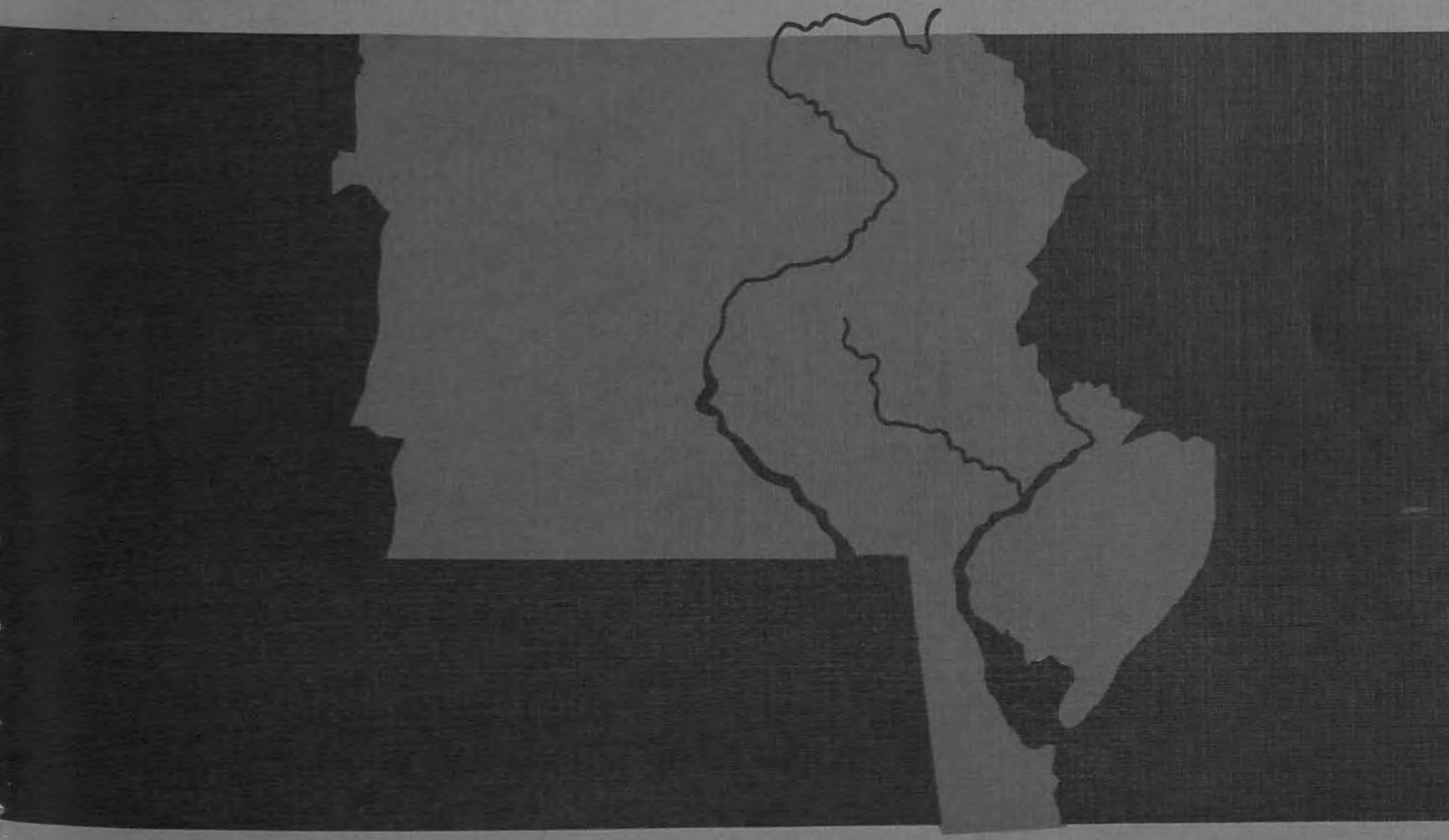
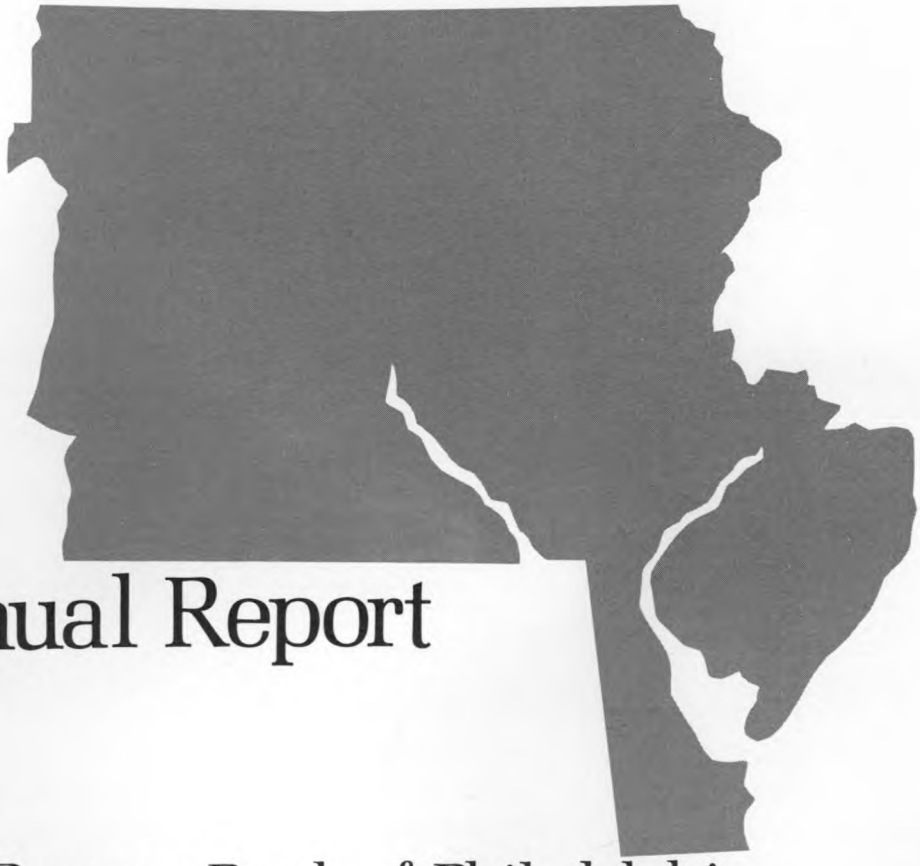
# 1978 ANNUAL REPORT



Federal Reserve Bank of Philadelphia



# 1978 Annual Report

## Federal Reserve Bank of Philadelphia

## Contents:

# President's Message

It was an up-beat year for the Federal Reserve. Under the leadership of a new Chairman of the Board of Governors the membership problem was addressed aggressively, a zero-based review of regulations was begun, and other new initiatives were started.

I am pleased by the spirit of achievement in the System today and feel that it is fully evident here in Philadelphia.

Take automation for example. Just as we were among the best with the old punched-card equipment of the 1950s and 1960s, now we have implemented new, state-of-the-art computer systems in many areas of the Bank.

Or take management. Our style and process has made a good transition from the more informal environment of years gone by and is honed for today's complex challenges.

But, most of all, take our record of accomplishment. We have enjoyed one of the most rapid rates of operational improvement in the System, and the overall quality of our work is in the front rank.

Unit costs have been a problem due in large part to the nature of our District and to our heavy building overhead. However, when the impact of our new building is eliminated, you will find we have improved efficiency faster than the average of the twelve Reserve Banks.

In 1978 we continued the Bank's pattern of leadership in System projects. Our people played key roles in determining Federal Reserve actions and policy in the fields of automation, management, bank services, public information and human resources among others.

Another area I want to mention is improving contact with our various publics. We sponsored a series of Forums that brought business, community and government leaders together in an effort to find solutions to Philadelphia's economic problems. We conducted numerous programs for bankers and made a special effort to inform consumers of their rights under the Fed's new credit regulations.

I am pleased with the Bank's performance in 1978 and feel we are in good shape to face the many challenges that lie ahead.

David P. Eastburn

*President*

# Executive Changes

John W. Eckman, Chairman and President of Rorer Group Inc., Fort Washington, Pennsylvania, was redesignated Chairman of the Board of this Bank for 1979. At the same time Mr. Eckman was reappointed to a three-year term as a Class C Director. Werner C. Brown, Chairman of Hercules Incorporated, Wilmington, Delaware, was again named to serve as Deputy Chairman for 1979. The appointments were made by the Federal Reserve Board of Governors.

In special June balloting, Donald J. Seebold, President of The First National Bank of Danville, Danville, Pennsylvania, was elected a Class A Director by small member banks in the District to fill the unexpired portion of a term that ends December 31, 1979.

Three new directors were elected in December. John R. Biechler, President and Chief Executive Officer of The Commonwealth National Bank, Harrisburg, Pennsylvania, was elected a Class A Director by large member banks. He completes the unexpired portion of a term that ends December 31, 1980. Robert H. Deacon, President of The Bank of Mid-Jersey, Bordentown, New Jersey, was elected a Class A Director by medium-sized member banks, and Richard P. Hauser, Chairman and Chief Executive Officer of John Wanamaker, Philadelphia, Pennsylvania, was elected a Class B Director by small member banks in the District. Both Mr. Deacon and Mr. Hauser will serve three-year terms ending December 31, 1981.

William B. Eagleson, Jr., Chairman and President of Girard Bank, Philadelphia, Pennsylvania, was reappointed by the Directors of this Bank to represent the Third District on the Federal Advisory Council during 1979.

A number of promotions, new assignments and changes in the Bank's official staff occurred in 1978.

Guy H. Edwards was promoted to Vice President in the Computer Services Department succeeding Bipin C. Shah who resigned to accept a position in private industry. Ronald G. Foley became Assistant Vice President for Fiscal Operations. Robert N. Gilmore was named Assistant Vice President of Cash Operations following the departure of Kathleen Holmes who joined a local bank. Arthur L. Morath, Jr., moved up to Assistant Vice President in the Supervision and Regulation Department. Ronald D. Watson was appointed Assistant Vice President and Lending Officer in the Credit Department. Hugh Chairnoff who previously directed lending and bank services activities resigned as Vice President.

Among the new assignments, Frederick M. Manning, Assistant Vice President, assumed responsibility for Planning and Development in the Human Resources Department; he had been in Supervision and Regulation. Joseph J. Ponczka was reassigned to the Department of Supervision and Regulation as Examining Officer after serving as Fiscal Operations Officer.

New official appointments were James B. Duffy, Custody Control Officer; James F. Russell, Data Systems Officer; John B. Shaffer, Assistant General Auditor; and William H. Stone, Jr., Assistant Vice President of Bank Services and Regulations Administration.

In addition, Glennie M. Matthewson, III, resigned as Assistant Counsel to return to the private practice of law, and former Assistant General Auditor Robert E. Matthews was appointed Vice President and General Auditor of the Federal Reserve Bank of St. Louis.

# Directors

CHAIRMAN

John W. Eckman
Chairman and President
Rorer Group Inc.
Fort Washington, Pennsylvania

DEPUTY CHAIRMAN

Werner C. Brown
Chairman
Hercules Incorporated
Wilmington, Delaware

John R. Biechler
President and Chief Executive Officer
The Commonwealth National Bank
Harrisburg, Pennsylvania

Jack K. Busby
Chairman and Chief Executive Officer
Pennsylvania Power & Light Company
Allentown, Pennsylvania

Jean Crockett
Chairman, Professor of Finance
Wharton School
University of Pennsylvania
Philadelphia, Pennsylvania

Robert H. Deacon
President
The Bank of Mid-Jersey
Bordentown, New Jersey

Richard P. Hauser
Chairman and Chief Executive Officer
John Wanamaker
Philadelphia, Pennsylvania

William S. Masland
President and Chief Executive Officer
C. H. Masland & Sons
Carlisle, Pennsylvania

Donald J. Seebold
President
The First National Bank of Danville
Danville, Pennsylvania

MEMBER OF THE FEDERAL ADVISORY COUNCIL

William B. Eagleson, Jr.
Chairman and President
Girard Bank
Philadelphia, Pennsylvania

# Officers

David P. Eastburn, President
Richard L. Smoot, First Vice President

Konstanty G. Adack, Senior Vice President
Edward G. Boehne, Senior Vice President
Thomas K. Desch, Vice President
Peter M. DiPlacido, Vice President
Guy H. Edwards, Vice President
Richard W. Epps, Vice President
James F. Gaylord, Vice President
Hiliary H. Holloway, Vice President and General Counsel
W. Lee Hoskins, Vice President and Director of Research
Ira Kaminow, Vice President and Economic Adviser
Alexander A. Kudelich, Vice President
Donald J. McAneny, Vice President and General Auditor
G. William Metz, Vice President
Lawrence C. Murdoch, Jr., Vice President and Secretary
Evelyn G. Battista, Human Resources Services Officer
Jack P. Besse, Assistant Vice President and Assistant Secretary
D. Russell Connor, Assistant Vice President
Samuel J. Culbert, Jr., Bank Services Officer
Robert A. Dobie, Examining Officer
James B. Duffy, Custody Control Officer
Ronald G. Foley, Assistant Vice President
Robert N. Gilmore, Assistant Vice President
Judith H. Helmuth, Operations Improvement Officer and Assistant Secretary
Paul E. Kirn, Jr., Assistant Vice President
Edwin C. Lodge, Statistical Officer
Frederick M. Manning, Assistant Vice President
Michael J. McGovern, Data Processing and Technical Services Officer
Arthur L. Morath, Jr., Assistant Vice President
Donald J. Mullineaux, Research Officer and Economist
Joseph J. Ponczka, Examining Officer
James F. Russell, Data Systems Officer
Edward G. Rutizer, Examining Officer
Lawrence C. Santana, Jr., Assistant Vice President
John B. Shaffer, Assistant General Auditor
William H. Stone, Jr., Assistant Vice President
Anita A. Summers, Research Officer and Economist
Ronald D. Watson, Assistant Vice President and Lending Officer
Elizabeth S. Webb, Assistant Counsel

January 1, 1979

# Statement of Condition

## ASSETS

| | December 31, 1978 | December 31, 1977 |
|---|---|---|
| Gold certificate account | $ 597,958,400 | $631,731,900 |
| Special drawing rights certificate | 69,000,000 | 74,000,000 |
| Other cash | 14,807,559 | 13,089,874 |
| Loans and securities: | | |
| Discounts and advances | 78,873,000 | 16,025,000 |
| Federal Agency obligations | 395,432,981 | 427,007,000 |
| United States Government securities | 5,483,006,156 | 5,384,085,000 |
| Total Loans and Securities | $ 5,957,312,137 | $5,827,117,000 |
| Other assets: | | |
| Cash items in process of collection | 631,137,721 | 341,805,306 |
| Bank premises | 54,999,804 | 55,777,044 |
| Operating equipment - net | 5,373,497 | 5,099,415 |
| All other | 231,692,499 | 98,301,018 |
| Interdistrict settlement account | –637,108,617 | –389,371,391 |
| Total Assets | $6,925,173,000 | $6,657,550,166 |

## LIABILITIES

| | | |
|---|---|---|
| Note liabilities: | | |
| Federal Reserve notes | $5,198,716,050 | $4,936,380,307 |
| Deposits: | | |
| Member bank reserve accounts | 1,081,420,973 | 891,232,423 |
| U.S. Treasury - general account | 208,072,114 | 451,661,963 |
| Foreign | 8,716,100 | 11,855,100 |
| All other | 20,777,289 | 34,175,217 |
| Total Deposits | $1,318,986,476 | $1,388,924,703 |
| Other liabilities: | | |
| Deferred availability cash items | 233,938,372 | 183,013,091 |
| All other | 85,933,602 | 60,935,265 |
| Total Liabilities | $6,837,574,500 | $6,569,253,366 |
| Capital accounts: | | |
| Capital paid in | 43,799,250 | 44,148,400 |
| Surplus | 43,799,250 | 44,148,400 |
| Total Liabilities and Capital Accounts | $6,925,173,000 | $6,657,550,166 |

# Earnings and Expenses

| | 1978 | 1977 |
|---|---|---|
| Current earnings: | | |
| From U.S. Government securities | $ 420,301,803 | $ 364,810,998 |
| From discounts, advances and miscellaneous sources | 4,644,834 | 2,012,278 |
| Total current earnings | 424,946,637 | 366,823,276 |
| Net expenses: | | |
| Operating expenses (after deducting reimbursable or recoverable expenses) | 30,471,978 | 29,573,053 |
| Federal Reserve currency | 3,282,514 | 3,185,166 |
| Total net expenses | 33,754,492 | 32,758,219 |
| Current net earnings | 391,192,145 | 334,065,057 |
| Additions to current net earnings: | | |
| Miscellaneous nonoperating income | 17,798 | 2,219,531 |
| Total additions | 17,798 | 2,219,531 |
| Deductions from current net earnings: | | |
| Assessment for expenses of the Board of Governors | 2,269,800 | 2,061,800 |
| Loss on sales of U.S. Government securities (net) | 6,578,886 | 2,648,278 |
| Loss on foreign currency transactions | 21,744,327 | 6,294,527 |
| Miscellaneous nonoperating expenses | 110,142 | 11,760 |
| Total deductions | 30,703,155 | 11,016,365 |
| Net deductions | 30,685,357 | 8,796,834 |
| Net earnings before payment to U.S. Treasury | $ 360,506,788 | $ 325,268,223 |
| Dividends paid | $ 2,634,130 | $ 2,606,405 |
| Paid to U.S. Treasury (interest on Federal Reserve notes) | 358,221,808 | 321,384,018 |
| Transferred to Surplus, additions, deductions (-) | -349,150 | 1,277,800 |
| | $ 360,506,788 | $ 325,268,223 |

# Annual Operations

## OPERATING STATISTICS

| Millions of dollars | 1978 | 1977 |
|---|---|---|
| Loans to member banks | $ 12,646 | $ 7,103 |
| Currency received and counted | 4,667 | 4,143 |
| Coin received and counted | 118 | 108 |
| Checks handled: | | |
| U.S. Government checks | 15,376 | 17,183 |
| Postal money orders | 250 | 251 |
| All other | 252,708 | 229,296 |
| Collection items handled: | | |
| U.S. Government coupons paid | 146 | 131 |
| All other | 3,426 | 3,812 |
| U.S. Savings Bonds and Savings Notes issued, exchanged, redeemed | 1,376 | 1,314 |
| Other Government securities issued, exchanged, redeemed | 134,965 | 157,413 |
| Transfers of funds | 1,210,730 | 1,126,759 |
| Food stamps redeemed | 367 | 391 |

| Thousands of items processed | 1978 | 1977 |
|---|---|---|
| Loans to member banks | 3,493* | 774* |
| Currency received and counted | 488,400 | 445,395 |
| Coin received and counted | 815,000 | 768,198 |
| Checks handled: | | |
| U.S. Government checks | 33,600 | 42,572 |
| Postal money orders | 6,600 | 7,058 |
| All other | 602,200 | 581,964 |
| Collection items handled: | | |
| U.S. Government coupons paid | 422 | 566 |
| All other | 157 | 152 |
| U.S. Savings Bonds and Savings Notes issued, exchanged, redeemed | 22,800 | 21,953 |
| Other Government securities issued, exchanged, redeemed | 217 | 270 |
| Transfers of funds | 900 | 771 |
| Food stamps redeemed | 101,400 | 105,076 |

*Unrounded data

| BANKING STATISTICS | 1978 | 1977 |
|---|---|---|
| Member banks at year end | 227 | 236 |
| Nonmember banks at year end | 153 | 144 |

# Reaching Our Publics

In the spring the Bank convened a series of Fed Forums to consider ways to revitalize Philadelphia's economy. Prominent speakers traded views with a blue ribbon audience of community, business, and government leaders and a lot of good ideas came out. Research Officer Anita A. Summers, who heads the urban studies unit of our research department, acted as moderator.

Vernon E. Jordan, Jr., President of the National Urban League, Inc., was one of the speakers featured in our series of leadership luncheons for 1978. These meetings bring together business and community leaders to hear nationally known figures speak on a variety of topics.

Concerts and other Bank-sponsored events helped enrich the cultural life of center-city Philadelphia in 1978. A series of free lunchtime concerts by students of The Curtis Institute of Music and the Philadelphia College of the Performing Arts drew large and enthusiastic audiences to our auditorium. The recitals provide enjoyment to music lovers and give the budding artists valuable experience in performing before live audiences. The bi-weekly concerts continue in 1979.

Board of Governors Chairman G. William Miller shared views on membership and other System problems with chief executive officers of member banks during his visit here in December. The discussion was followed by a luncheon in the East Court. During the year we provided numerous special programs for District bankers. One of the most popular remains visits by boards of directors of member banks who hold meetings in our board room.

Our East Court was the scene in March and April of an exhibit of 19th and 20th century French, English, and American etchings. The Bank also hosted an exhibit of original crafts created by members of the Delaware Valley Chapter of the Pennsylvania Guild of Craftsmen and showed works by our own employees' Art Club and Camera Club.