

FEDERAL
RESERVE
BANK
OF
PHILADELPHIA

**1988 ANNUAL
REPORT**



A N N I V E R S A R Y

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PRESIDENT'S LETTER

A look out my office window shows that Philadelphia has a special place in the history of central banking. I can see Independence Hall, and only a short distance away are the sites of the First and Second Banks of the United States. They were the nation's first central banks and together they lasted only from 1791 to 1836.

The nation's third central bank, the Federal Reserve System, is now 75 years old and going



strong. This Diamond Anniversary is a time for reflection and it strikes me that the lessons of history were well used in the making of the Federal Reserve.

The First and Second Banks functioned well in many ways, but they became extinct because they had serious flaws — their powers were overly concentrated, their locations too centralized,

they were dominated by special interests, and they became snared in bitter partisan politics.

In contrast, the Federal Reserve System that was born on December 23, 1913, has a regional structure, all sorts of checks and balances, and a workable blend of public and private interests. In addition, it was carefully insulated from short-run politics.

Time has proven that the founders of the Fed knew what they were doing. Although there have been many changes in the Federal Reserve during the past 75 years, the basic design is still valid. The Fed changed its procedures as the world about it changed but never abandoned its basic principles.

In addition to presenting information on the year 1988, this annual report commemorates the 75th anniversary year of the Bank. To do so, we feature photographs from 1914 on and interviews with present and former staff members. I want to thank Charles Herman, who joined the Bank in 1920, and all the others who shared their memories.

The Bank began in the time of inkwells and now is well into the electronic era. Our operations kept up with every step, changing from adding machines to punch cards, then to magnetic ink and now to powerful mainframes.

All the while, the Bank has maintained its birthright values — values that are grounded in public service. We have emphasized outreach,



No. 3

Treasury Department
Office of Comptroller of the Currency
Washington, D.C.

By virtue of the power vested in me by Section 4 of the
Act of Congress approved December 23, 1913 and known as the

Federal Reserve Act,

I, John Shelton Williams, Comptroller of the Currency,

do hereby certify that the
necessary provisions of law having been complied with, the

Federal Reserve Bank of Philadelphia,

located in the City of Philadelphia,
State of Pennsylvania, and in District No. 3,

as defined by the
Reserve Bank Organization Committee,

is authorized to commence business
and to exercise all powers granted to it by law.

In testimony whereof, witness my hand
and seal of office this fourteenth day of
November, 1914.



John Shelton Williams
Comptroller of the Currency

*This charter, dated November 14, 1914,
authorized the Federal Reserve Bank
of Philadelphia to begin operations.*

going into the District to meet our constituents, gather information, and provide services to satisfy their needs. Obviously, staying out of partisan politics is as appropriate today as it was in 1913.

For much of its history, the Bank has been employee oriented and considered a good place to work. For example, we pioneered pensions, job evaluation, and salary administration. Retirees have told us that the Bank's work force had a sense of pride and identity in its first decade, and I believe it still does.

When the Bank first opened for business in 1914, the Federal Reserve had responsibility for promoting the efficiency of the nation's cash and check payment systems, and, as the Federal Reserve Act said, for "establishing more effective supervision of banking." We still have these responsibilities, only more so. Combine them with our long-term emphasis on innovation, and you come down to some of the Bank's most important 1988 accomplishments.

We are one of the lead banks in a pilot project to develop the most reliable electronic payments system for the 1990s, and work accelerated throughout the year. In addition, the Bank was selected to manage the Federal Reserve System's Check Product Office, which coordinates check services for all Reserve Banks. In our own shop, we made major changes in return-item processing to meet the standards of the new check availability regulations which took effect on September 1, 1988.

Through the years, this Bank's Supervision Department was known for its high standards, which are as important now as ever. The financial system is in the midst of momentous change, and new bank charters and expanded international operations have increased our examination caseload. We responded by strengthening our examination staff and adopting the latest automated techniques.

Looking ahead, I'm sure the overall pace of change will continue, if not accelerate, and this Bank must keep pace. The challenge will be to maintain our traditional standards of quality and efficiency, to make sure we remain flexible and innovative, and to sustain staff motivation and morale. No mean feat, but hardly daunting when

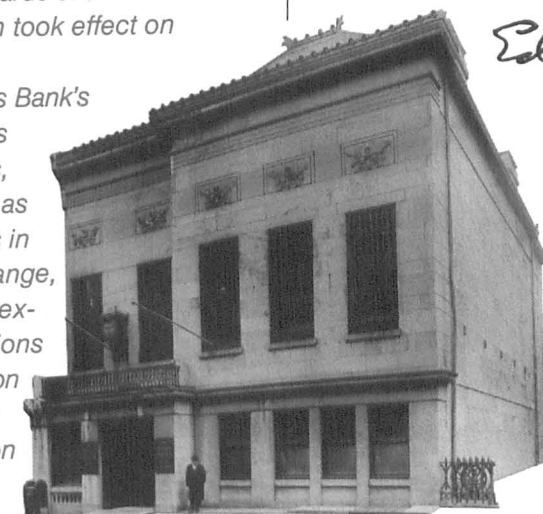
you consider our 75-year record of accomplishment.

The recent performance of banks in our District must not cause complacency because we are in that time of the business cycle when good time excesses often carry over and worsen the next recession. Both management and regulators should be particularly watchful to be sure that lending standards are upheld.

The business expansion entered its seventh year in 1988, which qualified it for a book of records. The Third District economy continued to compare favorably to the nation in broad measures of activity such as unemployment, residential construction and sales.

Inflation threatened throughout 1988, but the Federal Reserve did a good job of helping to contain it. A major part of the reason is that we acted early before rising prices could gain momentum. As a result, only relatively small increases in interest rates were required, and they didn't choke the expansion.

In this anniversary year, the nation's prime economic objective still is to keep prosperity rolling. With fiscal policy constrained by politics and deficits, I believe that the Fed can contribute most effectively to sustained prosperity by keeping inflation in line. This lesson of the past should remain valid in years to come: stay ahead of the inflation curve.



Edward G. Boehne

Edward G. Boehne

*The Philadelphia Fed's
first office at 406-08
Chestnut Street.*

P

Philadelphia got its first look at the new Federal Reserve System when this Bank opened its doors at 406-08 Chestnut Street on November 16, 1914.

It was a difficult time. The nation was in a recession, and Secretary of the Treasury William G. McAdoo had insisted that the Reserve Banks open before they were fully prepared to do all the jobs assigned to them. A typewriter company and several commercial banks loaned clerical workers to augment our own staff in the first few months of operation.

With the U.S.'s entry into World War I in 1917, the Philadelphia Fed went into high gear, managing the Liberty Bond drives that helped finance the war effort. We raised almost \$1.6 billion in four such bond drives. The task called for vast amounts of clerical work, and the Bank grew from 28 employees in 1914 to 430 employees by the end of 1918.

To make room for all those workers, the Bank moved to larger quarters at 925 Chestnut Street, the address it would call home for almost 60 years.

After the war came the job of redeeming the war bonds and handling new issues to refinance the debt, which made for busy days at the Philadelphia Fed.

"As one issue matured, they refinanced it with another. We worked Saturdays, Sundays, it didn't make any difference," remembered Charles

The Standing Liberty quarter.



Herman, who joined the Philadelphia Fed's Fiscal Agency Department in 1920 at a salary of \$100 a month. That may not sound like much today, but consider that the Bank's cafeteria charged 25 cents for a meal, and a dime for dessert, in those days.

Monty Magee came to work at the Philadelphia Fed as a page boy in the late 1920s. Our pages would attend high school one day a week and work the other four and a half days.

The page boys sat in a row "on the bench," moving up each time the first boy in line left to run an errand, Magee said.

Ray Yarroll, another page, remembers that Governor (as the Bank's CEO was then called) George W. Norris was served tea each afternoon by the head of the Building Department. The page boys "would have to take the tray back to the cafeteria, and all eleven of us would try to get in the No. 1 spot on the bench when Governor Norris would have his tray returned because there were always a couple of pieces of toast or crumpets left on the tray," said Yarroll.

Afternoon tea may have been a much-needed break for Governor Norris in the 1930s, when he led the Philadelphia Fed through the

difficult days of bank closings.

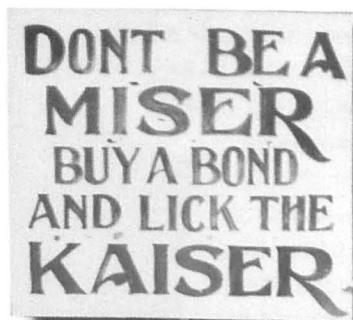


Photo: The Historical Society of Pennsylvania.





Counting cash, 1918 style.



*The Bank's 1923
championship
baseball team.*

*In 1918, the Bank
moved into this
building at
325 Chestnut Street.
It was later razed.*



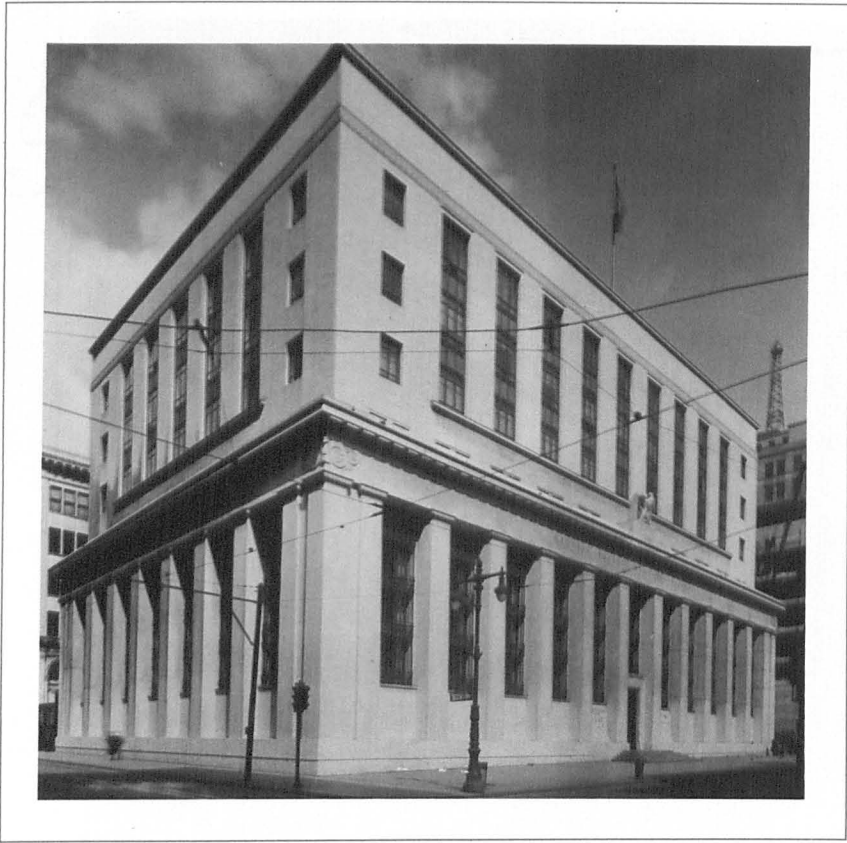


Photo: Bulletin/Temple Archives Center.

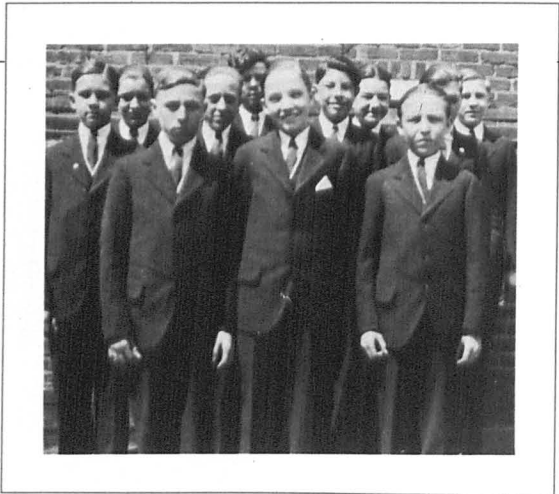


In a Depression-era sign of the times, unemployed people line up to apply for jobs.

The Bank began construction of this building in 1932.

1930

The Bank's page boys in 1930. Ray Varroll is fifth from right.



F

rom his vantage point in the Transit Department (as the Check Department was called then), Al Roberts saw the bank closings mount at the end of 1932 and the beginning of 1933.

"When the banks started closing, we were the first ones to know" because checks drawn against those banks would become unpaid items, he said.

When the Banking Holiday was declared in March 1933, we kept right on working, because all the checks then in the Transit Department had to be processed and sent to the banks on which they were drawn before they reopened. "My wife never knew what time I was coming home for supper," said Roberts.

The Philadelphia Fed also helped to relieve the Depression by making loans of working

capital to businesses under a law passed by Congress in 1934.

Virginia M. Lilley was one of many Philadelphians who lost a bank job during the Depression, but she was luckier than most; the very day she was laid off, a friend told her that the Philadelphia Fed was hiring. "I hotfooted it up to 10th and Chestnut" and filed an application, Lilley said. That night, she received a message to report the next morning for a physical. She had the job.

Lilley, who worked in the Cash Department, recalled how much of the Bank's work was done by hand in those days. "All the money was counted and sorted, one piece at a time," she said.

In the Check Department, it was no different.

"Checks were sorted by hand on tables and listed on sheets of paper," said Warren Moll, who joined the department in 1933. "It was very difficult and settlement was a horrendous problem."

Magee and Yarroll, who graduated from the page boys' bench to the Audit Department, recalled the manual labor that went into periodic audits of the securities in the Bank's vault. The two men would scour the Bank on Friday night for 100 typewriters, which they took to the recreation room for the 100 typists drafted to work overtime. "Friday night, all day Saturday and possibly all day Sunday, the one hundred ladies were typing, preparing lists of securities," said Yarroll.

S

On March 4, 1933,
Pennsylvania banks closed
on the advice of the
Philadelphia Fed's Governor
Norris. These customers learned
the news by reading the
notice on their bank's door.



T

he nation went to war again in 1941, and, just as the Reserve Banks helped finance World War I with Liberty Bonds, so they undertook to sell War Savings Bonds. It was an enormous task and required many, many hands.

The Fiscal Agency Department, as Herman remembered it, had 39 employees when Pearl Harbor was bombed. After the declaration of war, "we expanded within five months to 586 people."

Savings bonds carried coupons that were submitted for payment of interest. "Millions and millions of them came rolling in," said Herman. "There wasn't enough room at 10th and Chestnut," and the Bank had to rent space in other buildings to house the savings bond operation.

Finding enough clerical workers at a time when many Philadelphians, including Fed employees, had gone to war tested Personnel Director Robert Hilkert's creative thinking. He solved the problem when he took his wife's advice and enlisted married women to work part-time, a solution with a modern ring to it.

More than one retiree has pointed to the change in the way employees were treated under the leadership of Bank President Alfred Williams, beginning in 1941.

"Before Williams, the Bank was very hierarchical, with everybody in his place," recalled David Eastburn, who joined the Bank in 1942 as a statistical clerk and rose to be president. "I give Williams a great deal of credit for changing that. When I was president, we tried to continue in that tradition."

Checks were still sorted by hand in the 1940s.

As Hilkert recalled the 1942 personnel situation, there were vague job descriptions, pay scales apparently unrelated to market conditions, and varying rules for promotions and pay increases. When that situation was cleaned up, the next challenge was to improve fringe benefits and establish clubs and classes that fit with employees' leisure-time interests.

Williams led the Bank in forging closer ties throughout the Third District. He personally toured far and wide for War and Victory bond drives and, in 1946, began the annual field meetings that still take representatives from the Philadelphia Fed to various parts of the District to speak with local bankers.

About the same time, the Research Department's Business Review began focusing less on the collection of numbers and more on articles written in a readable style, said Eastburn, who was then in the Research Department.



The Bank's telephone switchboard handled all incoming calls.



Bank President Alfred Williams spoke at bond drives throughout the District.



WWII



Photo: Bulletin/Temple Archives Center.

Even children played a role in bond drives.



*All sorts of materials,
including aluminum,
were collected for
the war effort.*



Photo: Bulletin/Temple Archives Center.

S

hortly after World War II, the Bank began an innovative training program. It had dual

goals: to help returning veterans find careers and to help banks whose management was aging and lacking in younger, groomed successors.

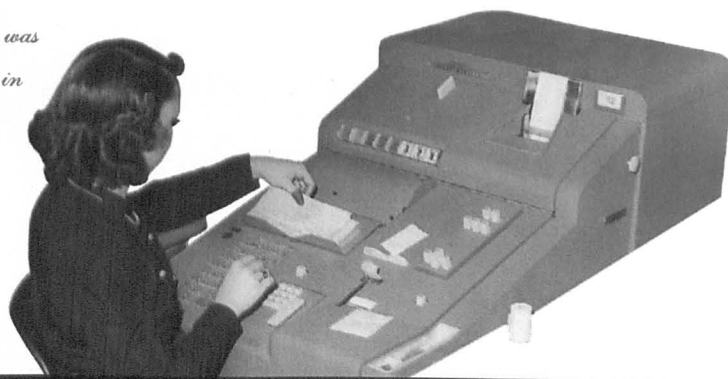
Trainees had to go to the Wharton School of the University of Pennsylvania to study for an M.B.A. while they worked in most departments of the Bank. They would start in Night Transit and end up in Research, said Hilkert. After two years, they usually moved on to management positions in commercial banks. "There was a period when practically every president of every Philadelphia bank came from that training program," he said.

Changes in machinery changed the way people did



Employees in the Machine Tabulating Department encode punch cards.

The proof machine was a major improvement in check clearing operations.



An office scene from the 1940s.

their jobs in the 1940s. Money was still sorted by hand, and only humans could determine whether a bill was too worn to recirculate, but machines were developed that could count the bills fed into them, said Lilley.

In the 1940s, punch cards began to replace manual operations. The location of holes in the cards would introduce information into tabulating machines. Hugh Barrie had a knack for fixing machines and tinkering with radios, and he was selected to go to school at IBM to learn about punch cards.

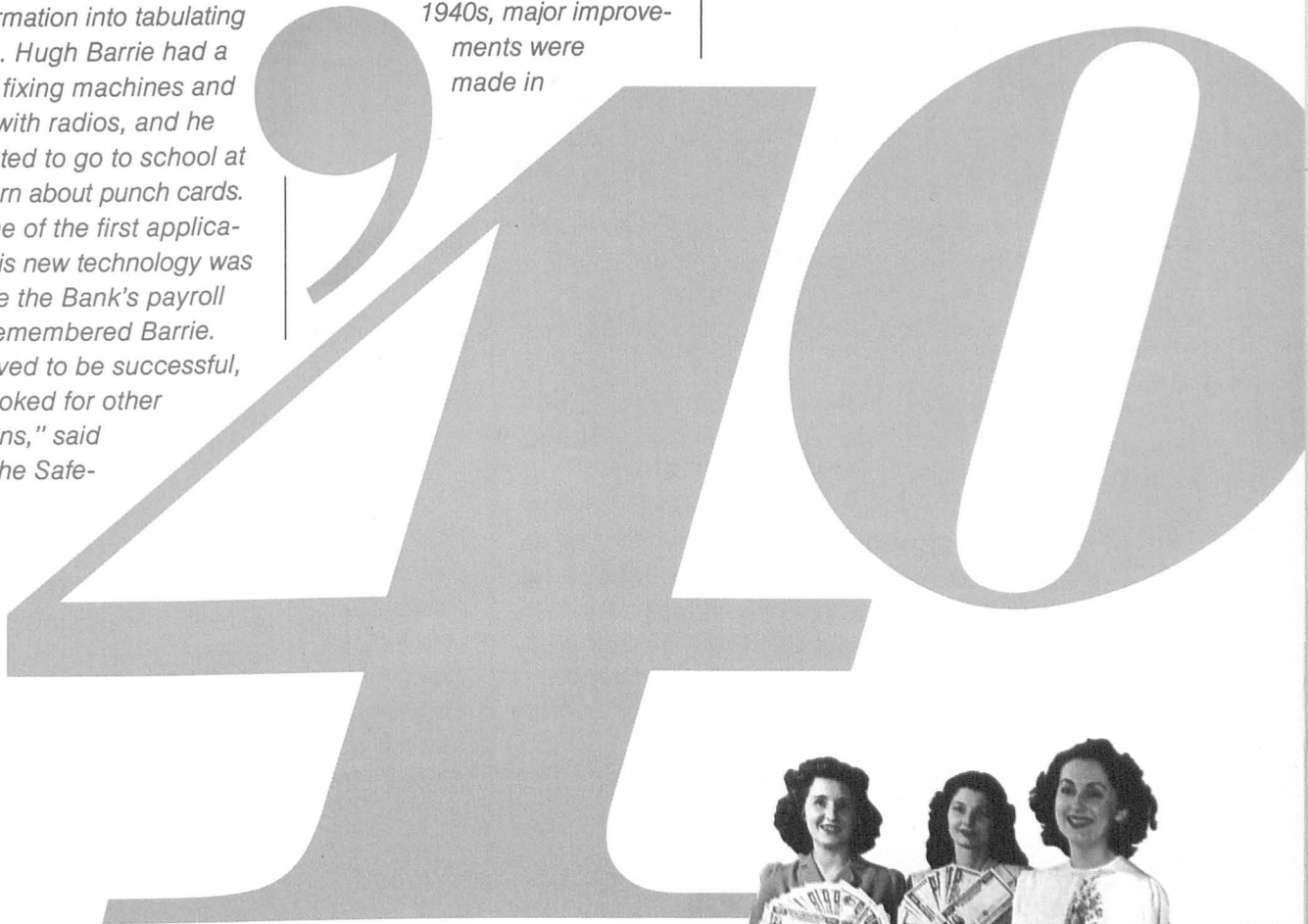
One of the first applications of this new technology was to improve the Bank's payroll system, remembered Barrie.

"That proved to be successful, and we looked for other applications," said Barrie. "The Safe-keeping

Department held securities for member banks, and every time the auditors came in, they would have to type up lists showing each one. We converted the inventory over to punch cards, which provided a current, day-to-day record" and eliminated the need for the 100 typists and typewriters that Magee and

Yarroll recalled. In the late 1940s, major improvements were made in

the Check Department. The introduction of proof machines ended the hand-sorting of checks on tables, said Moll. "The proof machine, which contained revolving pockets, performed four functions. It proofed the checks, it endorsed the checks, it sorted them and it listed the items in each new sort."



Savings bonds were big business at the Philadelphia Fed in the 1940s.



T

he proof machine was only the beginning of a whole series of improvements in the check clearing system that took place during the 1950s and the early 1960s. For example, we were the first Reserve Bank to set up its own transportation network to move checks more quickly and efficiently, said Moll.

"First, we'd get one or two carriers to deliver checks to banks not far from Philadelphia. When that worked well, we'd move out to another group of banks. When volume increased enough to make it practical, we started flying checks to Harrisburg, Williamsport, Scranton and other areas."

As the Eisenhower era drew to a close, the Philadelphia Fed began testing high-speed machinery for check sorting and, in 1962, we put it into operation, Moll said. The equipment read magnetic ink characters at the bottom of each check and moved it at high speed into the appropriate pocket.

The first true computer arrived in the Philadelphia Fed in 1961, and its effect was felt in almost every department of the Bank. Hugh Barrie and his team, with their punch cards and increasingly versatile tabulating machines, had already found ways to use their new tools in many of the Bank's operations. With the advent of true computers, those jobs could be done much faster and with much greater control on machines that were smaller. The ways the Bank could put computers to use grew.

"I had great cooperation from senior

management and we became a leader in certain fields of automated accounting," said Barrie.

Computers also had a large impact on the way the Bank conducted bank examinations.

"When I first did exams, they were entirely different from today," said Lou Pinola, who joined the Bank in 1960. "First, we would go into a bank and seal up the cash and collateral. Then we would count the teller cash and the vault cash and make sure that balanced. Next we would check the collateral, making sure that what was on the books was actually there," he said.

In an examination of a large bank, the Supervision and Regulation Department frequently would not have enough people to handle all the counting and inventorying, and other Philadelphia Fed employees would be drafted to help.

By the time Pinola retired in 1984, he said, "a lot of the information an examiner needs is now prepared in the Reserve Bank before an examination even starts." With computers able to compile information from various sources, examiners can get printouts showing exactly what's involved before they leave the office.

The Bank's operating departments weren't the only ones to change in the 1960s. The whole field of economics, and consequently the Philadelphia Fed's Research Department, was changing too, says Eastburn, who headed the Research Department during that decade. Economic analysis was becoming more sophisticated and far more mathematical. The Business Review "became more professional, more analy-



This 1950s dance class was just one of many employee activities.



High-speed check sorters enabled the Bank to clear an ever-growing volume of checks.



Photo: Bulletin/Temple Archives Center.

Machines counted currency, but only humans could determine whether a bill was too worn to recirculate.

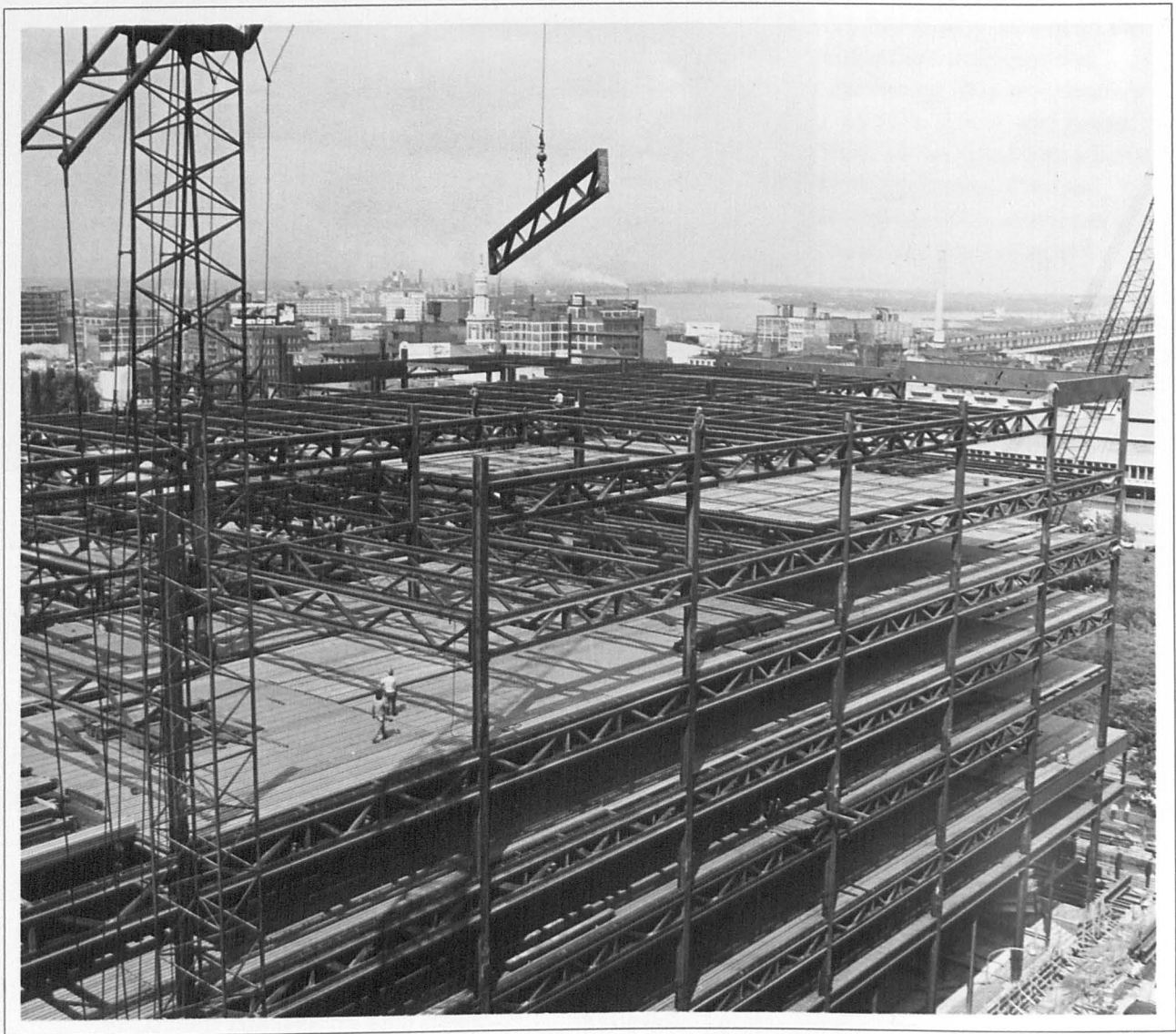
tical," but presenting material in a readable style was still important, said Eastburn.

Eastburn said there's no question that the move to hiring more highly trained economists served him well when he became president of the Bank in 1970. They would help him prepare for meetings of the Federal Open Market Committee, which establishes monetary policy.



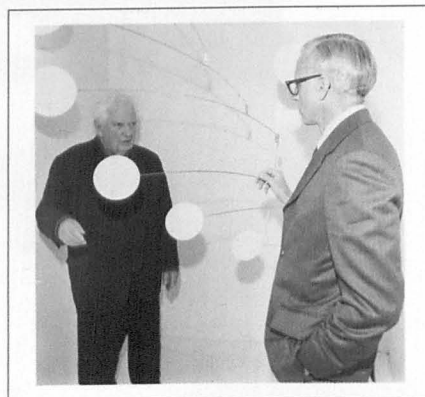
The space program caught the public's fancy in the 1960s, as did new cars like the Ford Mustang.



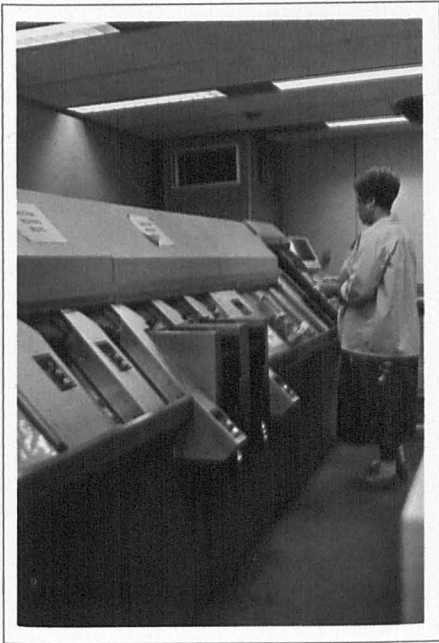


Construction of the new building on Independence Mall was a major project in the mid-1970s. Here, the steel goes up.

Artist Alexander Calder shows David Eastburn a model of "White Cascade," the 10-ton mobile that hangs in the Bank.



Engraved certificates such as this were no longer issued after conversion to a book-entry system in the mid-1980s.



High-speed machines detect unfit bills and possible counterfeits as well as count currency.



In 1974, the Automated Clearing House (ACH) Department began operations. With a speed and accuracy unthinkable before computers, it became possible to transfer millions of dollars between financial institutions in the wink of an electronic eye.

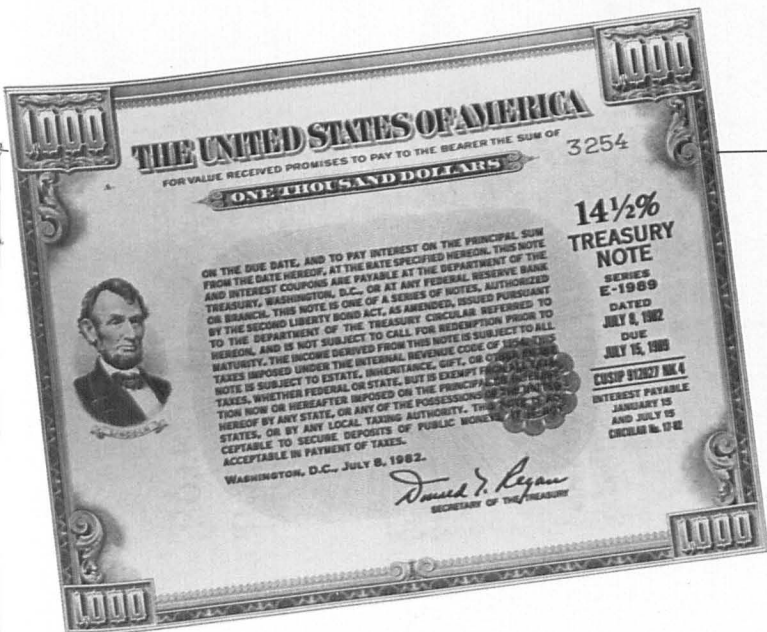
According to Eastburn, declining membership was one of the biggest problems confronting the Philadelphia Fed, and the entire System, during the 1970s.

Membership in the Federal Reserve System was dropping because many banks viewed the costs of membership (required reserves) as outweighing the benefits (free services), he said.

The problem wasn't resolved until 1980, when the Monetary Control Act launched the Philadelphia Fed and the entire System into a new era. The act required that all depository institutions be treated the same with respect to reserves held at the Fed, whether they were members or not, which removed the incentive to withdraw. At the same time, the Fed's services were made available to all financial institutions, but only at a fee.

The Bank had to learn to compete for business such as check clearing and wire transfers, which large commercial banks also offer, and high-quality work was crucial. The Bank learned to cover its expenses with its revenues, just as private businesses do.

The Bank tackled this job under the leadership of Edward G. Boehne, who succeeded Eastburn as president in 1981. "It was a real change and a tough job the first few years," said Boehne. "We had to learn to think more like a private company in some respects."



Our tellers process applications to purchase Treasury securities.



Ann Dwyer, a Philadelphia Fed account representative who calls on financial institutions to explain and sell our services, remembered the initial confusion some financial institutions had about the Fed's new role. "All the savings and loan people would assume, when they heard the word 'federal,' that we were from the Federal Home Loan Bank," she said.

Dwyer also remembered the credit union executive who was learning, in light of the new law, about the Fed's reserve requirements. Upon hearing that vault cash counts toward reserve requirements, she facetiously asked if the credit union had to now buy a vault.

Under Boehne, the Bank expanded its outreach programs to financial institutions and the public at large. Just as a Consumer Affairs Department was set up in 1976 to provide consumers with information and resolve their complaints, the Bank established a Com-

munity Affairs Department in 1984 to provide information to help financial institutions better serve their own communities.

"We're a catalyst," said Fred Manning, who has headed the department since its organization. By bringing differing groups together to discuss community development, "we put education in front of the people who can be the agents of change," he said.

The Bank expanded its outreach to the public in 1984 with a tour program in which Bank retirees work part-time as guides. Ed Smith joined the tour program when it started, and still enjoys the wide variety of people he meets. "A couple of years ago, I took a group of ten foreign bank representatives on a tour. That group included seven different nationalities," he said. "We also get high school groups in, and sometimes about half of the kids are interested and about half aren't. It is a challenge to work with the ones who are interested and try to stir up the ones who aren't."

A major operational improvement arrived in the Bank's Cash Department when the first high-speed currency verification units began operating in 1981. Not only could these machines count currency at incredible speeds, but for the first time a machine was able to sense unfit bills, withdraw them for destruction and detect possible counterfeit money.

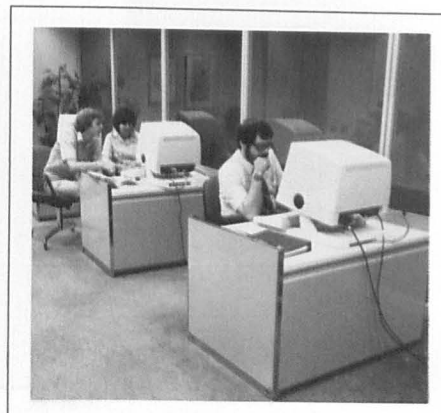
In the mid-1980s, the Philadelphia Fed took on an important leadership role with the design and operation of the Treasury Direct Book-Entry System, which simplified the way the public buys and holds U.S. Treasury securities.

Treasury Direct was a time-consuming, team project, remembered Ed Coia, the officer in charge. "The typical workday was 12 hours, and in the beginning, we still managed to get weekends off. In the final seven months, we went to a seven-day workweek," Coia said.

EIGHTIES



Automated teller machines have changed the way many people bank.



Many Philadelphia Fed employees now use computer terminals at their desks.



T

he Expedited Funds Availability Act of 1987 put limits on the length of time financial institutions can hold funds from check deposits and gave the

Federal Reserve the job of implementing the law. To make this law work both for consumers and financial institutions, the Philadelphia Fed and the other Reserve Banks worked to streamline the processing of checks.

The law resulted in a lengthy Federal Reserve regulation, and a massive job for our print shop, which produced thousands of copies of 350-page books for two rounds of seminars we conducted for financial institutions. "That job was strung across the shop end-to-end," remembered Bob Burns. "We had plates out our ears, paper out our ears, and we lined our pockets with overtime."

The Philadelphia Fed prepared, at the end of 1988, to again assume a leadership role in the Federal Reserve System when it was designated the lead Reserve Bank in the Electronic Payments Processor Pilot Project, the goal of which is to develop a new electronic payment system for the 1990s.

The tools will continue to change and the jobs will change, but the basic missions will be the same missions that those first Bank employees assumed in 1914: Keeping the nation's banking system safe and sound, making sure the payments mechanism works well at all levels of the economy, and steering a policy course that will maintain the country's economic strength.



John McGrail, copyright 1988.



THE BANK HAD MANY ACCOMPLISHMENTS IN 1988:

- The quality and efficiency of many major operating systems were improved significantly through the Performance Improvement Program, now in its third year.*
- Overall, the Bank improved its financial performance compared with 1987 while meeting a very challenging operating plan.*
- We completed conversion to Fedline II, which now offers a much broader gateway for the delivery of electronic services to financial institutions.*
- The Automated Clearing House (ACH) service was upgraded with a new automated return-items system.*
- The Bank improved the Treasury Direct program with processing enhancements.*
- Check Operations installed a new service to expedite return items, as necessitated by the Expedited Funds Availability (EFA) legislation.*
- The Fiscal Department put in a new definitive book-entry system designed to process FHA debentures. Also installed was the new E-Z Clear System for processing redeemed U.S. Savings Bonds.*
- The Bank offered an early retirement program that was accepted by 97 employees.*
- Computer Services improved the security of electronic funds and securities transfers by encrypting transmittal messages.*
- We installed a new uninterrupted power supply system for the Bank's computers.*
- Supervision and Regulation substantially increased its examination resources.*
- Research expanded its international efforts with articles on the Eurocurrency market, LDC debt, and the trade deficit among other topics.*
- The Bank extended its public outreach with new Community Affairs Councils in Wilmington and Harrisburg.*
- We took on a new System leadership role when work began on the Electronic Payment Processing (EPP) pilot system.*
- The Bank was selected to manage the System's Check Product function.*

BOARD OF DIRECTORS

Nevius M. Curtis, chairman and chief executive officer of Delmarva Power & Light Co., completed his term as chairman of the board in 1988. Peter A. Benoliel, chairman of Quaker Chemical Corp., became deputy chairman, succeeding George E. Bartol, III, chairman of Hunt Manufacturing Co.

Two new directors joined the board in 1988. Constantinos I. Costalas, chairman, president and chief executive officer of Glendale National Bank of New Jersey, took office as a Class A director. He succeeded Ronald H. Smith, president and chief executive officer of CCNB Bank, N.A. Jane G. Pepper, president of the Pennsylvania Horticultural Society, was appointed to a term as a Class C director.

In addition, Charles F. Seymour, chairman of Jackson-Cross Co., was reelected a Class B director in 1988.



*Nevius M. Curtis (left),
chairman of the board in 1988,
and Peter A. Benoliel,
deputy chairman.*

*Chairman
Nevius M. Curtis
Chairman and Chief Executive Officer
Delmarva Power & Light Co.
Wilmington, DE*

*Deputy Chairman
Peter A. Benoliel
Chairman
Quaker Chemical Corp.
Conshohocken, PA*

*George A. Butler
Chairman and Chief Executive Officer
First Pennsylvania Bank, N.A.
Philadelphia, PA*

*Constantinos I. Costalas
Chairman, President and Chief
Executive Officer
Glendale National Bank of New Jersey
Voorhees, NJ*

*Clarence D. McCormick
President
Farmers and Merchants National Bank
Bridgeton, NJ*

*Jane G. Pepper
The Pennsylvania Horticultural Society
Philadelphia, PA*

*Nicholas Riso
Executive Vice President
Ahold U.S.A.
Harrisburg, PA*

*Charles F. Seymour
Chairman
Jackson-Cross Co.
Philadelphia, PA*

*Carl E. Singley, Esq.
Philadelphia, PA*



FFICERS

In 1988, Malcolm T. Humphrey was promoted to Senior Vice President in charge of the Computer Services Department, Joanna H. Frodin moved up to Vice President and Check Product Manager, and John B. Shaffer became Vice President of General Administrative Services.

Sherrill L. Shaffer joined the Bank as a Research Officer and Economist, and Herbert E. Taylor was promoted to Research Officer and Economist.

In other official changes, Gerard A. Callanan was named Planning Officer; Patrick L. Donahue was promoted to Assistant Vice President in the Business Development Department; Edward J. Fox was appointed Financial Services Officer; Stephen M. Hoffman was named Assistant Vice President in the Supervision and Regulation Department; Alan L. Kiel was promoted to Assistant Vice President with responsibility for coordinating disaster planning activities; Mary M. Labaree was appointed Assistant General Auditor; Thomas P. Lambinus became Assistant Vice President in Accounting.

Also, Edward C. Morrison was promoted to System Development Officer; Benjamin L. Nadola joined the Bank as Assistant Vice President in Check Operations; Camille M. Ochman was named Budget Officer; Richard A. Sheaffer was promoted to Assistant Vice President in the Fiscal Department; Milissa M. Tadeo was appointed Fiscal Officer; Marie Tkaczyk was promoted to Assistant Vice President in Computer Services; and Sharon N. Tomlinson was named Staffing and Development Officer.

Edward G. Boehne
President

William H. Stone, Jr.
First Vice President

Konstanty G. Adack
Executive Vice President

Thomas K. Desch
Senior Vice President and
Lending Officer

Donald F. Doros
Senior Vice President

James F. Gaylord
Senior Vice President

Hiliary H. Holloway
Senior Vice President and
General Counsel

Malcolm T. Humphrey
Senior Vice President

Richard W. Lang
Senior Vice President and
Director of Research

J. Warren Bowman, Jr.
Vice President

Steven P. Cohen
Vice President

Edward J. Coia
Vice President

Peter M. DiPlacido
Vice President

Robert A. Dobie
Vice President

James B. Duffy
Vice President

Ronald G. Foley
Vice President

Joanna H. Frodin
Vice President

Stephen A. Meyer
Vice President and Associate
Director of Research

Donald J. McAneny
Vice President and
General Auditor

Lawrence C. Murdoch, Jr.
Vice President and Secretary

Louis N. Sanfelice
Vice President

John B. Shaffer
Vice President

Vish P. Viswanathan
Vice President

Robert J. Bucco
Assistant Vice President and
Assistant Secretary

James F. Burns
Assistant Vice President

Gerard A. Callanan
Planning Officer

Theodore M. Crone
Research Officer and Economist

Patrick L. Donahue
Assistant Vice President

Robert N. Downes, Jr.
Applications Officer

William Evans, Jr.
Assistant Vice President

Edward J. Fox
Financial Services Officer

Eugene E. Hendrzak
Assistant Vice President

Stephen M. Hoffman
Assistant Vice President

Jerry Katz
Assistant Vice President

Alan L. Kiel
Assistant Vice President

Robert H. Klein
Assistant Vice President

Mary M. Labaree
Assistant Vice President

Thomas P. Lambinus
Assistant Vice President

Edward M. Mahon
Associate General Counsel

Frederick M. Manning
Assistant Vice President and
Community Affairs Officer

Edward C. Morrison
Systems Development Officer

Camille M. Ochman
Budget Officer

Benjamin L. Nadola
Assistant Vice President

Patrick M. Regan
Data Communications Officer

Edward G. Rutizer
Assistant Vice President

Sherrill L. Shaffer
Research Officer and Economist

Richard A. Sheaffer
Assistant Vice President and
Assistant Secretary

Ronald R. Sheldon
Data Services Officer

Milissa M. Tadeo
Fiscal Officer

JoAnne Tarnoff
Automation Planning Officer

Herbert E. Taylor
Research Officer and Economist

Marie Tkaczyk
Assistant Vice President

Sharon N. Tomlinson
Staffing and Development Officer

Elizabeth S. Webb
Assistant Counsel

Bernard M. Wennemer
Examination Officer

COMMUNITY BANK ADVISORY COUNCIL

Chairman

F. Parker Renelt
Citizens State Bank

Deputy Chairman
Frank Kaminski, Jr.
Pennsylvania Independent Bank

Gary E. Burl
Delaware National Bank

Dennis W. DiLazzero
Minotola National Bank

William K. Francis
Citizens & Northern Bank

Wayne H. Hainley
Glendale National Bank of New Jersey

John R. Howell
First Valley Bank

Jon C. Nichols
Felton Bank

Harold A. Queen
Mauch Chunk Trust Co.

David L. Tressler
Northeastern Bank of Pennsylvania

George R. Welch
Continental Bank of New Jersey

Robert G. Zullinger
Farmers & Merchants Trust Co.

ADVISORY COUNCIL

The Bank's four advisory councils meet regularly with President Boehne and other officers to exchange information and discuss problems. In 1988, the Nonmember Bank Advisory Council was renamed the Community Bank Advisory Council and opened to member and nonmember banks alike. The 1988 members of advisory councils are listed below.

CREDIT UNION ADVISORY COUNCIL

Chairman
Robert Smith
Tri-County Area Federal Credit Union

Deputy Chairman
Donald A. Stiles
Deepwater Industries Federal
Credit Union

Betty L. Baker
Delaware State Employees
Federal Credit Union

Edward J. Boyle
NJDOT Credit Union

Gladys Duling
Louviers Federal Credit Union

Alice R. Gift
Rohm and Haas Del-Val Credit
Union

Helen Hirsch
Fischer & Porter Employee
Credit Union

John Ladd
609 Area Federal Credit Union

Michael R. Prettyman
Defense Activities Federal Credit
Union

Teresa C. Trudeau
Southwest Germantown Federal
Credit Union

Frank Wielga
Pennsylvania State Employees
Credit Union

Virginia Williams
F.A.A. Technical Center Federal
Credit Union

SMALL BUSINESS/ AGRICULTURE COUNCIL

Chairman
Donald C. Hershey
Hershey Farms

Deputy Chairman
Linda J. McAleer
Melior Group

Walter Ellis
New Jersey Farm Bureau

William J. Gordy
Gordy Farms and
Gordy Poultry Farms

Cynthia Hudson
Waterfront Corporation

Walter P. Lomax
Lomax Health Systems

Noah Kreider, Jr.
Kreider Farms

Howard Papen
Papen Farms Inc.

Charles A. Wiggs
Town & Country Sheet Metal
Corp.

Robert A. Winner
Pleasant Acres Dairy Farm

John H. Wright, Jr.
Wright Motor Sales Co.

Abram S. Zeiset
Zeisets Farms

THRIFT INSTITUTIONS ADVISORY COUNCIL

Chairman
David W. Lindstrom
Franklin Savings & Loan
Association

Deputy Chairman
Robert W. Pullo
York Federal Savings & Loan
Association

Pearl H. Brown
Gloucester County Federal
Savings Bank

Frank M. Calletta
Empire Savings Bank, SLA

Ronald P. Crouch
Ninth Ward Savings & Loan
Association

Armondo Felicetti
Fidelity Federal Savings & Loan
Association

I. Maximilian Martin
Berean Savings Association

Virgil P. Moir, III
Progress Federal Savings Bank

William C. Gamble
Dime Savings Bank of Chester
County

John M. O'Brien
Central Pennsylvania Savings
Association

Robert H. Trewhella
First Federal Savings & Loan
Association

Gregory L. Walker
Huntingdon Savings & Loan
Association

STATEMENT OF CONDITION

ASSETS	<u>DECEMBER 31, 1988</u>	<u>DECEMBER 31, 1987</u>
Gold certificate account	\$ 389,000,000	\$ 385,000,000
Special drawing rights certificates	162,000,000	162,000,000
Other cash-coin	29,001,574	23,639,616
 <i>Loans and securities:</i>		
Discounts and advances	168,030,000	131,525,000
Federal Agency obligations	197,503,576	228,558,271
United States government securities	<u>6,624,445,534</u>	<u>6,624,142,252</u>
Total loans and securities	\$6,989,979,110	\$6,984,225,523
 <i>Other assets:</i>		
Cash items in process of collection	420,822,813	477,347,586
Bank premises—net	45,902,623	46,222,477
Operating equipment—net	12,004,535	12,787,107
All other	596,824,027	542,821,293
Interdistrict settlement account	469,653,714	(598,874,816)
Total assets	<u>\$9,115,188,396</u>	<u>\$8,035,168,786</u>
 LIABILITIES AND CAPITAL ACCOUNTS		
<i>Note liabilities:</i>		
Federal Reserve notes	\$6,654,710,948	\$5,705,826,311
 <i>Deposits:</i>		
Reserve accounts of depository institutions	1,776,712,363	1,647,973,725
U.S. Treasury—general account	0	0
Foreign	7,200,000	7,050,000
All other	<u>5,613,595</u>	<u>28,217,510</u>
Total deposits	\$1,789,525,958	\$1,683,241,235
 <i>Other liabilities:</i>		
Deferred availability cash items	374,895,992	368,685,906
All other	<u>90,497,599</u>	<u>82,923,734</u>
Total liabilities	\$8,909,630,497	\$7,840,677,186
 <i>Capital accounts:</i>		
Capital paid in	102,778,950	97,245,800
Surplus	<u>102,778,950</u>	<u>97,245,800</u>
Total liabilities and capital accounts	<u>\$9,115,188,397</u>	<u>\$8,035,168,786</u>

EARNINGS AND EXPENSES

	<u>1988</u>	<u>1987</u>
<i>Current earnings:</i>		
From U.S. government securities	\$522,231,597	\$497,305,569
From discounts, advances and miscellaneous sources	17,362,397	19,546,033
From services to depository institutions	<u>32,017,493</u>	<u>30,841,255</u>
Total current earnings	<u>\$571,611,487</u>	<u>\$547,692,857</u>
<i>Net expenses:</i>		
Operating expenses (after deducting reimbursable expenses)	\$ 53,212,802	\$ 50,643,891
Cost of earnings credits	<u>8,872,596</u>	<u>8,970,751</u>
Total net expenses	<u>\$ 62,085,398</u>	<u>\$ 59,614,642</u>
Current net earnings	<u>\$509,526,089</u>	<u>\$488,078,215</u>
<i>Additions to current net earnings:</i>		
Gain on sales of government securities	\$ 693,204	\$ 1,268,641
Gain on foreign currency transactions	0	84,801,017
Miscellaneous nonoperating income	<u>9,075</u>	<u>4,393</u>
Total additions	<u>\$ 702,279</u>	<u>\$ 86,074,051</u>
<i>Deductions from current net earnings:</i>		
Assessment by the Board of Governors:		
Board expenditures	\$ 4,014,300	\$ 3,789,200
Federal Reserve currency	4,421,601	4,817,304
Loss on foreign currency transactions	24,522,019	0
Miscellaneous nonoperating expenses	<u>2,706,399*</u>	<u>7,399,965*</u>
Total deductions	<u>\$ 35,664,319</u>	<u>\$ 16,006,469</u>
Net additions	<u>\$ (34,962,040)</u>	<u>\$ 70,067,582</u>
Net earnings before payment to U.S. Treasury	<u>\$474,564,049</u>	<u>\$588,145,797</u>
Dividends paid	\$ 6,039,635	\$ 5,537,791
Paid to U.S. Treasury (interest on Federal Reserve notes)	462,991,264	541,827,706
Transferred to surplus, additions	<u>5,533,150</u>	<u>10,780,300</u>
	<u>\$474,564,049</u>	<u>\$558,145,797</u>

*Includes nonreimbursed Treasury services

OPERATING STATISTICS

	<u>1988</u>	<u>1987</u>
<i>Millions of Dollars</i>		
Loans to depository institutions	\$ 7,804	\$ 8,276
Currency received and counted	13,422	13,755
Coin received and counted	166	169
Checks handled:		
U.S. government checks	27,540	31,440
All other	859,672	821,334
Issues, redemptions and exchanges of		
U.S. government securities	2,495,551	2,240,210
Transfers of funds	8,958,131	6,927,621
Food stamps redeemed	369	405
 <i>Thousands of Items Processed</i>		
Loans to depository institutions	1,566*	1,694*
Currency received and counted	1,098,100	1,099,500
Coin received and counted	1,042,100	1,006,600
Checks handled:		
U.S. government	27,500	31,700
All other	951,960	916,400
Issues, redemptions and exchanges of		
U.S. government securities	15,100	13,850
Transfers of funds	4,000	3,600
Food stamps redeemed	81,300	87,100

*Unrounded data

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