

1 9 9 8

F i n a n c i a l R e p o r t

The Federal Reserve Bank of St. Louis

# President's Message



SUSAN S. ELLIOTT, CHAIRMAN, AND WILLIAM POOLE, PRESIDENT AND CEO

I became president of the Federal Reserve Bank of St. Louis in March 1998, feeling confident about the challenges before me. I knew the Fed well, after all, from a variety of previous Fed experiences. While in graduate school, I had a dissertation fellowship from the Chicago Fed and spent two summers working at that Bank. I had worked at the Board in the early 1970s, and at the Boston and San Francisco Feds, and knew many officials around the System. Most important, I had spent my professional life studying monetary policy and central banking.

For much of my first year here, I've traveled around the Eighth District meeting employees, bankers, business people and government officials, making speeches and gathering insight about the workings of our economy. Everywhere I go, I am asked if my Fed experience matches my expectations. Fourteen months into the job, I'd have to say yes. Conducting monetary policy is about what I'd thought. Which is not to say that the job is easy; I knew better than that. As a voting member of the Federal Open Market Committee for most of 1998, I strove to maintain an emphasis on price stability, an emphasis that has been the foundation of the St. Louis Fed monetary tradition for four decades.

In bank supervision and financial services, my previous knowledge had been limited to basic principles, so I didn't know exactly what to expect. I have learned a great deal that pleases me since last year. In supervision, for example, the Fed has replaced a "one-size-fits-all" approach to bank examinations with an approach focused on risk. Bank examinations are now tailored to each institution's core business and are less burdensome. Reflecting the unique characteristics of our geography, the St. Louis Fed staff has also become expert on community banking—conducting research on community bank issues and serving in a leadership capacity on the System's Committee on Community Bank Supervision.

In financial services, I have expanded my understanding of the Fed's critical roles in providing support to the U.S. Treasury and encouraging the evolution of electronic payments. I'm proud to point to several examples of the St. Louis Fed's leadership: For Treasury, we have developed software for banks to use in transmitting electronic information about the corporate tax payments they collect and in providing real-time balances for the Treasury's cash management decisions. Treasury also has chosen St. Louis as the national customer support center for the more than 10,000 financial institutions that collect federal taxes or participate in the Treasury Investment Program. And, within the Federal Reserve System in 1998, the bank ranked first in increasing electronic check presentment volume.

Finally, I would say that the Eighth District staff was exactly what I expected—my colleagues are smart, dedicated to excellence, hard working, beyond reproach. As an avid sailor, I am reminded of the old saying that the crew wins races and the skipper loses them. I take my leadership responsibilities seriously, but know that I depend on my colleagues here to help sort out my good ideas from the not so good. Will the seas be calm? Probably not. In fact, I'm hoping to roil the waters a bit to make maximum use of the talent and energy I see at this Bank. Whatever challenges come our way, and whatever we create for ourselves, it is a privilege to help set the direction for the Fed in the Eighth District.

**THE FEDERAL RESERVE BANK OF ST. LOUIS**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1998, AND DECEMBER 31, 1997

**Letter to Directors**

March 5, 1999

To the Board of Directors  
Federal Reserve Bank of St. Louis

The management of the Federal Reserve Bank of St. Louis (the "Bank") is responsible for the preparation and fair presentation of the Statement of Financial Condition, Statement of Income, and Statement of Changes in Capital as of December 31, 1998 (the "Financial Statements"). The Financial Statements have been prepared in conformity with the accounting principles, policies, and practices established by the Board of Governors of the Federal Reserve System and as set forth in the Financial Accounting Manual for the Federal Reserve Banks, and as such, include amounts, some of which are based on judgments and estimates of management.

The management of the Bank is responsible for maintaining an effective process of internal controls over financial reporting including the safeguarding of assets as they relate to the Financial Statements. Such internal controls are designed to provide reasonable assurance to management and to the Board of Directors regarding the preparation of reliable Financial Statements. This process of internal controls contains self-monitoring mechanisms, including, but not limited to, divisions of responsibility and a code of conduct. Once identified, any material deficiencies in the process of internal controls are reported to management, and appropriate corrective measures are implemented.

Even an effective process of internal controls, no matter how well designed, has inherent limitations, including the possibility of human error, and therefore can provide only reasonable assurance with respect to the preparation of reliable financial statements.

The management of the Bank assessed its process of internal controls over financial reporting including the safeguarding of assets reflected in the Financial Statements, based upon the criteria established in the "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the management of the Bank believes that the Bank maintained an effective process of internal controls over financial reporting including the safeguarding of assets as they relate to the Financial Statements.

Federal Reserve Bank of St. Louis

By:



William Poole, President

By:



W. LeGrande Rives, First Vice President

## Report of Independent Accountants

To the Board of Directors of the  
Federal Reserve Bank of St. Louis

We have examined management's assertion that the Federal Reserve Bank of St. Louis ("FRB St. Louis") maintained effective internal control over financial reporting and the safeguarding of assets as they relate to the Financial Statements as of December 31, 1998, included in the accompanying Management's Assertion.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included obtaining an understanding of the internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the FRB St. Louis maintained effective internal control over financial reporting and over the safeguarding of assets as they relate to the Financial Statements as of December 31, 1998, is fairly stated, in all material respects, based upon criteria described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

March 5, 1999



## Report of Independent Accountants

To the Board of Governors of  
The Federal Reserve System and  
the Board of Directors of  
The Federal Reserve Bank of St. Louis

We have audited the accompanying statements of condition of The Federal Reserve Bank of St. Louis ("Bank") as of December 31, 1998 and 1997 and the related statements of income and changes in capital for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, the financial statements were prepared in conformity with the accounting principles, policies, and practices established by the Board of Governors of The Federal Reserve System. These principles, policies and practices, which were designed to meet the specialized accounting and reporting needs of The Federal Reserve System, are set forth in the "Financial Accounting Manual for Federal Reserve Banks" and constitute a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 1998 and 1997 and results of its operations for the years then ended, on the basis of accounting described in Note 3.

March 5, 1999



**Federal Reserve Bank of St. Louis**  
**Statements of Condition**  
(in millions)

|  | <u>December 31, 1998</u> | <u>December 31, 1997</u> |
|--|--------------------------|--------------------------|
| <b><u>ASSETS</u></b>                               |                          |                          |
| Gold certificates                                  | \$ 358                   | \$ 401                   |
| Special drawing rights certificates                | 340                      | 340                      |
| Coin   | 19                       | 15                       |
| Items in process of collection                     | 516                      | 93                       |
| Loans to depository institutions                   | 7                        | 4                        |
| U.S. government and federal agency securities, net | 16,048                   | 17,286                   |
| Investments denominated in foreign currencies      | 462                      | 424                      |
| Accrued interest receivable                        | 152                      | 163                      |
| Bank premises and equipment, net                   | 51                       | 50                       |
| Other assets                                       | 11                       | 10                       |
| <b>Total assets</b>                                | <b>\$ 17,964</b>         | <b>\$ 18,786</b>         |
| <b><u>LIABILITIES AND CAPITAL</u></b>              |                          |                          |
| Liabilities:                                       |                          |                          |
| Federal Reserve notes outstanding, net             | \$ 14,701                | \$ 16,422                |
| Deposits:  |                          |                          |
| Depository institutions                            | 692                      | 1,244                    |
| Other deposits                                     | 4                        | 5                        |
| Deferred credit items                              | 398                      | 252                      |
| Surplus transfer due U.S. Treasury                 | 31                       | 27                       |
| Interdistrict settlement account                   | 1,841                    | 534                      |
| Accrued benefit cost                               | 48                       | 46                       |
| Other liabilities                                  | 7                        | 7                        |
| <b>Total liabilities</b>                           | <b>17,722</b>            | <b>18,537</b>            |
| Capital:   |                          |                          |
| Capital paid-in                                    | 121                      | 127                      |
| Surplus  | 121                      | 122                      |
| <b>Total capital</b>                               | <b>242</b>               | <b>249</b>               |
| <b>Total liabilities and capital</b>               | <b>\$ 17,964</b>         | <b>\$ 18,786</b>         |

The accompanying notes are an integral part of these financial statements.

**Federal Reserve Bank of St. Louis**  
**Statements of Income**  
(in millions)

|  | <u>December 31, 1998</u> | <u>December 31, 1997</u> |
|--|--------------------------|--------------------------|
| <b>Interest income:</b>  |                          |                          |
| Interest on U.S. government securities                         | \$ 967                   | \$ 1,052                 |
| Interest on foreign currencies                                 | 10                       | 9                        |
| Interest on loans to depository institutions                   | 1                        | 2                        |
| <b>Total interest income</b>                                   | <b>978</b>               | <b>1,063</b>             |
| <b>Other operating income (loss):</b>                          |                          |                          |
| Income from services   | 41                       | 38                       |
| Reimbursable services to government agencies                   | 17                       | 11                       |
| Foreign currency gains (losses), net                           | 44                       | (65)                     |
| Government securities gains, net                               | 1                        | 1                        |
| <b>Total other operating income (loss)</b>                     | <b>103</b>               | <b>(15)</b>              |
| <b>Operating expenses:</b>                                     |                          |                          |
| Salaries and other benefits                                    | 65                       | 60                       |
| Occupancy expense  | 6                        | 6                        |
| Equipment expense  | 7                        | 6                        |
| Cost of unreimbursed Treasury services                         | -                        | 2                        |
| Assessments by Board of Governors                              | 19                       | 19                       |
| Other expenses   | 44                       | 43                       |
| <b>Total operating expenses</b>                                | <b>141</b>               | <b>136</b>               |
| <b>Net income prior to distribution</b>                        | <b>\$ 940</b>            | <b>\$ 912</b>            |
| <b>Distribution of net income:</b>                             |                          |                          |
| Dividends paid to member banks                                 | \$ 7                     | \$ 7                     |
| Transferred to (from) surplus                                  | (1)                      | 13                       |
| Payments to U.S. Treasury as interest on Federal Reserve notes | 266                      | -                        |
| Payments to U.S. Treasury as required by statute               | 668                      | 892                      |
| <b>Total distribution</b>                                      | <b>\$ 940</b>            | <b>\$ 912</b>            |

The accompanying notes are an integral part of these financial statements.

**Federal Reserve Bank of St. Louis  
Statements of Changes in Capital**

For the years ended December 31, 1998, and December 31, 1997  
(in millions)

|  | Capital Paid-in | Surplus | Total Capital |
|--|-----------------|---------|---------------|
| Balance at January 1, 1997<br>(2.3 million shares)           | \$ 114          | \$ 112  | \$ 226        |
| Net income transferred to surplus                            | -               | 13      | 13            |
| Statutory surplus transfer to the<br>U.S. Treasury           | -               | (3)     | (3)           |
| Net change in capital stock issued<br>(0.2 million shares)   | \$ 13           | -       | \$ 13         |
| Balance at December 31, 1997<br>(2.5 million shares)         | \$ 127          | \$ 122  | \$ 249        |
| Net income transferred from surplus                          | -               | (1)     | (1)           |
| Net change in capital stock redeemed<br>(0.1 million shares) | \$ (6)          | -       | \$ (6)        |
| Balance at December 31, 1998<br>(2.4 million shares)         | \$ 121          | \$ 121  | \$ 242        |

The accompanying notes are an integral part of these financial statements.

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements,**

Continued

**1. ORGANIZATION:**

The Federal Reserve Bank of St. Louis ("Bank") is part of the Federal Reserve System ("System") created by Congress under the Federal Reserve Act of 1913 ("Federal Reserve Act") which established the central bank of the United States. The System consists of the Board of Governors of the Federal Reserve System ("Board of Governors") and twelve Federal Reserve Banks ("Reserve Banks"). The Reserve Banks are chartered by the federal government and possess a unique set of governmental, corporate, and central bank characteristics. Other major elements of the System are the Federal Open Market Committee ("FOMC"), and the Federal Advisory Council. The FOMC is composed of members of the Board of Governors, the president of the Federal Reserve Bank of New York ("FRBNY") and, on a rotating basis, four other Reserve Bank presidents.

**Structure:**

The Bank and its branches in Little Rock, Louisville and Memphis serve the Eighth Federal Reserve District, which includes Arkansas, portions of Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee. In accordance with the Federal Reserve Act, supervision and control of the Bank is exercised by a Board of Directors. Banks that are members of the System include all national banks and any state chartered bank that applies and is approved for membership in the System.

**Board of Directors:**

The Federal Reserve Act specifies the composition of the board of directors for each of the Reserve Banks. Each board is composed of nine members serving three-year terms: three directors, including those designated as Chairman and Deputy Chairman, are appointed by the Board of Governors, and six directors are elected by member banks. Of the six elected by member banks, three represent the public and three represent member banks. Member banks are divided into three classes according to size. Member banks in each class elect one director representing member banks and one representing the public. In any election of directors, each member bank receives one vote, regardless of the number of shares of Reserve Bank stock it holds.

**2. OPERATIONS AND SERVICES:**

The System performs a variety of services and operations. Functions include: formulating and conducting monetary policy; participating actively in the payments mechanism, including large-dollar transfers of funds, automated clearinghouse operations and check processing; distribution of coin and currency; fiscal agency functions for the U.S. Treasury and certain federal agencies; serving as the federal government's bank; providing short-term loans to depository institutions; serving the consumer and the community by providing educational materials and information regarding consumer laws; supervising bank holding companies, and state member banks; and administering other regulations of the Board of Governors. The Board of Governors' operating costs are funded through assessments on the Reserve Banks.

The FOMC establishes policy regarding open market operations, oversees these operations, and issues authorizations and directives to the FRBNY for its execution of transactions. Authorized transaction types include direct purchase and sale of securities, matched sale-purchase transactions, the purchase of securities under agreements to resell, and the lending of U.S. government securities. Additionally, the FRBNY is authorized by the FOMC to hold balances of and to execute spot and forward foreign exchange and securities contracts in fourteen foreign currencies, maintain reciprocal currency arrangements ("F/X swaps") with various central banks, and "warehouse" foreign currencies for the U.S. Treasury and Exchange Stabilization Fund ("ESF") through the Reserve Banks.

## Federal Reserve Bank of St. Louis Notes to Financial Statements

### 3. SIGNIFICANT ACCOUNTING POLICIES:

Accounting principles for entities with the unique powers and responsibilities of the nation's central bank have not been formulated by the Financial Accounting Standards Board. The Board of Governors has developed specialized accounting principles and practices that it believes are appropriate for the significantly different nature and function of a central bank as compared to the private sector. These accounting principles and practices are documented in the "Financial Accounting Manual for Federal Reserve Banks" ("Financial Accounting Manual"), which is issued by the Board of Governors. All Reserve Banks are required to adopt and apply accounting policies and practices that are consistent with the Financial Accounting Manual.

The financial statements have been prepared in accordance with the Financial Accounting Manual. Differences exist between the accounting principles and practices of the System and generally accepted accounting principles ("GAAP"). The primary differences are the presentation of all security holdings at amortized cost, rather than at the fair value presentation requirements of GAAP, and the accounting for matched sale-purchase transactions as separate sales and purchases, rather than secured borrowings with pledged collateral, as is required by GAAP. In addition, the Bank has elected not to present a Statement of Cash Flows or a Statement of Comprehensive Income. The Statement of Cash Flows has not been included as the liquidity and cash position of the Bank are not of primary concern to the users of these financial statements. The Statement of Comprehensive Income, which comprises net income plus or minus certain adjustments, such as the fair value adjustment for securities, has not been included because as stated above the securities are recorded at amortized cost and there are no other adjustments in the determination of Comprehensive Income applicable to the Bank. Other information regarding the Bank's activities is provided in, or may be derived from, the Statements of Condition, Income, and Changes in Capital. Therefore, a Statement of Cash Flows or a Statement of Comprehensive Income would not provide any additional useful information. There are no other significant differences between the policies outlined in the Financial Accounting Manual and GAAP.

The preparation of the financial statements in conformity with the Financial Accounting Manual requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Unique accounts and significant accounting policies are explained below.

#### a. Gold Certificates

The Secretary of the Treasury is authorized to issue gold certificates to the Reserve Banks to monetize gold held by the U.S. Treasury. Payment for the gold certificates by the Reserve Banks is made by crediting equivalent amounts in dollars into the account established for the U.S. Treasury. These gold certificates held by the Reserve Banks are required to be backed by the gold of the U.S. Treasury. The U.S. Treasury may reacquire the gold certificates at any time and the Reserve Banks must deliver them to the U.S. Treasury. At such time, the U.S. Treasury's account is charged and the Reserve Banks' gold certificate accounts are lowered. The value of gold for purposes of backing the gold certificates is set by law at \$42 2/9 a fine troy ounce. The Board of Governors allocates the gold certificates among Reserve Banks once a year based upon Federal Reserve notes outstanding in each District at the end of the preceding year.

#### b. Special Drawing Rights Certificates

Special drawing rights ("SDRs") are issued by the International Monetary Fund ("Fund") to its members in proportion to each member's quota in the Fund at the time of issuance. SDRs serve as a supplement to international monetary reserves and may be transferred from one national monetary authority to another. Under the law providing for United States participation in the SDR system, the Secretary of the U.S. Treasury is authorized to issue SDR certificates, somewhat like gold certificates, to the Reserve Banks. At such time, equivalent amounts in dollars are credited to the account established for the U.S. Treasury, and the Reserve Banks' SDR certificate accounts are increased. The Reserve Banks are required to purchase SDRs,

## Federal Reserve Bank of St. Louis Notes to Financial Statements

at the direction of the U.S. Treasury, for the purpose of financing SDR certificate acquisitions or for financing exchange stabilization operations. The Board of Governors allocates each SDR transaction among Reserve Banks based upon Federal Reserve notes outstanding in each District at the end of the preceding year.

#### c. Loans to Depository Institutions

The Depository Institutions Deregulation and Monetary Control Act of 1980 provides that all depository institutions that maintain reservable transaction accounts or nonpersonal time deposits, as defined in Regulation D issued by the Board of Governors, have borrowing privileges at the discretion of the Reserve Banks. Borrowers execute certain lending agreements and deposit sufficient collateral before credit is extended. Loans are evaluated for collectibility, and currently all are considered collectible and fully collateralized. If any loans were deemed to be uncollectible, an appropriate reserve would be established. Interest is recorded on the accrual basis and is charged at the applicable discount rate established at least every fourteen days by the Board of Directors of the Reserve Banks, subject to review by the Board of Governors. However, Reserve Banks retain the option to impose a surcharge above the basic rate in certain circumstances.

#### d. U.S. Government and Federal Agency Securities and Investments Denominated in Foreign Currencies

The FOMC has designated the FRBNY to execute open market transactions on its behalf and to hold the resulting securities in the portfolio known as the System Open Market Account ("SOMA"). In addition to authorizing and directing operations in the domestic securities market, the FOMC authorizes and directs the FRBNY to execute operations in foreign markets for major currencies in order to counter disorderly conditions in exchange markets or other needs specified by the FOMC in carrying out the System's central bank responsibilities.

Purchases of securities under agreements to resell and matched sale-purchase transactions are accounted for as separate sale and purchase transactions. Purchases under agreements to resell are transactions in which the FRBNY purchases a security and sells it back at the rate specified at the commencement of the transaction. Matched sale-purchase transactions are transactions in which the FRBNY sells a security and buys it back at the rate specified at the commencement of the transaction.

Reserve Banks are authorized by the FOMC to lend U.S. government securities held in the SOMA to U.S. government securities dealers and to banks participating in U.S. government securities clearing arrangements, in order to facilitate the effective functioning of the domestic securities market. These securities-lending transactions are fully collateralized by other U.S. government securities. FOMC policy requires the lending Reserve Bank to take possession of collateral in amounts in excess of the market values of the securities loaned. The market values of the collateral and the securities loaned are monitored by the lending Reserve Bank on a daily basis, with additional collateral obtained as necessary. The securities loaned continue to be accounted for in the SOMA.

Foreign exchange contracts are contractual agreements between two parties to exchange specified currencies, at a specified price, on a specified date. Spot foreign contracts normally settle two days after the trade date, whereas the settlement date on forward contracts is negotiated between the contracting parties, but will extend beyond two days from the trade date. The FRBNY generally enters into spot contracts, with any forward contracts generally limited to the second leg of a swap/warehousing transaction.

The FRBNY, on behalf of the Reserve Banks, maintains renewable, short-term F/X swap arrangements with authorized foreign central banks. The parties agree to exchange their currencies up to a pre-arranged maximum amount and for an agreed upon period of time (up to twelve months), at an agreed upon interest rate. These arrangements give the FOMC temporary access to foreign currencies that it may need for intervention operations to support the dollar and give the partner foreign central bank temporary access to dollars it may need to support its own currency. Drawings under the F/X swap arrangements can be initiated by either the FRBNY or the partner foreign central bank, and must be agreed to by the drawee. The F/X swaps

## Federal Reserve Bank of St. Louis Notes to Financial Statements

are structured so that the party initiating the transaction (the drawer) bears the exchange rate risk upon maturity. The FRBNY will generally invest the foreign currency received under an F/X swap in interest-bearing instruments.

Warehousing is an arrangement under which the FOMC agrees to exchange, at the request of the Treasury, U.S. dollars for foreign currencies held by the Treasury or ESF over a limited period of time. The purpose of the warehousing facility is to supplement the U.S. dollar resources of the Treasury and ESF for financing purchases of foreign currencies and related international operations.

In connection with its foreign currency activities, the FRBNY, on behalf of the Reserve Banks, may enter into contracts which contain varying degrees of off-balance sheet market risk, because they represent contractual commitments involving future settlement, and counter-party credit risk. The FRBNY controls credit risk by obtaining credit approvals, establishing transaction limits, and performing daily monitoring procedures.

While the application of current market prices to the securities currently held in the SOMA portfolio and investments denominated in foreign currencies may result in values substantially above or below their carrying values, these unrealized changes in value would have no direct effect on the quantity of reserves available to the banking system or on the prospects for future Reserve Bank earnings or capital. Both the domestic and foreign components of the SOMA portfolio from time to time involve transactions that can result in gains or losses when holdings are sold prior to maturity. However, decisions regarding the securities and foreign currencies transactions, including their purchase and sale, are motivated by monetary policy objectives rather than profit. Accordingly, earnings and any gains or losses resulting from the sale of such currencies and securities are incidental to the open market operations and do not motivate its activities or policy decisions.

U.S. government and federal agency securities and investments denominated in foreign currencies comprising the SOMA are recorded at cost, on a settlement-date basis, and adjusted for amortization of premiums or accretion of discounts on a straight-line basis. Interest income is accrued on a straight-line basis and is reported as "Interest on U.S. government securities" or "Interest on foreign currencies," as appropriate. Income earned on securities lending transactions is reported as a component of "Other income." Gains and losses resulting from sales of securities are determined by specific issues based on average cost. Gains and losses on the sales of U.S. government and federal agency securities are reported as Government securities gains, net. Foreign currency denominated assets are revalued monthly at current market exchange rates in order to report these assets in U.S. dollars. Realized and unrealized gains and losses on investments denominated in foreign currencies are reported as Foreign currency gains (losses), net. Foreign currencies held through F/X swaps, when initiated by the counter party, and warehousing arrangements are revalued monthly, with the unrealized gain or loss reported by the FRBNY as a component of "Other assets" or "Other liabilities," as appropriate.

Balances of U.S. government and federal agencies securities bought outright, investments denominated in foreign currency, interest income, amortization of premiums and discounts on securities bought outright, gains and losses on sales of securities, and realized and unrealized gains and losses on investments denominated in foreign currencies, excluding those held under an F/X swap arrangement, are allocated to each Reserve Bank. Securities purchased under agreements to resell and the related premiums, discounts and income, and unrealized gains and losses on the revaluation of foreign currency holdings under F/X swaps and warehousing arrangements are allocated to the FRBNY and not to other Reserve Banks. Income from securities lending transactions is recognized only by the lending Reserve Bank.

### e. Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over estimated useful lives of assets ranging from 2 to 50 years. New assets, major alterations, renovations and improvements are capitalized at cost as additions to the asset accounts. Maintenance, repairs and minor replacements are charged to operations in the year incurred.

## Federal Reserve Bank of St. Louis Notes to Financial Statements

### f. Interdistrict Settlement Account

At the close of business each day, all Reserve Banks and branches assemble the payments due to or from other Reserve Banks and branches as a result of transactions involving accounts residing in other Districts that occurred during the day's operations. Such transactions may include funds settlement, check clearing and automated clearinghouse ("ACH") operations, and allocations of shared expenses. The cumulative net amount due to or from other Reserve Banks is reported as the "Interdistrict settlement account."

### g. Federal Reserve Notes

Federal Reserve notes are the circulating currency of the United States. These notes are issued through the various Federal Reserve agents to the Reserve Banks upon deposit with such Agents of certain classes of collateral security, typically U.S. government securities. These notes are identified as issued to a specific Reserve Bank. The Federal Reserve Act provides that the collateral security tendered by the Reserve Bank to the Federal Reserve Agent must be equal to the sum of the notes applied for by such Reserve Bank. In accordance with the Federal Reserve Act, gold certificates, special drawing rights certificates, U.S. government and agency securities, loans allowed under Section 13, and investments denominated in foreign currencies are pledged as collateral for net Federal Reserve notes outstanding. The collateral value is equal to the book value of the collateral tendered, with the exception of securities, whose collateral value is equal to the par value of the securities tendered. The Board of Governors may, at any time, call upon a Reserve Bank for additional security to adequately collateralize the Federal Reserve notes. To satisfy its obligation to provide sufficient collateral for its outstanding Federal Reserve notes, the Reserve Banks have entered into an agreement that provides that certain assets of the Reserve Banks are jointly pledged as collateral for the Federal Reserve notes of all Reserve Banks. In the event that this collateral is insufficient, the Federal Reserve Act provides that Federal Reserve notes become a first and paramount lien on all the assets of the Reserve Banks. Finally, as obligations of the United States, Federal Reserve notes are backed by the full faith and credit of the United States government.

The "Federal Reserve notes outstanding, net" account represents Federal Reserve notes reduced by cash held in the vaults of the Bank of \$2,589 million, and \$2,145 million at December 31, 1998 and 1997, respectively.

### h. Capital Paid-in

The Federal Reserve Act requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6% of the capital and surplus of the member bank. As a member bank's capital and surplus changes, its holdings of the Reserve Bank's stock must be adjusted. Member banks are those state-chartered banks that apply and are approved for membership in the System and all national banks. Currently, only one-half of the subscription is paid-in and the remainder is subject to call. These shares are nonvoting with a par value of \$100. They may not be transferred or hypothecated. By law, each member bank is entitled to receive an annual dividend of 6% on the paid-in capital stock. This cumulative dividend is paid semiannually. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

### i. Surplus

The Board of Governors requires Reserve Banks to maintain a surplus equal to the amount of capital paid-in as of December 31. This amount is intended to provide additional capital and reduce the possibility that the Reserve Banks would be required to call on member banks for additional capital. Reserve Banks are required by the Board of Governors to transfer to the U.S. Treasury excess earnings, after providing for the costs of operations, payment of dividends, and reservation of an amount necessary to equate surplus with capital paid-in. Payments made after September 30, 1998 represent payment of interest on Federal Reserve notes outstanding.

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

The Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66, Section 3002) codified the existing Board surplus policies as statutory surplus transfers, rather than as payments of interest on Federal Reserve notes, for federal government fiscal years 1998 and 1997 (which began on October 1, 1997 and 1996, respectively). In addition, the legislation directed the Reserve Banks to transfer to the U.S. Treasury additional surplus funds of \$107 million and \$106 million during fiscal years 1998 and 1997, respectively. Reserve Banks were not permitted to replenish surplus for these amounts during this time. The Reserve Banks made these transfers on October 1, 1997 and October 1, 1996, respectively. The Bank's share of the 1997 transfer is reported as "Statutory surplus transfer to the U.S. Treasury."

In the event of losses, payments to the U.S. Treasury are suspended until such losses are recovered through subsequent earnings. Weekly payments to the U.S. Treasury vary significantly.

**j. Cost of Unreimbursed Treasury Services**

The Bank is required by the Federal Reserve Act to serve as fiscal agent and depository of the United States. By statute, the Department of the Treasury is permitted, but not required, to pay for these services. The costs of providing fiscal agency and depository services to the Treasury Department that have been billed but will not be paid are reported as the "Cost of unreimbursed Treasury services."

**k. Taxes**

The Reserve Banks are exempt from federal, state, and local taxes, except for taxes on real property, which are reported as a component of "Occupancy expense."

**4. U.S. GOVERNMENT AND FEDERAL AGENCY SECURITIES:**

Securities bought outright and held under agreements to resell are held in the SOMA at the FRBNY. An undivided interest in SOMA activity, with the exception of securities held under agreements to resell and the related premiums, discounts and income, is allocated to each Reserve Bank on a percentage basis derived from an annual settlement of interdistrict clearings. The settlement, performed in April of each year, equalizes Reserve Bank gold certificate holdings to Federal Reserve notes outstanding. The Bank's allocated share of SOMA balances was approximately 3.514% and 3.983% at December 31, 1998 and 1997, respectively.

The Bank's allocated share of securities held in the SOMA at December 31, that were bought outright, were as follows (in millions):

|                                | <u>1998</u>      | <u>1997</u>      |
|--------------------------------|------------------|------------------|
| Par value                      |                  |                  |
| Federal agency                 | \$ 12            | \$ 27            |
| U.S. government                |                  |                  |
| Bills                          | 6,845            | 7,851            |
| Notes                          | 6,603            | 6,939            |
| Bonds                          | 2,441            | 2,366            |
| Total par value                | <u>15,901</u>    | <u>17,183</u>    |
| Unamortized premiums           | 259              | 247              |
| Unaccreted discounts           | (112)            | (144)            |
| <b>Total allocated to Bank</b> | <b>\$ 16,048</b> | <b>\$ 17,286</b> |

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

Total SOMA securities bought outright were \$456,667 million and \$434,001 million at December 31, 1998 and 1997, respectively.

The maturities of U.S. government and federal agency securities bought outright, which were allocated to the Bank at December 31, 1998, were as follows (in millions):

| <u>Maturities of Securities Held</u> | <u>Par Value</u>                  |                                   |                  |
|--------------------------------------|-----------------------------------|-----------------------------------|------------------|
|                                      | <u>U.S. Government Securities</u> | <u>Federal Agency Obligations</u> | <u>Total</u>     |
| Within 15 days                       | \$ 41                             | \$ -                              | \$ 41            |
| 16 days to 90 days                   | 3,484                             | 1                                 | 3,485            |
| 91 days to 1 year                    | 5,047                             | 3                                 | 5,050            |
| Over 1 year to 5 years               | 3,786                             | 2                                 | 3,788            |
| Over 5 years to 10 years             | 1,575                             | 6                                 | 1,581            |
| Over 10 years                        | 1,956                             | -                                 | 1,956            |
| <b>Total</b>                         | <b>\$ 15,889</b>                  | <b>\$ 12</b>                      | <b>\$ 15,901</b> |

At December 31, 1998 and 1997, matched sale-purchase transactions involving U.S. government securities with par values of \$20,927 million and \$17,027 million, respectively, were outstanding, of which \$735 million and \$678 million were allocated to the Bank. Matched sale-purchase transactions are generally overnight arrangements.

**5. INVESTMENTS DENOMINATED IN FOREIGN CURRENCIES:**

The FRBNY, on behalf of the Reserve Banks, holds foreign currency deposits with foreign central banks and the Bank for International Settlements and invests in foreign government debt instruments. Foreign government debt instruments held include both securities bought outright and securities held under agreements to resell. These investments are guaranteed as to principal and interest by the foreign governments.

Each Reserve Bank is allocated a share of foreign-currency-denominated assets, the related interest income, and realized and unrealized foreign currency gains and losses, with the exception of unrealized gains and losses on F/X swaps and warehousing transactions. This allocation is based on the ratio of each Reserve Bank's capital and surplus to aggregate capital and surplus at the preceding December 31. The Bank's allocated share of investments denominated in foreign currencies was approximately 2.333% and 2.485% at December 31, 1998 and 1997, respectively.

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

The Bank's allocated share of investments denominated in foreign currencies, valued at current exchange rates at December 31, were as follows (in millions):

|  | <u>1998</u>   |  | <u>1997</u>   |
|--|---------------|--|---------------|
| <b>German Marks:</b>                                       |               |  |               |
| Foreign currency deposits                                  | \$ 244        |  | \$ 206        |
| Government debt instruments including agreements to resell | 55            |  | 80            |
| <b>Japanese Yen:</b>                                       |               |  |               |
| Foreign currency deposits                                  | 16            |  | 14            |
| Government debt instruments including agreements to resell | 145           |  | 122           |
| <b>Accrued interest</b>                                    | 2             |  | 2             |
| <b>Total</b>   | <b>\$ 462</b> |  | <b>\$ 424</b> |

Total investments denominated in foreign currencies were \$19,769 million and \$17,046 million at December 31, 1998 and 1997, respectively, which include \$15 million and \$3 million in unearned interest for 1998 and 1997 respectively, collected on certain foreign currency holdings that is allocated solely to the FRBNY.

The maturities of investments denominated in foreign currencies which were allocated to the Bank at December 31, 1998, were as follows (in millions):

Maturities of Investments Denominated in Foreign Currencies

|                          |               |
|--------------------------|---------------|
| Within 1 year            | \$ 439        |
| Over 1 year to 5 years   | 12            |
| Over 5 years to 10 years | 11            |
| <b>Total</b>             | <b>\$ 462</b> |

At December 31, 1998 and 1997, there were no open foreign exchange contracts or outstanding F/X swaps.

At December 31, 1998, the warehousing facility was \$5,000 million, with zero outstanding.

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

**6. BANK PREMISES AND EQUIPMENT:**

A summary of bank premises and equipment at December 31 is as follows (in millions):

|   | <u>1998</u>  |  | <u>1997</u>  |
|---|--------------|--|--------------|
| Bank premises and equipment:            |              |  |              |
| Land                                    | \$ 3         |  | \$ 3         |
| Buildings                               | 31           |  | 30           |
| Building machinery and equipment        | 12           |  | 11           |
| Construction in progress                | 1            |  | 1            |
| Furniture and equipment                 | 44           |  | 48           |
|   | <u>91</u>    |  | <u>93</u>    |
| Accumulated depreciation                | (40)         |  | (43)         |
| <b>Bank premises and equipment, net</b> | <b>\$ 51</b> |  | <b>\$ 50</b> |

Depreciation expense was \$7 million and \$6 million for the years ended December 31, 1998 and 1997, respectively.

**7. COMMITMENTS AND CONTINGENCIES:**

At December 31, 1998, the Bank was obligated under noncancelable leases for premises and equipment with terms ranging from 1 to approximately 5 years. These leases provide for increased rentals based upon increases in real estate taxes, operating costs or selected price indices.

Rental expense under operating leases for certain operating facilities, warehouses, and data processing and office equipment (including taxes, insurance and maintenance when included in rent), net of sublease rentals, was \$1 million for the years ended December 31, 1998 and 1997, respectively. Certain of the Bank's leases have options to renew.

Under the Insurance Agreement of the Federal Reserve Banks dated as of June 7, 1994, each of the Reserve Banks has agreed to bear, on a per incident basis, a pro rata share of losses in excess of 1% of the capital of the claiming Reserve Bank, up to 50% of the total capital and surplus of all Reserve Banks. Losses are borne in the ratio that a Reserve Bank's capital bears to the total capital of all Reserve Banks at the beginning of the calendar year in which the loss is shared. No claims were outstanding under such agreement at December 31, 1998 or 1997.

The Bank is involved in certain legal actions and claims arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these actions, in management's opinion, based on discussions with counsel, the aforementioned litigation and claims will be resolved without material adverse effect on the financial position or results of operations of the Bank.

There were no significant commitments and long-term obligations in excess of one year at December 31, 1998.

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

**8. RETIREMENT AND THRIFT PLANS:**

Retirement Plans:

The Bank currently offers two defined benefit retirement plans to its employees, based on length of service and level of compensation. Substantially all of the Bank's employees participate in the Retirement Plan for Employees of the Federal Reserve System ("System Plan") and the Benefit Equalization Retirement Plan ("BEP"). The System Plan is a multi-employer plan with contributions fully funded by participating employers. No separate accounting is maintained of assets contributed by the participating employers. The Bank's projected benefit obligation and net pension costs for the BEP at December 31, 1998 and 1997, and for the years then ended, are not material.

Thrift plan:

Employees of the Bank may also participate in the defined contribution Thrift Plan for Employees of the Federal Reserve System ("Thrift Plan"). The Bank's Thrift Plan contributions totaled \$2 million for the years ended December 31, 1998 and 1997, respectively, and are reported as a component of "Salaries and other benefits."

**9. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS AND POSTEMPLOYMENT BENEFITS:**

Postretirement benefits other than pensions:

In addition to the Bank's retirement plans, employees who have met certain age and length of service requirements are eligible for both medical benefits and life insurance coverage during retirement.

The Bank funds benefits payable under the medical and life insurance plans as due and, accordingly, has no plan assets. Net postretirement benefit cost is actuarially determined using a January 1 measurement date.

Following is a reconciliation of beginning and ending balances of the benefit obligation (in millions):

|  | <u>1998</u> | <u>1997</u> |
|--|-------------|-------------|
| Accumulated postretirement benefit obligation at January 1   | \$ 38.6     | \$ 43.8     |
| Service cost-benefits earned during the period               | 0.9         | 0.9         |
| Interest cost of accumulated benefit obligation              | 2.6         | 2.6         |
| Actuarial loss (gain)  | 3.0         | (7.7)       |
| Contributions by plan participants                           | 0.2         | 0.2         |
| Benefits paid  | (1.5)       | (1.2)       |
| Accumulated postretirement benefit obligation at December 31 | \$ 43.8     | \$ 38.6     |

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

Following is a reconciliation of the beginning and ending balance of the plan assets, unfunded postretirement benefit obligation, and the accrued postretirement benefit cost (in millions):

|  | <u>1998</u> | <u>1997</u> |
|--|-------------|-------------|
| Fair value of plan assets at January 1     | \$ -        | \$ -        |
| Contributions by the employer              | 1.3         | 1.0         |
| Contributions by plan participants         | 0.2         | 0.2         |
| Benefits paid                              | (1.5)       | (1.2)       |
| Fair value of plan assets at December 31   | \$ -        | \$ -        |
| Unfunded postretirement benefit obligation | \$ 43.8     | \$ 38.6     |
| Unrecognized prior service cost            | 0.9         | 1.0         |
| Unrecognized net actuarial gain            | 0.1         | 3.2         |
| Accrued postretirement benefit cost        | \$ 44.8     | \$ 42.8     |

Accrued postretirement benefit cost is reported as a component of "Accrued benefit cost."

The weighted-average assumption used in developing the postretirement benefit obligation as of December 31 is as follows:

|               | <u>1998</u> | <u>1997</u> |
|---------------|-------------|-------------|
| Discount rate | 6.25%       | 7.00%       |

For measurement purposes, an 8.5% annual rate of increase in the cost of covered health care benefits was assumed for 1999. Ultimately, the health care cost trend rate is expected to decrease gradually to 4.75% by 2006, and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects for the year ended December 31, 1998 (in millions):

|   | <u>1 Percentage Point Increase</u> | <u>1 Percentage Point Decrease</u> |
|---|------------------------------------|------------------------------------|
| Effect on aggregate of service and interest cost components of net periodic postretirement benefit cost | \$ 0.7                             | \$ (0.7)                           |
| Effect on accumulated postretirement benefit obligation   | 8.5                                | (7.5)                              |

**Federal Reserve Bank of St. Louis  
Notes to Financial Statements**

The following is a summary of the components of net periodic postretirement benefit cost for the years ended December 31 (in millions):

|   | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|
| Service cost-benefits earned during the period  | \$ 0.8      | \$ 0.8      |
| Interest cost of accumulated benefit obligation | 2.6         | 2.6         |
| Net periodic postretirement benefit cost        | \$ 3.4      | \$ 3.4      |

Net periodic postretirement benefit cost is reported as a component of "Salaries and other benefits."

**Postemployment benefits:**

The Bank offers benefits to former or inactive employees. Postemployment benefit costs are actuarially determined and include the cost of medical and dental insurance, survivor income, and disability benefits. Costs were projected using the same discount rate and health care trend rates as were used for projecting postretirement costs. The accrued postemployment benefit costs recognized by the Banks at December 31, 1998 and 1997, were \$3 million, respectively. This cost is included as a component of "Accrued benefit cost." Net periodic postemployment benefit costs included in 1998 and 1997 operating expenses were \$1 million, respectively.

# St. Louis

BOARD OF DIRECTORS



**FROM LEFT TO RIGHT:** **Veo Peoples, Jr.** (Partner, Haverstock, Garrett and Roberts, St. Louis); **Bert Greenwalt** (Partner, Greenwalt Company, Hazen, Ark.); **Michael A. Alexander** (Chairman and President, First National Bank, Mt. Vernon, Ill.); **Charles W. Mueller**, Deputy Chairman (Chairman, President and CEO, Ameren Corporation, St. Louis); **Susan S. Elliott**, Chairman (Chairman and CEO, Systems Service Enterprises, Inc., St. Louis); **Thomas H. Jacobsen** (Chairman, President and CEO, Mercantile Bancorporation Inc., St. Louis); **W. D. Glover** (Chairman and CEO, First National Bank of Eastern Arkansas, Forrest City, Ark.); **Robert L. Johnson** (Chairman and CEO, Johnson Bryce Inc., Memphis); **Joseph E. Gliessner, Jr.** (Executive Director, New Directions Housing Corp., Louisville)

# Little Rock

BOARD OF DIRECTORS



**From left to right:** **Lawrence A. Davis, Jr.** (Chancellor, University of Arkansas at Pine Bluff, Pine Bluff, Ark.); **Diana T. Hueter**, Chairman (President and CEO, St. Vincent Health System, Little Rock); **Vick M. Crawley** (Plant Manager, Baxter Healthcare Corporation, Mountain Home, Ark.); **Lunsford W. Bridges** (President and CEO, Metropolitan National Bank, Little Rock); **Mark Simmons** (Chairman, Simmons Foods, Inc., Siloam Springs, Ark.); **Janet M. Jones** (President, The Janet Jones Company, Little Rock); **Not Pictured—Ross M. Whipple** (Chairman, Horizon Bank of Columbia County, Magnolia, Ark.)

# Louisville

BOARD OF DIRECTORS



**From left to right:** **Frank J. Nichols** (Chairman, President and CEO, Community Financial Services, Inc., Benton, Ky.); **Debbie Scoppechio** (Chairman and CEO, Creative Alliance, Inc., Louisville); **Larry E. Dunigan** (Chairman and CEO, Holiday Management Corp, Evansville, Ind.); **Roger Reynolds**, Chairman (President and CEO, Reynolds Coatings, LLC, Louisville); **Orson Oliver** (President, Mid-America Bank of Louisville, Louisville)

# Memphis

BOARD OF DIRECTORS



**From left to right:** Gregory M. Duckett (Senior Vice President and Corporate Counsel, Baptist Memorial Health Care Corporation, Memphis); Katie S. Winchester (President, CEO and Director, First Citizens National Bank, Dyersburg, Tenn.); E.C. Neely III (CEO, First American National Bank, Iuka, Miss.); Mike P. Sturdivant, Jr., Chairman (Partner, Due West, Glendora, Miss.); John C. Kelley, Jr. (President, Memphis Banking Group, First Tennessee Bank, Memphis); Carol G. Crawley (Vice President and Regional Manager, Mid-America Apartment Communities Inc., Memphis)

# Advisory Councils & Bank Officers

## Federal Advisory Council Member

**Katie S. Winchester**  
President, Chief Executive Officer  
and Director  
First Citizens National Bank  
Dyersburg, Tennessee

## District Advisory Council

### Agricultural

**Paul Combs**  
Vice President  
Baker Implement Company  
Kennett, Missouri

**Robert A. Cunningham**  
Valley Farms  
Bigbee Valley, Mississippi

**Joseph H. Spalding**  
Lebanon, Kentucky

### Small Business

**Gerald W. Clapp, Jr.**  
President/Owner  
Clapp Oldsmobile  
Clarksville, Indiana

**Ann Ross**  
Association of Retail Paper Stores  
St. Louis, Missouri

## Financial Services Advisory Group Members

**Camden Fine**  
President  
Midwest Independent Bank  
Jefferson City, Missouri

**Thomas Bangert**  
Senior Vice President  
First Banks, Inc.  
Creve Coeur, Missouri

**Phil Porter**  
President  
Arvest Bank Operations, Inc.  
Lowell, Arkansas

**Judy R. Loving**  
Chairman  
The Bank of Yellville  
Yellville, Arkansas

**Reynie Rutledge**  
Chairman  
First Security Bank  
Searcy, Arkansas

**Carolyn Betsy Hudson**  
Senior Vice President  
Bank of Benton  
Benton, Kentucky

**Don Hughes**  
President  
FCB Services Farmers Capital Bank Corporation  
Frankfort, Kentucky

**James Clayton**  
President  
Planters Bank and Trust Co.  
Indianola, Mississippi

**Rowe M. Belcher, Jr.**  
Executive Vice President  
Trust One Bank  
Germantown, Tennessee

## Bank Officers

### St. Louis Office

**William Pooler**  
President and Chief Executive Officer

**W. LeGrande Rives**  
First Vice President and  
Chief Operating Officer

**Karl W. Ashman**  
Senior Vice President

**Henry H. Bourgaux**  
Senior Vice President

**Joan P. Cronin**  
Senior Vice President

**Mary H. Karr**  
Senior Vice President,  
General Counsel and Secretary

**Robert H. Rasche**  
Senior Vice President and  
Director of Research

**Richard G. Anderson**  
Vice President

**John P. Baumgartner**  
Vice President

**John W. Block**  
Vice President

**Timothy A. Bosch**  
Vice President

**Marilyn K. Corona**  
Vice President

**Cletus C. Coughlin**  
Vice President

**William T. Gavin**  
Vice President

**R. Alton Gilbert**  
Vice President

**N. Lynn Greenwood**

Vice President

**Jean M. Lovati**

Vice President

**Michael J. Mueller**

Vice President

**Kim D. Nelson**

Vice President

**Michael D. Renfro**

General Auditor

**David A. Sapenaro**

Vice President

**Steven N. Silvey**

Vice President

**William J. Sneed**

Vice President

**Randall C. Sumner**

Vice President

**Daniel L. Thornton**

Vice President

**Dennis W. Blase**

Assistant Vice President

**Timothy C. Brown**

Assistant Vice President

**James B. Bullard**

Assistant Vice President

**Martin J. Coleman**

Assistant Vice President

**Judie A. Courtney**

Assistant Vice President

**Jeffrey M. Dale**

Assistant Vice President

**Hilary B. Debenport**

Assistant Vice President

**Edward A. Hopkins**

Assistant Vice President

**Patricia A. Marshall**

Assistant Vice President, Assistant  
General Counsel and Assistant  
Secretary

**Jerome J. McGunnigle**

Assistant Vice President

**John P. Merker**

Assistant Vice President

**Kathleen O'Neill Paese**

Assistant Vice President

**Frances E. Sibley**

Assistant Vice President

**Leisa J. Spalding**

Assistant Vice President &  
Assistant General Auditor

**Robert J. Taylor**

Assistant Vice President

**David C. Wheelock**

Assistant Vice President

**Carl K. Anderson**

Supervisory Officer

**Barkley E. Bailey**

Supervisory Officer

**Bernard E. Berns**

Public Affairs Officer

**Daniel P. Brennan**

Public Affairs Officer

**Diane B. Camerlino**

Assistant Counsel

**Michael W. DeClue**

Supervisory Officer

**Michael J. Dueker**

Research Officer

**Elizabeth A. Hayes**

Supervisory Officer

**W. Scott McBride**

Assistant Counsel

**Patricia S. Pollard**

Research Officer

**Joseph A. Ritter**

Research Officer

**Harold E. Slingerland**

Credit Officer

**Jeffrey L. Wann**

Technology Officer

### Little Rock Branch

**Robert A. Hopkins**

Vice President and Branch Manager

**Thomas R. Callaway**

Assistant Vice President

**Andrea S. Eddy**

Operations Officer

### Louisville Branch

**Thomas A. Boone**

Vice President and Branch Manager

**Ronald L. Byrne**

Vice President

**Thomas O. Short**

Assistant Vice President

### Memphis Branch

**Martha L. Perine Beard**

Vice President and Branch Manager

**John G. Holmes**

Assistant Vice President

**John W. Mitchell**

Assistant Vice President

*Thanks*

We would like to express our deepest gratitude to those members of our

Eighth District boards of directors who retired at the end of 1998.

Our appreciation and best wishes go out to John F. McDonnell,

who served for six years on the St. Louis board, including the past

three years as chairman. We also thank the following board members

for their years of distinguished service: Douglas M. Lester and Richard E. Bell

from St. Louis; Betta M. Carney and Mark A. Shelton, III, from Little Rock;

and John V. Myers and Anthony M. Rampley from Memphis.

## Operating Statistics

|   | Number handled |             | Dollar Amount (millions) |             |
|---|----------------|-------------|--------------------------|-------------|
|   | <u>1998</u>    | <u>1997</u> | <u>1998</u>              | <u>1997</u> |
| <b>Services to Depository Institutions:</b> |                |             |                          |             |
| Check Services:                             |                |             |                          |             |
| U.S. government checks                      | 26,549,000     | 24,937,000  | \$ 23,166                | \$ 20,346   |
| Postal money orders                         | 212,691,000    | 203,693,000 | 28,469                   | 26,464      |
| Commercial                                  | 997,262,000    | 889,178,000 | 511,055                  | 447,523     |
| ACH commercial items originated             | 148,700,449    | 132,877,974 | 268,435                  | 271,629     |
| U.S. government coupons paid                | 3,308          | 5,104       | 1                        | 2           |
| Currency received and counted               | 957,663,000    | 926,091,000 | 12,540                   | 12,751      |
| Wire transfer of funds                      | 4,805,590      | 4,224,846   | 6,811,129                | 6,189,319   |
| Loans to depository institutions            | 826            | 681         | 923                      | 981         |
| <b>Services to U.S. Treasury:</b>           |                |             |                          |             |
| Transfer of government securities           | 164,870        | 152,705     | 381,857                  | 252,714     |
| Food stamps redeemed                        | 98,135,000     | 223,239,000 | 504                      | 1,081       |

## The Federal Reserve Bank of St. Louis

The Federal Reserve Bank of St. Louis is one of 12 regional Reserve Banks, which together with the Board of Governors make up the nation's central bank. The Fed carries out U.S. monetary policy, regulates certain depository institutions, provides wholesale-priced services to banks and acts as fiscal agent for the U.S. Treasury. The St. Louis Fed serves the Eighth Federal Reserve District, which includes all of Arkansas, eastern Missouri, southern Indiana, southern Illinois, western Kentucky, western Tennessee and northern Mississippi. Branch offices are located in Little Rock, Louisville and Memphis.

### The Federal Reserve Bank of St. Louis

411 Locust Street  
St. Louis, Missouri 63102  
314-444-8444

### Little Rock Branch

325 West Capitol Avenue  
Little Rock, Arkansas 72201  
501-324-8300

### Louisville Branch

410 S. Fifth Street  
Louisville, Kentucky 40202  
502-568-9200

### Memphis Branch

200 N. Main Street  
Memphis, Tennessee 38103  
901-523-7171

This report is also available on the internet at [www.stls.frb.org](http://www.stls.frb.org).