



Sally Green, First Vice President

## Message from Management

What an extraordinary year! When the economy is humming along, financial markets and financial institutions are healthy and growing, and the payments system is functioning efficiently and reliably, you don't see the Federal Reserve featured daily in the news media. We prefer that. Instead, in 2008 you saw us often on the front page and on the airwaves.

Institutions like the Federal Reserve sometimes are perceived as being bureaucratic — anchored in contentment and bound by habit. While we honor our history and rely on proven practices, our focus is on the future. Our vision in the Fifth District is to be an innovative policy and services leader for America's economy. We take our public service responsibility to heart and continually seek, through the work we do, to earn the confidence of those we serve. This is especially true in times when much is at stake.

It often seems that people would like the Fed to wave a magic wand and instantly fix the economy and financial markets! But we cannot do that. Economic and financial activity reflects a set of decisions made by a multitude of individuals, corporations, and government entities in a free market system. As one of the actors in this drama, the Federal Reserve plays a very important role through our monetary policy, supervision of financial institutions, payments system, and community outreach activities. The events during late 2007 and throughout 2008 called us to step up to these roles as never before.

In the public eye, the Fed is often personified by the Chairman of the Board of Governors — for many years Chairman Greenspan and more recently Chairman Bernanke. Behind these very capable leaders are many other competent individuals, both at the Board of Governors and at the 12 Reserve Banks. Our strength at times like these is in our ability to bring broad expertise

and a variety of views to the policy table. We would argue that one of the most important ingredients in performing our roles effectively, and in earning your confidence, is the ability of our staff to understand emerging developments and to provide alternative solutions.

In 2008 a team of economists in the Fifth District analyzed the conditions underlying first a growing economy and rising inflation, and then a weakening economy and lower inflation. This team spent untold hours performing research on topics such as the economic impact of the Troubled Asset Relief Program (TARP) and advising our president, Jeff Lacker, on alternative monetary policy actions. As a member of

and analyzed information and participated in policy discussions related to acquisitions and various types of government support for these institutions. A testament to the breadth and depth of our expertise, the Board of Governors, the New York Fed, and the U.S. Treasury called upon members of our staff to assist with issues in financial institutions outside the District and in the implementation of the TARP.

As noted in the lead essay in this *Annual Report*, in 2008 the Fed expanded its lending beyond traditional boundaries to new types of institutions and under new terms. In the Fifth District, the number of loans made through our discount window increased more than tenfold.

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the Federal Open Market Committee, he participated in the discussions that lowered the fed funds rate from 4 percent to a range of 0 to 0.25 percent and dramatically expanded the monetary base to deal with the recession. Economists and Bank leaders were also called upon to speak at numerous events in the District as local communities and constituents sought to understand changing economic conditions.

The Fifth District has an unusually robust and diverse banking community. Over the past five years we have built Supervision teams with expertise in credit, market, operational, and liquidity risk management. In 2008 the staff worked around the clock as our largest financial institutions acquired other institutions, with new types of risks, and as the health of some of our community financial institutions deteriorated. The Supervision teams gathered

To meet the increased demand and ensure thorough scrutiny of pledged collateral, several Supervision staff members were temporarily reassigned to our lending function. Also, since many financial institutions that we do not formally supervise can borrow from us, we significantly increased the breadth and depth of our financial institution surveillance program.

The payments system underpins economic activity in the United States. Although the Fed transfers almost \$4.8 trillion daily among financial institutions, this behind-the-scenes role is rarely in the public eye. We are committed to provide to the financial institutions that serve consumers and corporations: Fedwire and securities transfers; payroll and other forms of electronic payments; and check currency and coin services that are timely and completely reliable. In 2008 in the Fifth District, our staff

led important initiatives in each of these service areas and contributed to the evolution toward a more fully electronic U.S. payments system.

In addition to the three “core” roles noted above, we reach out within our Fifth District communities to learn, share our research and expertise, and bring value, particularly in the areas of community development and economic education. This year’s “Bank in the Community” section in the *Annual Report* provides a snapshot of our leadership during 2008, both at the national level and within the District, related to the significant home ownership and mortgage foreclosure challenges in the current environment.

The full effect of all the actions we have taken in 2007, 2008, and 2009 is not yet known. In the end, public confidence in the Fed will rest on the ways in which we engage our constituents and contribute to positive outcomes for the economy, the financial system, the payments system, and our communities. In the meantime, we are a deeply committed group of professionals who understand the importance of our public service mission and who are working hard for America’s economy.

A handwritten signature in blue ink that reads "Sally Green". The signature is written in a cursive, flowing style.

**Sally Green**  
First Vice President