulation.



A constant flow of coins—about 857 million coins with a value of \$123 million—were received and verified by this Bank last year.



Of the 396 million notes processed at this Bank last year, 53 percent were unfit for recirculation and were destroyed. New currency is purchased from the Bureau of Printing and Engraving.

The currency function accounted for about 26 percent of this Bank's total expenses in 1978. The volume of currency received for processing in 1978 increased 9 percent to 396 million notes, and the value was up 5 percent to \$3.7 billion. Of the currency that was processed in 1978, 53 percent was unfit for recirculation and was destroyed. New currency is purchased from the Bureau of Printing and Engraving, at a cost of \$4.1 million in 1978 for printing and shipping expenses.

As of year-end 1978, this Bank had \$4.1 billion of Federal Reserve notes in circulation. Federal Reserve notes are 100 percent collateralized with gold certificates, direct obligations of the United States, special drawing rights certificates of the International Monetary Fund, and short-term paper pledged by member banks to collateralize loans from the Federal Reserve Bank. This Bank had \$6.3 billion of assets eligible to pledge as collateral for Federal Reserve notes in circulation, as of year-end 1978.



About 936 million checks were processed in the Eleventh District in 1978 by high-speed electronic machines, which read magnetic ink characters printed along the bottom of checks at a speed of about 100,000 checks an hour.

Coins are obtained from the U.S. Mint and in 1978 cost this Bank \$1 billion for the face value of the coins. Coins are supplied to commercial banks as needed, and banks that accumulate excess coins may send them to the Federal Reserve Bank for credit. About 857 million coins with a value of \$123 million were received and verified last year.

Legislation authorizing production and circulation of a new one dollar coin was passed by Congress in September 1978. Production began in December at the United States Mint in Philadelphia, and release for circulation is scheduled for July 1979.

The new coin is expected to gradually displace one dollar notes and to be widely used in vending machines and in cashier machines that automatically dispense change. If the coin were to replace a large proportion of dollar notes, it would save millions of dollars a year in currency printing and processing costs. The coin will cost about 3 cents to produce and is estimated to have a useful life of at least 15 years, while dollar notes cost about 1.9 cents to produce and last only about 1½ years, on average.

Checks

The Federal Reserve Bank of Dallas handled about 936 million paper checks during the year, up nearly 10 percent over the 1977 volume. Check processing accounts for about 34 percent of the Bank's total expenses.

The Bank expanded its check processing capacity in 1978 by adding a fourth document processor. This helps to reduce holdover float and overtime, as well as give more timely service to commercial banks.

Loans

Member banks increased their borrowing from the Federal Reserve Bank of Dallas in 1978. The daily average volume was \$106.5 million, somewhat more than double the \$47.6 million daily average in 1977. Overall, the Federal Reserve Bank made 1,120 loans, aggregating \$8.61 billion, to 123 member banks in the Eleventh District last year. Loans reached a peak of \$329 million on August 18, 1978 when 42 banks were borrowing.



About 13 million Treasury securities worth \$99 billion were issued, redeemed, and exchanged by this Bank in 1978.

During the year, 61 banks borrowed under the seasonal credit program which provides a prearranged line of credit to banks that experience a drain of funds at about the same time each year. Seasonal borrowing peaked during October when 38 banks borrowed a daily average of \$46.5 million under the program.

Loan procedures were simplified somewhat during 1978 and further changes are under consideration to improve the loan service in 1979.

Wire Transfer

Member banks made greater use of the Federal Reserve's wire transfer service in 1978. Over 2 million funds transfers were processed with a value of \$2.8 trillion. The number of transfers was up 22 percent, and the dollar volume increased 15 percent from 1977.

With the demand for wire transfers of funds rising, additional member banks installed on-line terminals linked to the Federal Reserve Bank's computers and communications system. Outgoing transfers are facilitated, and in addition, member banks can receive immediate advice of incoming transfers. On-line linkage was extended to 13 additional member banks during 1978; the number of on-line banks at year-end was 45.

Banks may also use the Federal Reserve Communications System to transfer U.S. Government and government agency securities. In 1978, about 55 thousand securities transfers were made, totaling over \$95 billion. Six member banks added securities transfer capabilities to their on-line linkage to the Federal Reserve Bank in 1978, bringing the total to 22 at year-end.

Fiscal Agent

As the Government's principal fiscal agent, the Federal Reserve performs many functions for the Treasury, such as holding the Treasury's checking account, issuing, redeeming and exchanging securities, and processing food stamps. As of year-end 1978, the Treasury had \$162 million on deposit with the Federal Reserve Bank of Dallas. During the year, 44 million Treasury checks totaling almost \$26 billion were processed; almost 117 million food stamps with a value of \$447 million were processed; and 13 million Treasury securities worth \$99 billion were issued, redeemed and exchanged by this Bank. The fiscal agent functions accounted for about 9 percent of the Bank's total expenses.

Beginning November 2, 1978, the Treasury was authorized to collect interest on its tax and loan deposits at commercial banks. For many years,

the Treasury's demand deposits at commercial banks had been available for the banks to use interest-free, and the use of these funds was considered compensation for the services the banks provided to the Treasury. Under the new program, the Treasury pays directly for these services, and banks and other financial institutions that hold Treasury tax and loan deposits must transfer the funds to the Treasury's account at a Federal Reserve Bank in one business day (Remittance Option) or pay interest on them (Note Option). Banks choosing the Note Option are, in effect, borrowing call money from the Treasury. Under the Remittance Option, banks do not purchase funds from the Treasury but only act as a channel in the tax collection system. In the Eleventh District, 995 banks chose the Remittance Option, and 506 banks chose the Note Option.

Automated Clearinghouse

The volume of funds transferred by electronic means continued to increase in 1978. One important factor in the increase was the linkup during the year of 32 automated clearinghouse (ACH) associations across the nation. Since September, when the network's last links were completed, funds can be transferred electronically nationwide. The Federal Reserve's communications system connects the ACHs, which are private associations of financial institutions that

use computers in 34 Federal Reserve offices to process and deliver electronic payments.

The network now serves some 9,400 banks and 1,500 thrift institutions that are members of ACH associations and some 6,000 corporations that are customers of the financial institutions. The system is used by the U.S. Treasury for disbursing social security and other types of Government payments, and by business firms for payment of payroll and other expenses and for receipt of pre-authorized customer payments. At present, most electronically transmitted payments are payroll deposits and payments of recurring bills such as mortgage payments, insurance premiums and the like.

The electronic payments network is expected to enhance and improve financial services to individuals, businesses and governmental agencies and with much increased volume, to provide a more efficient and lower cost alternative to making payments by check.

Because cost per payment declines as volume increases and processing and communication facilities are available to accommodate very large increases in volume, several steps are being taken to increase usage of electronic funds transfer. Financial institutions are stepping up their marketing and educational efforts, and the U.S. Treasury is conducting quarterly conferences to promote more widespread use of direct deposit of social security and other payments.

Statement of Condition

	December 31	
	1978	1977
Assets		
Gold certificate account	\$ 508,703,700	\$ 455,761,300
Special Drawing Rights certificate account	57,000,000	48,000,000
Coin	16,574,290	12,490,901
Loans and Securities:		
Loans	93,311,400	23,900,000
Federal agency obligations	409,873,947	400,194,000
U.S. Government securities	5,683,242,130	5,045,971,000
Total loans and securities	6,186,427,477	5,470,065,000
Cash items in process of collection	1,066,060,307	887,588,775
Bank premises	11,538,951	11,537,528
Other assets	216,948,553	97,052,188
Interdistrict settlement account	439,119,495	290,303,728
Total Assets	\$8,502,372,773	\$7,272,799,420
Liabilities		
Federal Reserve notes in actual circulation	\$4,964,322,827	\$4,071,753,548
Deposits:		
Member bank — reserve accounts	2,480,644,974	1,922,220,415
U.S. Treasury — general account	162,141,932	452,959,410
Foreign	11,553,900	15,439,200
Other	33,726,990	34,150,904
Total deposits	2,688,067,796	2,424,769,929
Deferred availability cash items	643,279,596	602,336,081
Other liabilities	81,075,054	57,494,562
Total Liabilities	\$8,376,745,273	\$7,156,354,120
Capital Accounts		
Capital paid in	62,813,750	58,222,650
Surplus	62,813,750	58,222,650
Total Capital Accounts	\$ 125,627,500	\$ 116,445,300
Total Liabilities and Capital Accounts	\$8,502,372,773	\$7,272,799,420

Earnings and Expenses

	1978	1977
Current Earnings		
Loans	\$ 8,079,987	\$ 2,723,562
U.S. Government securities	426,605,080	332,863,131
Foreign currencies	110,626	156,692
All other	60,488	36,858
Total Current Earnings	\$434,856,181	\$335,780,243
Current Expenses		
Current operating expenses	32,396,187	30,594,164
Federal Reserve currency	4,084,786	3,282,154
Total	36,480,973	33,876,318
Less reimbursement for certain fiscal agency and other expenses	2,145,141	1,984,865
Net Expenses	34,335,832	31,891,453
Profit and Loss		
Current net earnings	400,520,349	303,888,790
Additions to current net earnings:		
All other	130,832	1,483,426
Total additions	130,832	1,483,426
Deductions from current net earnings:		
Loss on sales of U.S. Government securities (net)	6,733,067	2,511,669
Loss on Foreign Exchange (net)	28,823,876	8,197,523
All other	105,515	151,129
Total deductions	35,662,458	10,860,321
Net additions or deductions (—)	—35,531,626	—9,376,895
Assessment for expenditures of Board of Governors	3,021,300	2,666,700
Net earnings before dividends and payments to U.S. Treasury	361,967,423	291,845,195
Dividends paid	3,618,600	3,411,215
Payments to U.S. Treasury (interest on F. R. notes)	353,757,723	285,415,130
Transferred to surplus	4,591,100	3,018,850
Surplus, January 1	58,222,650	55,203,800
Surplus, December 31	\$ 62,813,750	\$ 58,222,650

Volume of Operations

Federal Reserve Bank of Dallas Head Office and Branches Combined

Loans

Currency received and counted

Coin received and counted

Checks handled:

U.S. Government checks

Postal money orders

All other²

Collection items handled:

U.S. Government coupons paid

All other

Issues, redemptions, and exchanges
of U.S. Government securities

Transfers of funds

Food stamps redeemed

¹ Packaged items handled as a single item are counted as one piece.

² Exclusive of checks drawn on the F.R. Banks.

Number of Pieces Handled:		Dollar Amount	
1978	1977	1978	1977
1,120	476	8,612,982,800	4,228,661,540
396,006,527	364,420,192	3,680,747,200	3,499,314,100
856,960,087	864,737,974	123,222,883	114,474,533
44,318,786	46,827,394	25,963,009,977	23,779,176,262
9,543,454	9,849,051	566,010,577	474,292,897
882,279,125	796,315,257	416,127,295,932	360,046,900,966
144,877	191,112	89,190,196	124,662,586
133,767	243,536	163,251,069	252,655,383
13,222,826	12,356,007	99,236,974,129	91,382,954,992
2,163,441	1,766,467	2,772,657,127,313	2,420,549,418,434
116,884,140	108,785,207	447,290,518	446,281,276

Officers

Federal Reserve Bank of Dallas

Ernest T. Baughman	President
Robert H. Boykin	First Vice President
Joseph E. Burns	Senior Vice President
George C. Cochran, III	Senior Vice President
Harry E. Robinson, Jr.	Senior Vice President
Tony J. Salvaggio	Senior Vice President
Robert A. Brown	General Auditor
C. J. Pickering	Vice President
W. M. Pritchett	Vice President
George F. Rudy	Vice President and General Counsel
Neil B. Ryan	Vice President
E. W. Vorlop, Jr.	Vice President and Controller
John C. Blake	Assistant Vice President
J. A. Clymer	Assistant Vice President
Forrest E. Coleman	Assistant Vice President
Billy J. Dusek	Assistant Vice President
Arnold L. Hayes	Assistant Vice President
Richard D. Ingram	Assistant Vice President and Assistant Secretary
Larry J. Reck	Assistant Vice President
Mary M. Rosas	Assistant Vice President
Thomas H. Rust	Assistant Vice President
Jesse D. Sanders	Assistant Vice President
Sammy T. Schulze	Assistant Vice President
Phillip E. Sellers	Assistant Vice President
Robert Smith, III	Assistant Vice President and Secretary
T. E. Spreng	Assistant Vice President
E. A. Thaxton, Jr.	Assistant Vice President
Adrian W. Throop	Assistant Vice President
Carla M. Warberg	Assistant Vice President and Assistant Controller
Millard E. Sweatt, Jr.	Assistant General Counsel
C. L. Vick	Assistant General Auditor

El Paso Branch

Joel L. Koonce, Jr.	Vice President in Charge
Robert W. Schultz	Assistant Vice President

Houston Branch

J. Z. Rowe	Vice President in Charge
Vernon L. Bartee	Assistant Vice President
Sammie C. Clay	Assistant Vice President
C. O. Holt, Jr.	Assistant Vice President

San Antonio Branch

Carl H. Moore	Vice President in Charge
Thomas C. Cole	Assistant Vice President
Thomas H. Robertson	Assistant Vice President

January 1, 1979