

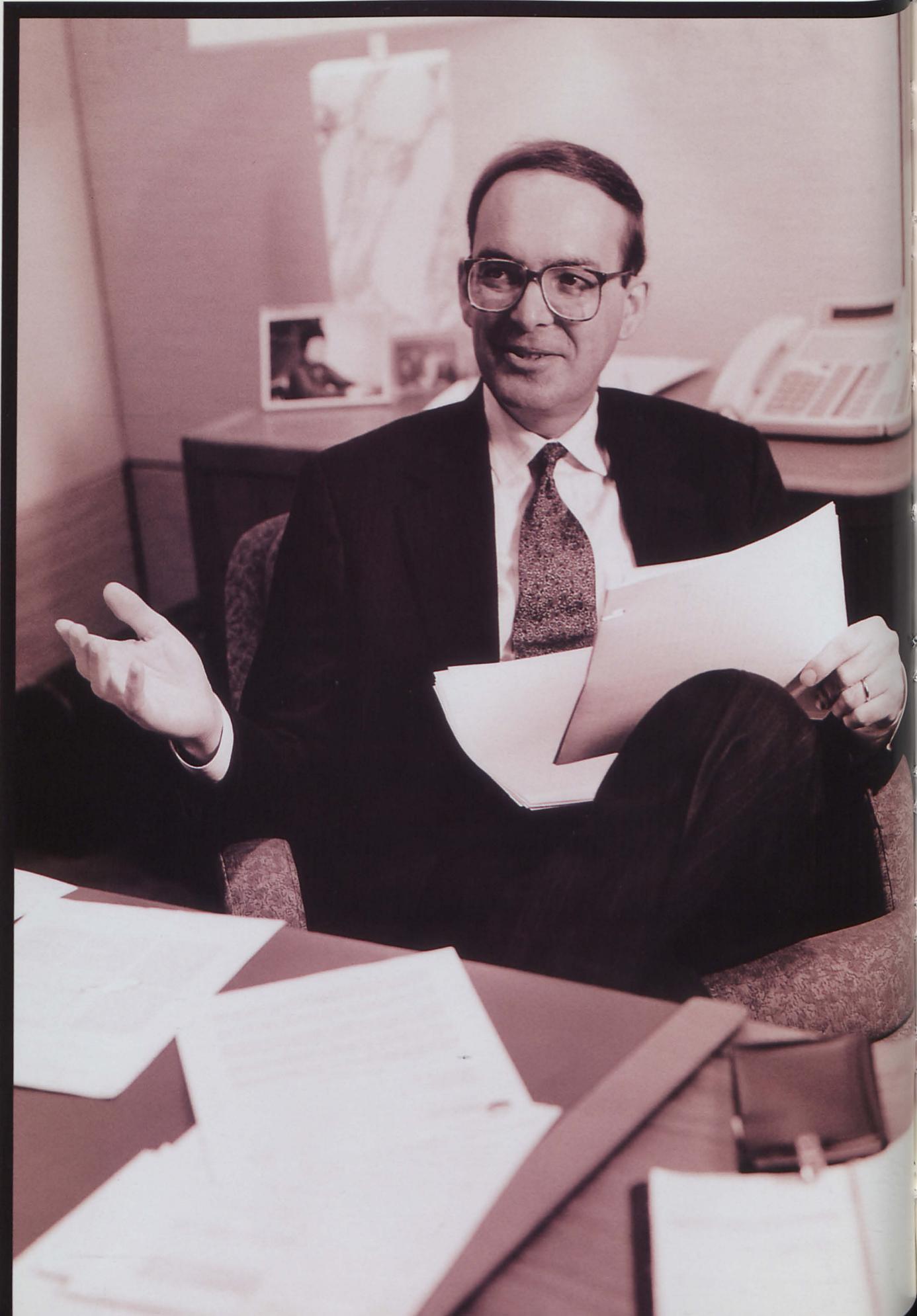
FEDERAL  
RESERVE  
BANK *of*  
*Philadelphia*

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*Moving  
Mountains  
in Treasury Direct*



The Federal Reserve Bank of Philadelphia is one of 12 regional reserve banks, which together with the Board of Governors in Washington, DC, make up the nation's central bank. ■ As the central bank, the Fed is responsible for making and carrying out U.S. monetary policy; regulating certain depository institutions; providing wholesale-priced services to banks; and acting as fiscal agent for the U.S. Treasury. ■ The Philadelphia Fed serves the Third Federal Reserve District, comprising two-thirds of Pennsylvania, the southern half of New Jersey, and all of Delaware. It brings a regional perspective to the formulation of monetary policy and also provides a full array of services to financial institutions within its District.



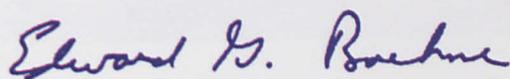
1994 was a year in which the economy showed remarkable strength. With the current expansion slow to unfold in earlier years, the pickup in economic activity and the adding of 3.5 million jobs were welcome developments.

Early in the year, with the economy gaining increasing momentum, the Fed turned its attention to sustaining growth for the longer term. Rather than allowing the economy to grow more rapidly than could be sustained—and winding up with inflation—the Fed moved in a number of steps to raise short-term interest rates. Economic growth remained strong through the year. The actions taken by the Fed during 1994, however, should help put the U.S. on a more sustainable growth path in 1995 and beyond.

Although monetary policy often gets all the headlines, our day-to-day operations are every bit as critical to keeping the financial system running in a way that serves the broad public interest.

One operating area that was put to the test in 1994 was Treasury Direct, the joint project of the Federal Reserve and the Department of the Treasury. A huge computer system developed right here at the Federal Reserve Bank of Philadelphia, Treasury Direct has made it possible to provide improved service to investors who buy Treasury securities directly. Investor demand for that service was never stronger than in 1994.

Treasury Direct's success in meeting the past year's challenges is a major source of pride. Certainly it's a clear indication to me that our emphasis on quality, productivity, and strong service is paying off.



Edward G. Boehne

*President*

Treasury Direct, the subject of this year's annual report, is a system we at the Philadelphia Fed are particularly proud of because it was developed here. Back in the early 1980s, when the Treasury Department was looking at ways to make the sale and servicing of government securities more efficient, it was our staff that was selected to work with the Treasury to make that happen. Since that time, we have continued to improve Treasury Direct while building on its strengths.

In 1995, the Philadelphia Fed will be at the forefront of change once again as we become the site of a Cash/Fiscal product office for the entire Federal Reserve System. Our success in implementing Treasury Direct, a fiscal area, makes us ideally suited for coordinating Systemwide policies in the cash and fiscal areas. The Reserve Banks will continue their important role in these business areas, but Philadelphia will provide the lead on policy and planning issues. The benefits are obvious: greater efficiencies, faster decisionmaking, more opportunity for long-term strategic planning.

Common ground for Reserve Banks is particularly important now that interstate banking is imminent. In time, there will be greater uniformity across the entire Federal Reserve System—and in the cash and fiscal areas.

As technology and innovation bring new and better ways of doing things, the Federal Reserve will be changing apace. Our goal is to continue making enhancements to Treasury Direct, while applying our expertise in the cash and fiscal areas to an exciting new challenge.



William H. Stone, Jr.

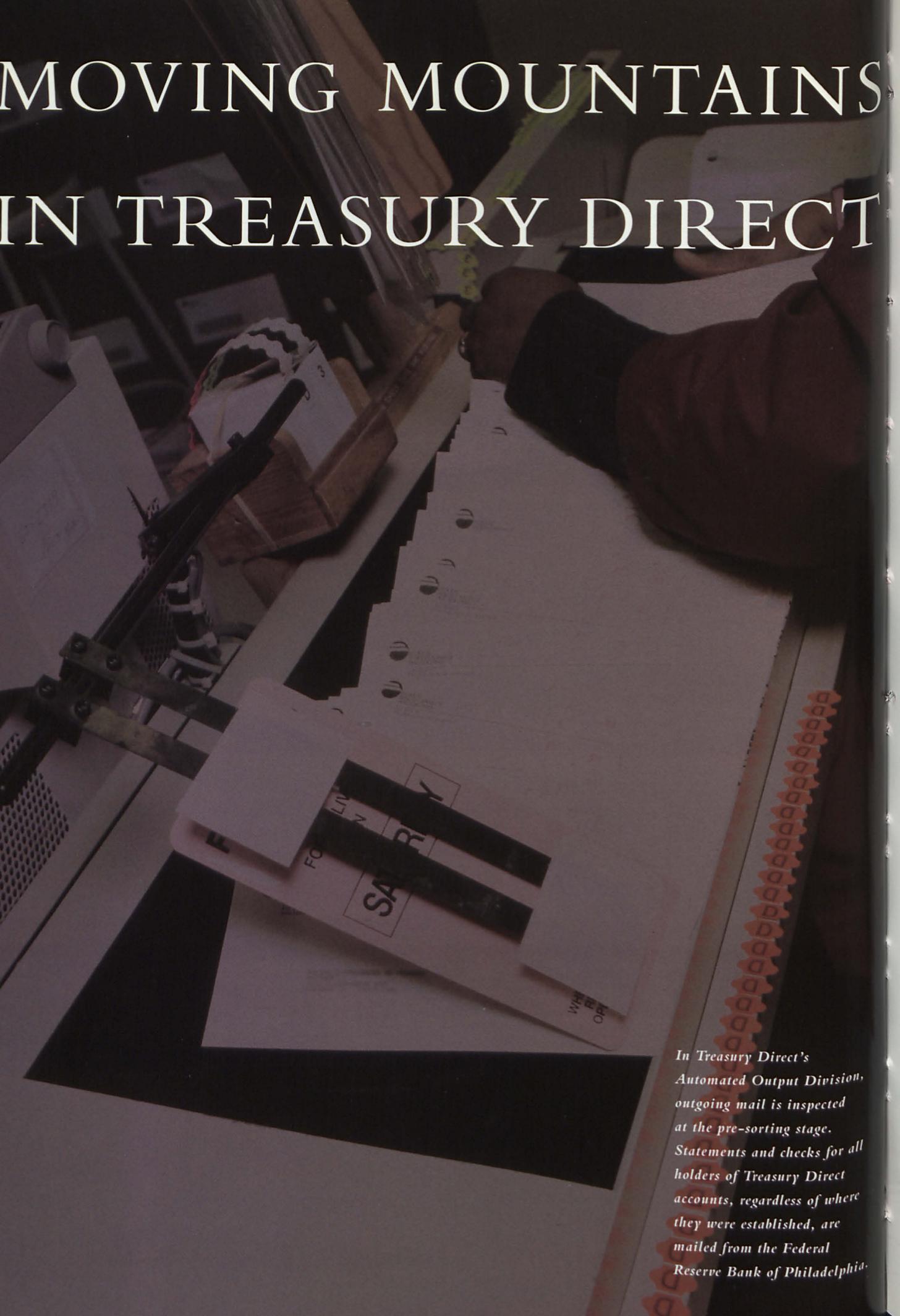
*First Vice President*

MOVING MOUNTAIN

IN THE ASHBY DIRECT



# MOVING MOUNTAINS IN TREASURY DIRECT



*In Treasury Direct's Automated Output Division, outgoing mail is inspected at the pre-sorting stage. Statements and checks for all holders of Treasury Direct accounts, regardless of where they were established, are mailed from the Federal Reserve Bank of Philadelphia.*

# *How an eight-year-old system based at the Philadelphia Fed faced its greatest test to date*



*Cynthia Allen completes a transaction at her window in the teller area, off the Bank's Eastburn Court.*

Every week the U.S. government borrows about \$38 billion to keep itself running, but the plainly dressed couple in their mid-sixties aren't thinking about that as they head toward the Plexiglas window, beckoned by a flashing white light positioned below it and an outstretched arm waving behind it.

"How are you today?" asks Cynthia Allen, as the two approach her window. It's a Thursday morning in November at the Federal Reserve Bank of Philadelphia, and Cynthia, who has seen thousands of such folks and remembers an astounding number of them, is about to explain the facts of life to yet another

participant in the largest segment of the money market.

The couple, who relax visibly at the warmth of Cynthia's welcome, hand her a light-blue form, neatly made out in ink, and a cashier's check for \$10,000. They are buying a 52-week Treasury bill.

"You did a good job on this," says Cynthia, expertly scanning the form. Without waiting for the man and woman to ask, she tells them that, on or around the following Thursday, they will receive a check. Its total will be the difference between the discounted buying price, to be determined that afternoon by auction, and the amount paid at maturity, which, in this particular case, is \$10,000.

The couple nod their understanding, and smile. "Take good care of our money," the woman says.

"I will," Cynthia answers. "Like it's my own."

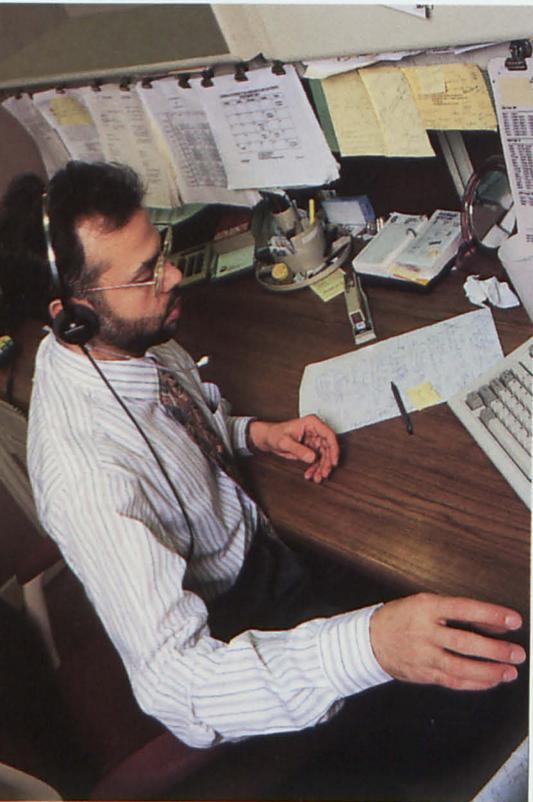
1994 will be remembered as the year small investors—and even a lot of large ones—came back

in droves to what is considered the most secure investment around: Treasury securities. Attracted by better-looking interest rates than those available on bank CDs, the investors who prefer to play it safe made the switch to the financial instruments that help fund the U.S. government—Treasury bills, notes, and bonds. For some of them, it was the first time.

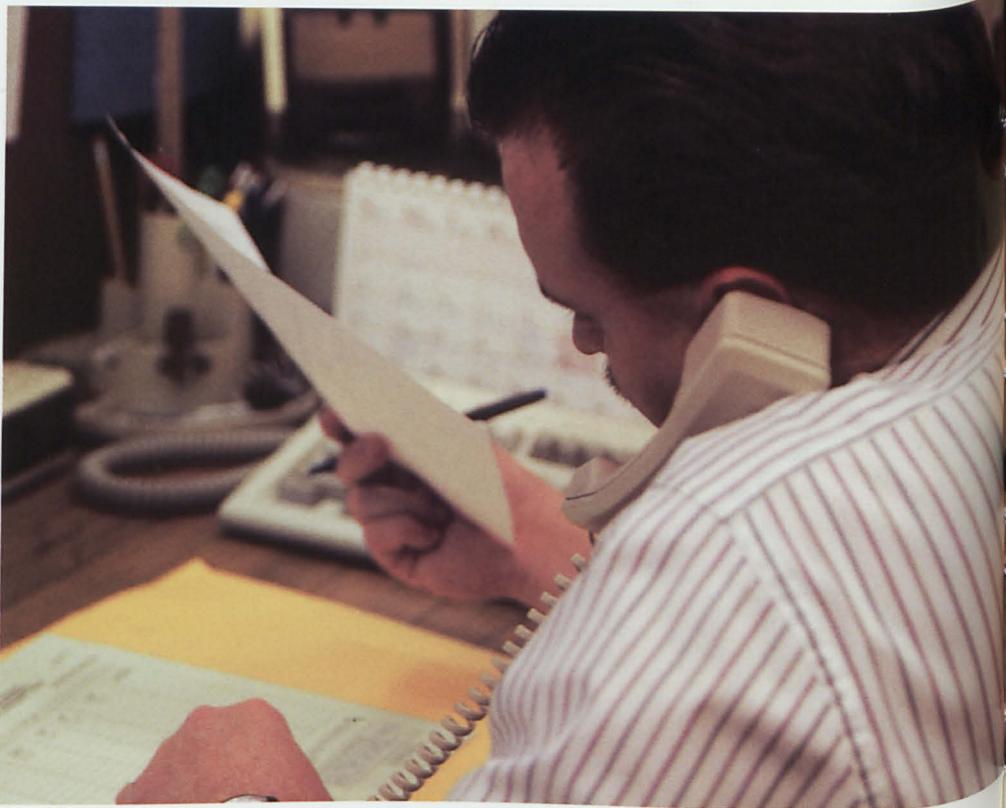
*In retrospect, it was a year in which the demand for Treasury securities pressured the resources of several departments in the Philadelphia Fed. But none was more tested, and subsequently moved more mountains, than Treasury Direct.*

#### PHILADELPHIA AS "CENTRAL SITE"

To the U.S. Department of the Treasury, which makes the major decisions regarding government securities,



*A typical day in Treasury Direct: Marcos Delgado, a customer-service operator, responds to an investor's request for auction dates.*



*On the other side of Marcos's partition is the Treasury Issues Unit, where tenders are processed. The unit is headed by Ed Pottichen (above).*

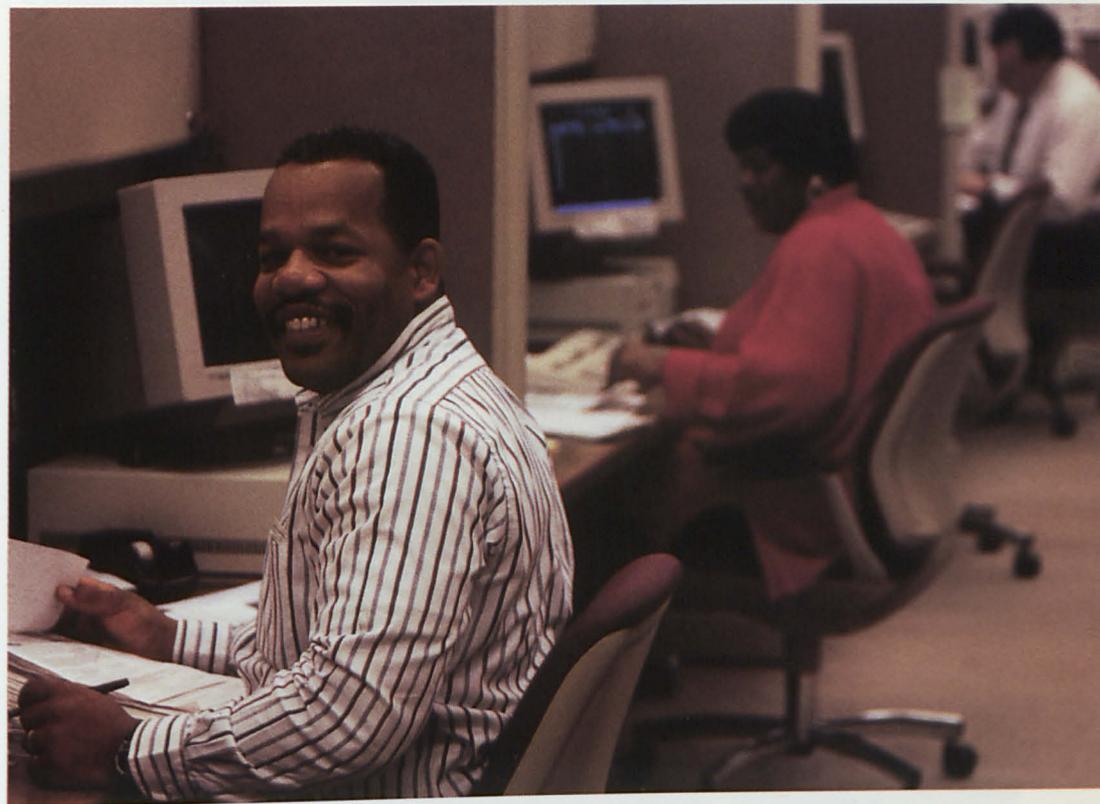
TREASURY DIRECT® is a computer system tapped into by all the Treasury Department and Reserve Bank sites that sell Treasury securities. To the Federal Reserve Bank of Philadelphia, one of 12 Reserve Banks acting as fiscal agents for the U.S. Treasury, Treasury Direct is not just a system but a department—and it exists only at the Philadelphia Fed.

It occupies part of the Bank's seventh floor and its lower level, where managers, analysts, clerks, and customer-service representatives—90 people in total—maintain and service more than three-quarters-of-a-million investor accounts in Treasury securities. The securities themselves no longer exist in physical form, but are computerized bookkeeping entries in the records of the Treasury Department. That system, known as “book-entry” for short, is the essence of Treasury Direct.

Development of the system began in

1983, when the Federal Reserve Bank of Philadelphia was chosen by the Treasury and the Federal Reserve Board to be the central site for the Treasury Direct operation—largely because of Philadelphia's past success in designing and implementing two in-house securities-processing systems. The development effort, which combined the efforts of personnel from both the Philadelphia Fed and the Treasury Department's Bureau of the Public Debt, took slightly more than three years.

By the time the system went live in July 1986, the Treasury and the Federal Reserve had accomplished several objectives: 1) they had reduced the risk associated with holding government securities by eliminating engraved certificates, which could be lost or stolen; 2) they had made the servicing of maturing securities more efficient by creating automated central reposi-



More scenes from the seventh floor: Bill Anderson, a customer-service representative, photocopies correspondence with customers. Above him is the tote board displaying the number of telephone callers in the queue.

In the Treasury Issues Unit, Fred Henderson (foreground) looks up from his stack of tenders to greet visitors.

Also pictured are Linda Williams, who enters account data into the Treasury Direct system, and Ed Pottichen.



*Ed Coia, a senior vice president, was instrumental in Philadelphia being selected the central site for Treasury Direct.*

ries of account information; 3) they had established direct deposit of interest and principal payments for all investors, allowing them immediate use of the funds; and 4) they had introduced a more efficient way to continue direct sales of government securities to investors.

Today, the Philadelphia Fed supports all 50 sites that offer Treasury securities directly: the Federal Reserve Banks and their branches, as well as several offices of the Treasury. A total of 1,200 employees use the system at these various locations.

Perhaps most important, Treasury Direct is a system that inspires confidence on the part of investors, “which is important when the customer can’t see or

touch the product,” says Ed Coia, a senior vice president at the Philadelphia Fed and its ranking executive on the development team.

## EXCEEDING EXPECTATIONS

Scoring high marks for efficiency and quality, Treasury Direct has emerged an unqualified success, having continually demonstrated its ability to meet investors’ needs.

The operation itself involves several processes: 1) maintaining investor accounts; 2) providing online system access to users every weekday from 7:30 a.m. to 10 p.m.; 3) assuring secure access to the system; 4) processing new issues into investor accounts; 5) paying interest or discounts to investors; 6) processing IRS 1099 forms; and 7) processing redemption payments at maturity or converting reinvestments into new issues.

Through Treasury Direct, the Federal Reserve has assumed a large role in the safeguarding and transfer of marketable Treasury securities owned by individuals and nonfinancial institutions. And the volumes are huge. As of December 1994, approximately 820,000 individual accounts were in the Treasury Direct system. More than half of these accounts, or 56.7 percent, totaled less than \$50,000. (Only 0.5 percent of accounts had a value of over \$1 million; the largest single account contains \$2.18 billion.) Meanwhile, the total value of all accounts combined was \$77.9 billion, up \$17.8 billion from 1993.

Indeed, the numbers are a testament to the year’s surging demand for Treasury securities. In 1994, the number of new accounts totaled 271,000, four and five times higher than in the two previous years (66,315 in 1992 and 46,161 in 1993).

Rich Sheaffer, the Bank’s officer in charge of Treasury Direct, remembers a time, more than 10 years ago, when the demand for Treasury securities

was even higher. Interest rates of around 14% in the early 1980s had sent volumes skyrocketing. With no Treasury Direct system in place at that time, the manual workload was much greater. But now, as Rich says, "The computer doesn't care whether it's one customer or 10,000."

## THE INTEREST BUILDS

As it turned out, the Philadelphia Fed was well prepared for the big shift into Treasury securities that began in May 1994. Syndicated columnist Craig Stock helped fuel the demand when, in the *Philadelphia Inquirer* on March 22, 1994, he reported on the higher interest rates being paid on Treasury securities and advised his readers to consider them as investments:

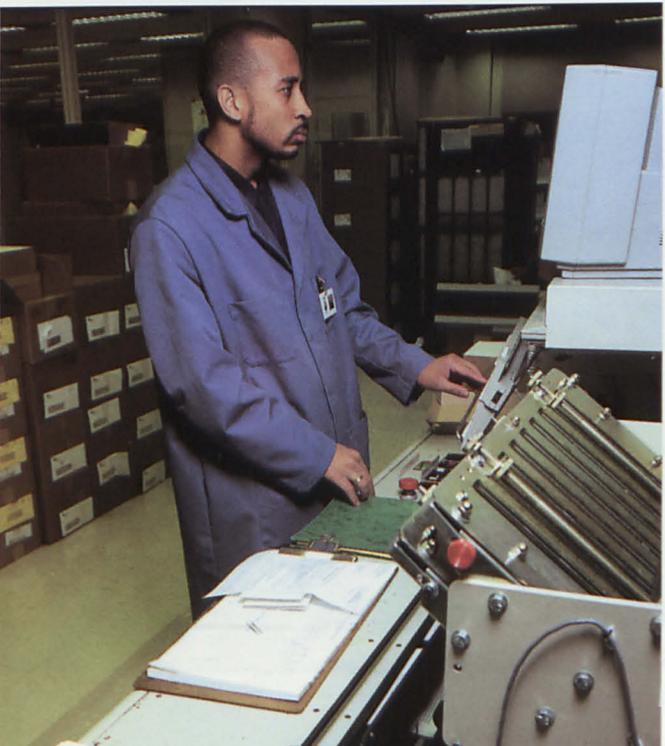
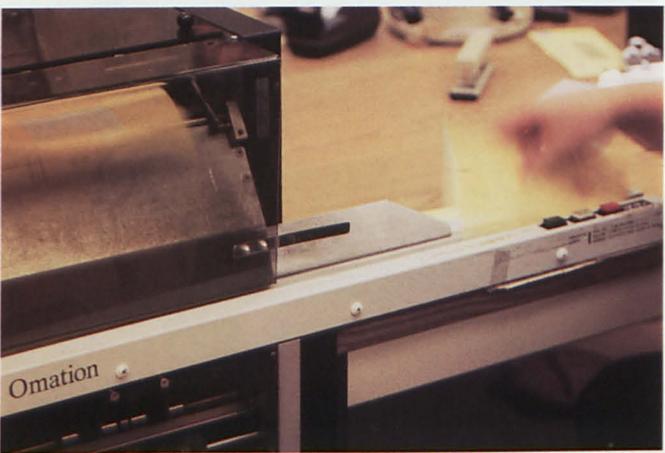
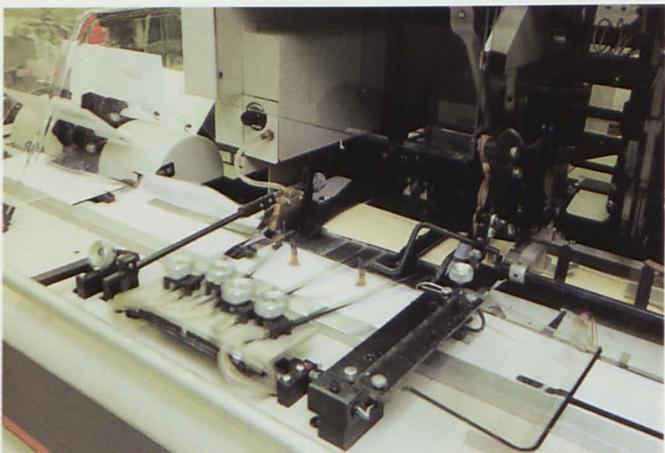
**"You don't have to be a big-shot investor to buy Treasury securities directly from the government,"** Stock wrote. "It takes as little as \$1,000... and you don't have to leave your home to

*Meeting the demand in 1994: Rich Sheaffer (above right), the officer in charge of Treasury Direct, recounts how Treasury Direct has helped his department meet the increase in investor demand. In the Customer Information Unit, Carl Christian accesses the system for information that will help him address a customer's need.*





Technology and people working together: Dorothy Donhauser (left), a supervisor in Investor Services, monitors telephone activity within Treasury Direct, checking the length of calls and how many may be waiting in the queue. Meanwhile, in the Automated Output Division, the Bell & Howell Mailstar inserter not only stuffs mail into envelopes, but seals and applies postage. Below, Clore Brown operates the inserter's computer terminal.



take part in the regular auctions of Treasury securities or to receive interest on your investment.”

Almost immediately, the phone calls and written requests for more information started to pour in. Staffers in the Philadelphia Fed's Public Information Department were among the first to sense the heightened interest in Treasury securities, since Stock had referred his readers to that office for what turned out to be the Bank's most requested pamphlet of all time, "Buying Treasury Securities." Demand for the pamphlet was so great—single orders exceeded 60,000 in just six months—that Treasury Direct's Automated Output Division, a large-scale mail operation, had to help fill orders.

Meanwhile, Treasury Direct's Customer Information Division was facing a seemingly unending stream of phone calls requesting further information and tender forms. Written inquiries, too, flooded the Bank, generating considerable activity in Treasury Direct's Maintenance and Correspondence Division. Finally, the hard-core evidence emerged: long lines for the teller windows began to form in the Bank's lobby.

As rates continued to rise, Stock continued to recommend Treasury securities to his readers. And, on May 15, his *Inquirer* column capsulized the benefits of Treasury Direct:

"The do-it-yourself investor who plans to hold Treasury securities until they mature can buy them... by signing up for the Treasury Direct system.



*Joseph Balent, a supervisor in the Fiscal area, shows a new investor how to complete a tender for a Treasury bill.*

“You can own several different bills, notes, or bonds and get one account statement from Treasury Direct,” Stock continued. “The direct-deposit feature means you can’t have a lost or stolen check, that interest or principal payments are instantly available to you, and that you don’t lose interest on the money while it’s in the mail.”

Again, the response was nearly instantaneous. By this time, investors had learned that they needn’t be present in the Bank to submit tenders. More and more applications started to come in by mail, keeping staff in the Treasury Issues Unit busier than ever. Eventually, everyone in Treasury Direct got into the act—Reinvestments, Accounting, and, of course, the Automated Output Division. In May alone, Automated

Output mailed out almost 725,000 statements, compared to 489,000 the month before.

Meanwhile, the inquiries from the public continued. In August, some 31,000 telephone calls from investors came into Treasury Direct, a fivefold increase from the previous August. (That total represented *local* volume only. Volumes were actually higher in San Francisco, Chicago, New York, and Boston.) That same month, the department received about 4,000 pieces of written correspondence, an average of 200 to 300 letters per day.

By late summer, the volume was very big indeed: over 310,000 tenders were processed in August alone.

#### TENDERS ‘R’ US

**As Rich Sheaffer points out, Treasury Direct is basically a retail business.** But it can’t operate like a store that turns customers away after it sells out of a product. If investors want Treasury securities, Treasury Direct has to oblige. “The challenge is handling the volume, no matter what it is,” Rich says.



*Pat DiGregorio, Unit Head of the teller area, has a devoted following of investors who routinely seek out her window for assistance with tenders.*

To meet that challenge, the department had to make some changes. Operational units were restructured. The Investor Service staff was enlarged. The use of overtime was increased. Daily training sessions were instituted to instruct employees new to the customer-support function.

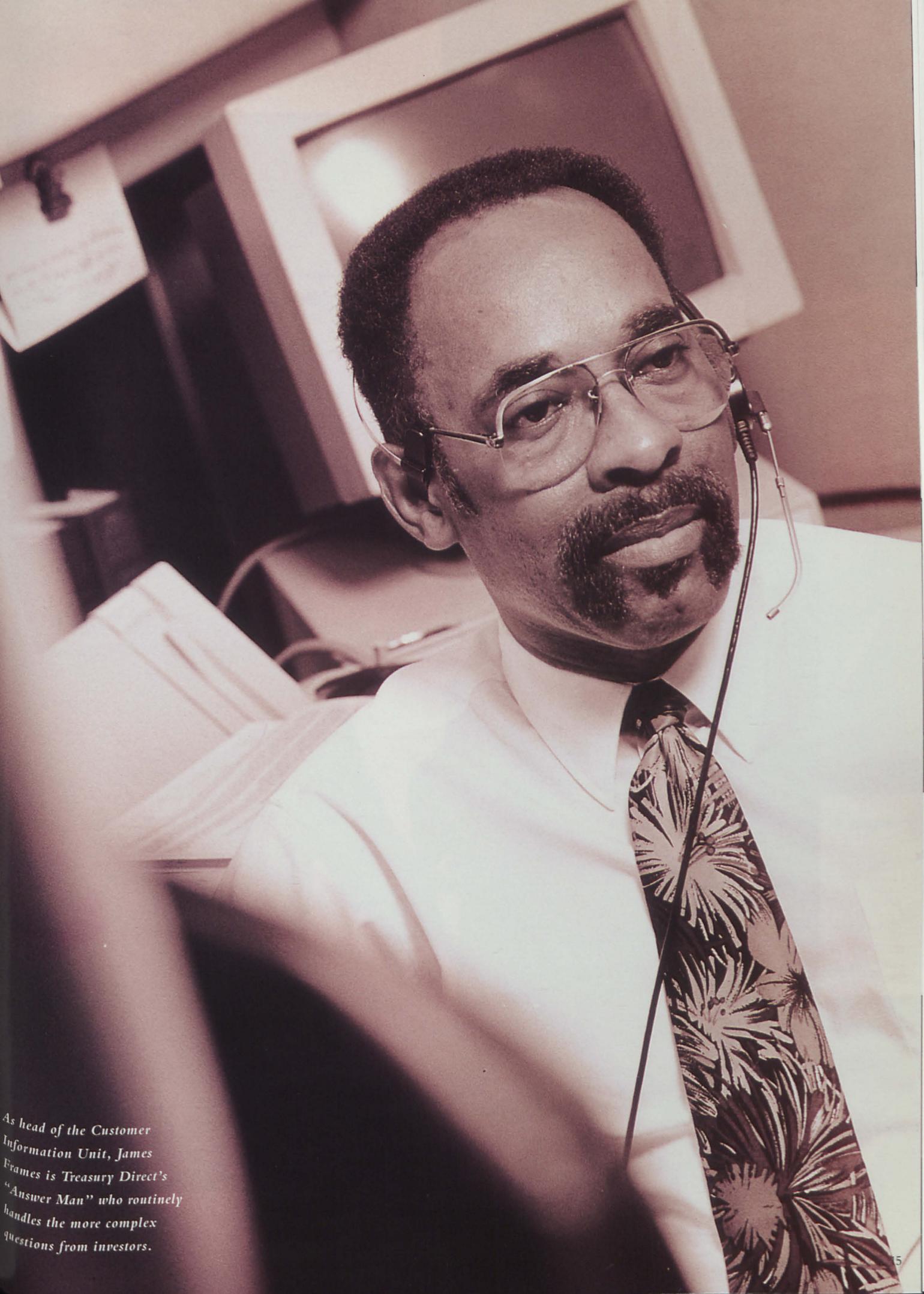
The move to boost staffers' knowledge of the Treasury securities business really paid off on Monday, November 21, when a couple of hundred would-be investors formed a line that stretched around the perimeter of the Bank's lobby. That day, tellers would accept 464 tenders, more than double the 200 or so that previously had represented a busy day. Pat DiGregorio, head teller, recalls that all available hands were recruited to help out behind the windows, including a recently retired employee who had come in that day to visit.

Meanwhile, "Tenders 'R' Us," a group of around 15 employees familiar with the intricacies of buying Treasury securities, walked up and down the line, checking tenders and answering customers' questions.

Among those who have heard—and answered—nearly every question related to Treasury securities is James Frames, Unit Head of Customer Information. Like the tellers, James has learned to anticipate the questions. And like nearly everyone in Treasury Direct, he has had to be versatile. Not only does he respond to telephone inquiries and assist investors in one-on-one counseling sessions, but he frequently is asked to address large and small groups seeking information about government securities.

An effective speaker whose manner is both professional and benevolent, James keeps his explanations simple but complete. When asked by a senior citizen in November whether her bid should be marked "competitive" or "noncompetitive," James explains that if she submits a competitive bid whose interest rate is considered too high by the Bureau of Public Debt, it will be rejected; he quickly adds, however, that if her bid is lower than the average, she will have to accept the lower rate, period. He advises her to check the box on the tender marked "noncompetitive," as do most investors, to be assured of obtaining at least the average accepted by the BPD. "You have to know what you're doing," James says.

Certainly that's true of the folks in Treasury Direct.



*As head of the Customer Information Unit, James Frames is Treasury Direct's "Answer Man" who routinely handles the more complex questions from investors.*



*Donald J. Kennedy*

*James M. Mead*

*Board of Directors*

In 1994, James M. Mead was appointed chairman of the Board of Directors, and Donald J. Kennedy was appointed deputy chairman. Terry K. Dunkle was elected a Class A director, replacing Gary F. Simmerman, and Joan Carter was appointed a Class C director.

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 United States National Bank  
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 The First National Bank  
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*Chairman, President, and  
 Chief Executive Officer  
 Consolidated Rail Corp.  
 (CONRAIL)  
 Philadelphia, Pennsylvania*

**J. RICHARD JONES**  
*President and  
 Chief Executive Officer  
 Jackson-Cross Company  
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**DAVID W. HUGGINS**  
*President and  
 Chief Executive Officer  
 RMS Technologies, Inc.  
 Marlton, New Jersey*

**JOAN CARTER**  
*President and  
 Chief Operating Officer  
 UM Holdings Ltd.  
 (formerly United  
 Medical Corp.)  
 Haddonfield, New Jersey*



*James A. Hagen*

*Joan Carter*



*H. Bernard Lynch*

*J. Richard Jones*

*David W. Huggins*

*Carl L. Campbell*

*Terry K. Dunkle*



In 1994, Michael E. Collins became senior vice president in charge of the Department of Supervision, Regulation, and Credit (SRC), replacing Thomas Desch, who retired.

During the course of the year, five other officers retired from the Bank: Peter M. DiPlacido, senior vice president, General Administrative Services; Robert A. Dobie, vice president, SRC; Joan M. Immel, examination review officer, SRC; Edward G. Rutizer, assistant vice president, SRC; and Elizabeth S. Webb, assistant counsel, Legal Department.

As a result of the retirements from SRC, a number of organizational changes were made. Michael P. Zamulinsky was promoted to assistant vice president, responsible for safety and soundness examinations. A. Reed Raymond was promoted to assistant vice president and examination review officer. Beverly L. Evans was promoted to applications and structure officer.

Also in SRC, Thomas L. Tweedale, assistant vice president, was given the job of overseeing strategic planning and budget activities and conducting special assignments. Robert N. Downes, Jr., assistant vice president, assumed responsibility for consumer affairs and specialty examinations. Sherrill Shaffer, assistant vice president, joined SRC from the Department of Research and Statistics and now heads SRC's Credit and Banking Studies Group.

In the Department of Research and Statistics, Loretta Mester was promoted to the position of assistant vice president and economist, and John Bell was promoted to the position of assistant vice president.

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*Executive Vice President*

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*Senior Vice President*

MICHAEL E. COLLINS  
*Senior Vice President  
and Lending Officer*

RICHARD W. LANG  
*Senior Vice President  
and Director of Research*

RONALD B. LANKFORD  
*Senior Vice President*

D. BLAKE PRICHARD  
*Senior Vice President*

ROBERT J. BUCCO  
*Vice President*

J. WARREN BOWMAN, JR.  
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PATRICK L. DONAHUE  
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WILLIAM EVANS, JR.  
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JOANNA H. FRODIN  
*Vice President and  
Check Product Manager*

JERRY KATZ  
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*Vice President and General Counsel*

FREDERICK M. MANNING  
*Vice President and  
Community Affairs Officer*

STEPHEN A. MEYER  
*Vice President and  
Associate Director of Research*

LOUIS N. SANFELICE  
*Vice President*

JOHN B. SHAFFER  
*Vice President and General Auditor*

MILISSA M. TADEO  
*Vice President*

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*Vice President and Secretary*

VISH P. VISWANATHAN  
*Deputy Check Product Manager*

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*Assistant Vice President*

JOHN G. BELL  
*Assistant Vice President*

GERARD A. CALLANAN  
*Assistant Vice President  
and Planning Officer*

SHIRLEY L. COKER  
*Assistant Counsel*

THEODORE M. CRONE  
*Assistant Vice President  
and Economist*

DEAN CROUSHORE  
*Research Officer and Economist*

JOHN J. DEIBEL  
*Assistant Vice President*

ROBERT N. DOWNES, JR.  
*Assistant Vice President*

BEVERLY L. EVANS  
*Applications and Structure Officer*

JOHN V. HEELAN  
*International Examinations Officer*

EUGENE E. HENDRZAK  
*Assistant Vice President*

ARUN JAIN  
*Assistant Vice President*

HENRY T. KERN  
*Assistant Vice President*

ALAN L. KIEL  
*Assistant Vice President*

MARY M. LABAREE  
*Assistant General Auditor*

THOMAS P. LAMBINUS  
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*Assistant Vice President*

JOSEPH L. MCCANN  
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and Economist*

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*Systems Development Officer*

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*Assistant Vice President*

JEANETTE PALADINO  
*Assistant Counsel*

A. REED RAYMOND  
*Assistant Vice President and  
Examination Review Officer*

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*Assistant Vice President*

SHERRILL SHAFFER  
*Assistant Vice President  
and Economist*

RICHARD A. SHEAFFER  
*Assistant Vice President*

RONALD R. SHELDON  
*Assistant Vice President*

MARIE TKACZYK  
*Assistant Vice President*

SHARON N. TOMLINSON  
*Assistant Vice President*

THOMAS L. TWEEDALE  
*Assistant Vice President*

ANNIE R. WARD  
*Operations Officer*

BERNARD M. WENNEMER  
*Assistant Vice President*

ANTHONY J. WHITE  
*Financial Services Officer*

RICHARD A. VALENTE  
*Audit Officer*

MICHAEL P. ZAMULINSKY  
*Assistant Vice President*

The Bank's four advisory councils include representatives from many of the Third District's leading industries. The regular meetings between members of the councils and the Bank's senior officers provide a venue for the exchange of important information about local business and the economy. The 1994 members of the advisory councils are listed below.

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*Director*  
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*Dover, DE*

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*CEO*  
*Mobil 1167 FCU*  
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Manager/Treasurer  
Bridgeton Onized FCU  
Bridgeton, NJ

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President and CEO  
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Postal Employees FCU  
Allentown, PA

LINDA FISCHER  
CEO  
Barrington FCU  
Barrington, NJ

BRUCE K. FOULKE  
President/Treasurer  
American Heritage FCU  
Philadelphia, PA

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CEO and Manager  
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DEXSTA FCU  
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Cross Valley FCU  
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JOHN D. UNANGST  
President  
Franklin Mint FCU  
Media, PA

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President and CEO  
First Federal Savings Bank  
Hanover, PA

DEPUTY CHAIRMAN  
THOMAS H. VAN ARSDALE  
President and CEO  
Franklin First Savings Bank  
Wilkes-Barre, PA

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President  
Ocean City Home  
Savings & Loan Association  
Ocean City, NJ

STEVEN G. HARRIS, JR.  
President and CEO  
Artisans' Savings Bank  
Wilmington, DE

HERBERT HORNSBY  
President  
Cape Savings Bank, SLA  
Cape May Court House, NJ

BRUCE R. HOSTLER  
President and CEO  
Reliance Savings Bank  
Altoona, PA

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President and CEO  
Keystone Savings Bank  
Bethlehem, PA

DENNIS S. MARLO  
President and CEO  
Main Line Federal  
Savings Bank  
Villanova, PA

FREDERICK A. MARCELL, JR.  
President  
Willow Grove  
Federal Savings  
Maple Glen, PA

ERWIN T. STRAW  
President and CEO  
Prime Bank  
Philadelphia, PA

THOMAS V. STRESS  
President  
American Eagle  
Savings Bank, PaSa  
Boothwyn, PA

CRAIG W. YATES  
President  
Farmers' & Mechanics'  
Savings Bank, SLA  
Burlington, NJ

COMMUNITY BANK  
ADVISORY COUNCIL

CHAIRMAN  
RAY L. WOLFE  
President and CEO  
Farmers Trust Company  
Carlisle, PA

DEPUTY CHAIRPERSON  
BETSY Z. COHEN  
Chairperson and CEO  
The Jefferson Bank  
Haverford, PA

J. GERALD BAZEWICZ  
President and CEO  
The First National  
Bank of Berwick  
Berwick, PA

S. ERIC BEATTIE  
President and CEO  
Nazareth National Bank  
Nazareth, PA

JOSEPH H. DOBLE  
President  
Farmers National Bank  
of Mullica Hill  
Mullica Hill, NJ

OWEN O. FREEMAN, JR.  
Chairman  
Commonwealth State Bank  
Newtown, PA

ZVI H. MUSCAL  
President and CEO  
First Executive Bank  
Philadelphia, PA

PAUL H. MYLANDER  
President and CEO  
Delaware National Bank  
Georgetown, DE

JOHN H. O'NEILL  
President and CEO  
Mount Holly State Bank  
Mount Holly, NJ

MARELIN K. SITES  
Executive Vice President  
First National Bank  
of Mercersburg  
Mercersburg, PA

HAROLD L. SLATCHER  
President  
County Bank  
Rehoboth Beach, DE

HARRY W. VAN SCIVER  
President  
Burlington County Bank  
Burlington, NJ

# Statement of Condition

<b>ASSETS</b>		1994	1993
Gold certificate account:		\$393,000,000	\$399,000,000
Special drawing rights certificates:		303,000,000	303,000,000
Other cash-coin:		19,240,182	14,909,088
Loans and securities:	<i>Discounts and advances</i>	17,335,000	7,675,000
	<i>Federal agency obligations</i>	142,232,312	175,784,193
	<i>U.S. Government securities</i>	14,256,425,618	12,582,512,457
	Total loans and securities	\$14,415,992,930	\$12,765,971,650
Other assets:	<i>Cash items in process of collection</i>	332,247,278	444,950,469
	<i>Bank premises-net</i>	47,273,050	47,217,110
	<i>Operating equipment-net</i>	24,968,870	20,629,762
	<i>Foreign currencies</i>	736,989,986	857,835,800
	<i>Interest/premium on securities</i>	308,740,033	270,021,524
	<i>All other</i>	19,706,810	14,991,019
Interdistrict settlement account:		2,232,230,904	920,991,595
	Total assets	<u>\$18,833,390,043</u>	<u>\$16,059,518,017</u>

<b>LIABILITIES AND CAPITAL ACCOUNTS</b>		1994	1993
Note liabilities:	<i>Federal Reserve Notes</i>	\$16,773,224,939	\$13,025,971,909
Deposits:	<i>Depository institutions' reserves</i>	1,491,487,639	2,248,443,648
	<i>Foreign</i>	4,714,480	5,337,600
	<i>All other</i>	26,438,005*	6,891,942*
	Total deposits	1,522,640,124	2,260,673,190
Other liabilities:	<i>Deferred availability cash items</i>	32,287,227	431,812,549
	<i>All other</i>	183,052,053	113,614,769
	Total liabilities	\$18,511,204,343	\$15,832,072,417
Capital accounts:	<i>Capital paid in</i>	161,092,850	113,722,800
	<i>Surplus</i>	161,092,850	113,722,800
	Total liabilities and capital	<u>\$18,833,390,043</u>	<u>\$16,059,518,017</u>

\*Includes payable due to Treasury

Earnings & Expenses

		1994	1993
Current earnings:	<i>From U.S. Government securities</i>	\$771,979,992	\$598,122,497
	<i>From discounts, advances, and miscellaneous sources</i>	673,326	48,571,087
	<i>From services to depository institutions</i>	39,055,693	39,574,727
	<b>Total current earnings</b>	<b>\$811,709,011</b>	<b>\$686,268,311</b>
Net expenses:	<i>Operating expenses (after deducting reimbursable expenses)</i>	\$84,893,395	\$77,310,333
	<i>Cost of earnings credits</i>	26,331,165	23,892,111
	<b>Total net expenses</b>	<b>\$111,224,560</b>	<b>\$101,202,444</b>
	<b>Current net earnings</b>	<b>\$700,484,451</b>	<b>\$585,065,867</b>
Additions to current net earnings:	<i>Gain on sales of Government securities</i>	\$0	\$1,372,820
	<i>Gain on foreign currency transactions</i>	81,003,004	10,195,174
	<i>Miscellaneous non/operating income</i>	3,411	14,126
	<b>Total additions</b>	<b>\$81,006,415</b>	<b>\$11,582,120</b>
Deductions from current net earnings:	<i>Loss on sales of Government securities</i>	\$955,915	\$0
	<i>Miscellaneous non/operating expenses</i>	1,979,806*	1,654,422*
	<i>Post retirement benefit obligation</i>	0	33,089,175
	<i>Assessment by the Board of Governors:</i>		
	<i>Board expenditures</i>	5,139,600	5,218,700
	<i>Federal Reserve currency</i>	13,944,751	12,787,760
	<b>Total deductions</b>	<b>\$22,020,072</b>	<b>\$52,750,057</b>
	<b>Net additions/(deductions)</b>	<b>\$58,986,343</b>	<b>(\$41,167,937)</b>
	<b>Net earnings (before payment to the U.S. Treasury)</b>	<b><u>\$759,470,794</u></b>	<b><u>\$543,897,930</u></b>
Distribution of earnings:	<i>Dividends paid</i>	\$8,328,151	\$6,873,347
	<i>Paid to U.S. Treasury</i>	703,772,593	540,619,683
	<i>Retained to equate surplus to capital</i>	47,370,050	(3,595,100)
	<b>Net earnings</b>	<b><u>\$759,470,794</u></b>	<b><u>\$543,897,930</u></b>

\*Includes cost of unreimbursed Treasury services

<b>SERVICES TO DEPOSITORY INSTITUTIONS</b>		1994	1994	1993	1993
		<i>Volume</i>	<i>Dollar Value</i>	<i>Volume</i>	<i>Dollar Value</i>
Wire transfers of funds:		5.9 million transfers	\$13.2 trillion	5.8 million transfers	\$15.3 trillion
ACH:	<i>Government</i>	49.5 million items	\$115.1 billion	43.9 million items	\$64.6 billion
	<i>Commercial</i>	143.7 million items	\$463 billion	120.8 million items	\$457 billion
Check processing:	<i>U.S. Government</i>	22.4 million checks	\$23.2 billion	21.4 million checks	\$23.8 billion
	<i>All others</i>	902.7 million checks	\$1.1 trillion	1.2 billion checks	\$1.7 trillion
Cash operations:	<i>Currency processed</i>	825.2 million notes	\$11.8 billion	943 million notes	\$11.9 billion
	<i>Coin processed</i>	73.1 thousand bags	\$41.1 million	101 thousand bags	\$67.3 million
Loans to depository institutions:		781	\$1,165 million	715	\$830 million

<b>SERVICES TO U.S. TREASURY</b>		1994	1994	1993	1993
		<i>Volume</i>	<i>Dollar Value</i>	<i>Volume</i>	<i>Dollar Value</i>
Electronic book-entry transfers:		1.1 million transfers	\$12.7 trillion	997.1 thousand transfers	\$13.5 trillion
Food coupons processed:		161.6 million coupons	\$815.7 million	145.4 million coupons	\$751.1 million

