

RESEARCH LIBRARY
Federal Reserve Bank
of St. Louis

JUL 07 1988

SUMMARY
REPORT

1987



President's Message

In 1987, the Federal Reserve Bank of St. Louis continued to emphasize many of the themes that have served us so well in recent years. Important among these is our desire to provide leadership in the rapidly changing times facing the financial services industry.

In economic research, our focus remains on money and its relationship to economic activity in a policy context. We think our work is particularly important now when there are questions about the relevance of monetary growth in formulating policy.

Our supervision and regulation activities continue to be characterized by timely examinations and inspections, with active follow-up on any problem situations. In 1987, the number of bank failures in the Eighth District was among the lowest in the country, totaling only two.

Finally, in providing services to financial institutions, we further emphasized electronic payment systems, particularly the automated clearinghouse (ACH) function. Our FEDNET connections were expanded by 50, bringing to almost 300 the number of institutions on this dial-up PC network. Of these, more than 150 became ACH users in 1987.

All of our activities continue to be characterized by high quality and a concern for controlling costs, two hallmarks of the Bank's operations. We are

among the top two or three banks in the Federal Reserve System based on a set of internal quality measures, and our check services were perceived as having the best quality in the System according to a national survey of correspondent banks. In 1987, we again had only a modest increase in total expenses over the prior year—2.6 percent—reflecting our ongoing attention to costs.

The year 1987 also marked the departure of our active and able chairman of the board for the past five years, W. L. Hadley Griffin, who retired on December 31. We regard him highly for his efforts here and wish him well in the future. We also wish to express our gratitude to other retiring directors for their contributions to our organization: Paul K. Reynolds and Jesse M. Shaver, St. Louis; Wilbur P. Gulley, Jr., Douglas W. Jackson, and Sheffield Nelson, Little Rock; John E. Darnell, Jr., and R. I. Kerr, Jr., Louisville; and Edgar H. Bailey, John P. Dulin, and G. Rives Neblett, Memphis.

A final word of gratitude is due Joseph P. Garbarini, who served for 27 years at the Federal Reserve Bank of St. Louis before retiring last November as first vice president and chief operating officer. Joe's leadership at the St. Louis and Memphis offices, as well as his tireless work on Federal Reserve System projects, will be remembered for years to come.



Thomas C. Melzer
President and Chief Executive Officer

The remainder of this report summarizes the financial status and certain operating statistics of the Federal Reserve Bank of St. Louis and its three branches in Little Rock, Louisville and Memphis. In addition, it highlights the Bank's boards of directors and officers who will guide us through the coming year.

Statement of Condition
(thousands of dollars)

		December 31	
Assets		1987	1986
	Gold certificate account	\$ 351,000	\$ 366,000
	Special Drawing Rights certificate account	160,000	160,000
	Coin	27,845	25,977
	Loans to depository institutions	38,147	37,075
	Securities:		
	Federal agency obligations	218,128	230,428
	U.S. Government securities	6,321,843	5,816,381
	Total securities	\$6,539,971	\$6,046,809
	Cash items in process of collection	501,849	568,629
	Bank premises (net)	19,971	19,599
	Other assets	371,092	387,299
	Interdistrict settlement account	723,405	0
	TOTAL ASSETS	\$8,733,280	\$7,611,388
Liabilities			
	Federal Reserve notes	\$6,941,914	\$5,889,469
	Deposits:		
	Depository institutions	1,165,633	1,020,808
	Foreign	4,650	4,500
	Other	20,460	12,118
	Total deposits	\$1,190,743	\$1,037,426
	Deferred availability cash items	407,472	504,569
	Other liabilities	77,111	63,510
	Interdistrict settlement account	0	864
	TOTAL LIABILITIES	\$8,617,240	\$7,495,838
Capital Accounts			
	Capital paid in	\$ 58,020	\$ 57,775
	Surplus	58,020	57,775
	TOTAL CAPITAL ACCOUNTS	\$ 116,040	\$ 115,550
	TOTAL LIABILITIES AND CAPITAL ACCOUNTS	\$8,733,280	\$7,611,388

Income and Expenses

(thousands of dollars)

Current Income		1987	1986
	Interest on loans to depository institutions	\$ 3,663	\$ 1,553
	Interest on government securities	469,887	470,078
	Earnings on foreign currency	10,668	11,817
	Revenue from priced services	29,119	28,079
	All other income	445	371
	Total current income	\$513,782	\$511,898
Current Expenses			
	Current operating expenses	\$ 60,229	\$ 58,724
	Less expenses reimbursed	(8,008)	(7,294)
	Current net operating expenses	\$ 52,221	\$ 51,430
	Cost of earnings credits	4,347	4,423
	Current net expenses	\$ 56,568	\$ 55,853
	CURRENT NET INCOME	\$457,214	\$456,045
Profit and Loss			
	Additions to current net income:		
	Profit on sales of government securities (net)	\$ 1,210	\$ 1,958
	Profit on foreign exchange transactions (net)	55,933	59,119
	All other additions	32	3
	Total additions	\$ 57,175	\$ 61,080
	Deductions from current net income:		
	Loss on foreign exchange transactions (net)	\$ 0	\$ 0
	All other deductions	175	3,700
	Total deductions	\$ 175	\$ 3,700
	Net additions or deductions	\$ 57,000	\$ 57,380
	Cost of unreimbursed Treasury service	(3,396)	0
	Assessment by Board of Governors:		
	Expenditures	\$ (2,503)	\$ (2,959)
	Federal Reserve currency costs	(5,146)	(5,775)
	Total assessment	\$ (7,649)	\$ (8,734)
	NET INCOME AVAILABLE FOR DISTRIBUTION	\$503,169	\$504,691
Distribution of Net Income			
	Dividends paid	\$ (3,462)	\$ (3,374)
	Payments to the U.S. Treasury (interest on Federal Reserve notes)	(499,441)	(497,265)
	Transferred to surplus	266	4,052
	Surplus, January 1	57,754	53,723
	Surplus, December 31	\$ 58,020	\$ 57,775

Operating Statistics

Operations	Number of Pieces Handled		Dollar Amount (thousands)	
	1987	1986	1987	1986
Services to Depository Institutions				
Cash Services:				
Currency Received and Counted	580,283,000	545,628,000	\$ 6,731,900	\$ 5,951,200
Coin Received and Counted	915,443,000	827,987,000	104,500	94,400
Check Services:				
U.S. Government Checks	33,608,000	34,208,000	29,552,500	29,328,200
Postal Money Orders	146,436,000	140,341,000	12,551,200	11,103,200
All Other	543,247,000	525,418,000	311,506,500	313,303,200
Automated Clearinghouse (ACH) Services:				
Commercial	32,306,000	25,724,000	199,553,400	158,420,100
U.S. Government	17,848,000	16,063,000	10,249,900	8,594,500
Collection Services:				
U.S. Government Coupons Paid	91,000	117,000	43,000	64,800
All Other	267,449	327,894	476,300	543,200
Wire Transfer of Funds:	2,709,600	2,663,500	3,552,198,000	3,670,276,000
Loans to Depository Institutions:	2,169	1,028	4,963,100	2,179,300
Services to U.S. Treasury				
Issues, Redemptions, & Exchanges of U.S. Government Securities:				
Definitive	7,003,241	7,658,790	\$ 2,229,517	\$ 3,138,400
Book-Entry	276,477	256,487	179,039,000	208,798,000
Food Stamps Redeemed:	163,759,000	164,550,000	728,300	776,700

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