



Federal Reserve Bank of Minneapolis

2007
Operations
Report

Message from the First Vice President



In the coming years, the Federal Reserve System faces significant challenges and uncertainties as it seeks to fulfill its mission to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payments systems. Financial market developments, declining paper check volumes, continued financial industry consolidation, security concerns, and the pace of technological change will all pose challenges for the Federal Reserve in carrying out its responsibilities.

In response to these challenges, the Federal Reserve Bank of Minneapolis remains focused on effectively executing its strategic plan, which is directed at ensuring all System objectives are met while also maximizing the Bank's operational efficiency and quality of service delivery. In addition, the Bank continues to seek opportunities to make important System contributions and pursue new business activities. In 2007, the Bank's many achievements demonstrate our effectiveness in executing our strategic plan and building on our strengths.

□ Overall, Bank performance was strong in 2007. Bank expenses were below budgeted levels after adjusting for unplanned costs related to the System decisions to consolidate the Minneapolis check and the Federal Reserve–Electronic Tax Application operations. Revenue for priced services exceeded plan. Most efficiency measures in the check and cash operations were better than plan, and the Bank

met nearly all quality measures. The Board of Governors 2007 Review noted that all areas examined were well controlled.

□ The Bank continued to lead the Financial Services Policy Committee (the Federal Reserve System's payments policymaking arm) and the Financial Services Council effectively, as evidenced by meeting their respective high priority objectives. The Bank received favorable feedback on its leadership from other Reserve Banks and the Product and Support Offices.

□ The Bank pursued several initiatives as part of its continuing commitment to advance research and economic and financial literacy, as well as to increase awareness of community development issues. Policy contributions included publication of a number of scholarly articles by the Bank's economists and advisers. In addition, the Research department published a book of groundbreaking papers titled *Great Depressions of the Twentieth Century*.

□ Challenges in 2007 included the consolidation of the Helena Branch check operations into Denver and the decision to consolidate the Minneapolis check operations into Cleveland in 2009. Helena successfully transitioned to a substitute check print operation in October 2007, and efforts are well under way for the Minneapolis consolidation, with particular emphasis on providing assistance to the affected staff.

□ FedACH launched phase one of a multiyear initiative to modernize its core payments software and processing platform using distributed technologies. Accomplishments included business process model-

2007 by the Numbers

In 2007, the Federal Reserve Bank of Minneapolis processed:

- 10.6 billion ACH (Automated Clearing House) payments worth approximately \$18.4 trillion. FedACH is a nationwide system, developed and operated by Minneapolis staff on behalf of the entire Federal Reserve System, which provides the electronic exchange of debits and credits.
- 825 million check items worth \$1.2 trillion; 52 percent of the items were received electronically.
- \$10.3 billion of excess currency deposited by financial institutions, destroyed \$939 million of worn and torn currency, and shipped \$11.7 billion of currency to financial institutions.
- Forms, tenders, account maintenance and other customer transactions for 365,000 active Legacy Treasury Direct accounts for individuals holding Treasury securities totaling \$70 billion, and 3.7 million savings bond purchase requests worth \$2.0 billion, as one of two Treasury Retail Securities sites in the Federal Reserve System.
- 219,000 transaction items worth more than \$519 billion through FR-ETA (Federal Reserve-Electronic Tax Application), a same-day payment mechanism, hosted by the Minneapolis Fed, for businesses paying federal taxes via their financial institutions.

ing, technology research, and staff training. Also, FedACH assumed new line management responsibility for Atlanta-based Customer Operations Sites and CBAFs, which mirror operations in Minneapolis.

□ The Supervision, Regulation, and Credit (SRC) Division provided effective oversight of the District's only large complex banking organization and devoted considerable supervisory resources to areas of highest risk. SRC complied with all System policies and guidelines and had no material shortcomings in meeting reporting deadlines or internal metrics for ongoing operations. Three operations reviews conducted by the Board of Governors were favorable, and there were no findings on SRC's Credit, Payments System Risk, and Reserves operations.

□ The Bank was awarded responsibility for maintaining and enhancing the System's Technology Project Standards. Bank staff also led a key portion of the Information Technology Cost Allocation Study effort. SRC partnered with the Customer Contact Center to develop and implement Federal Reserve Consumer Help, a System resource center for consumers who have questions or concerns about banking-related matters.

□ The Bank is the host site for the Learning Management Support Office (LMSO), which has responsibility for implementing and supporting FedLearn. Implementation of FedLearn was successfully completed on schedule and within the approved budget. All Reserve Banks and business lines use FedLearn for course administration and to deliver eLearning. The LMSO was also selected to deploy FedLearn at the Board.

The Bank's success in 2007 is a result of the diligence and strong commitment to excellence by our employees and Board of Directors. Together we will continue to effectively implement our strategic plan, build on our strengths, and address the many challenges we face while also carrying out the Federal Reserve System's mission to foster stability, integrity, and efficiency in the nation's monetary, financial, and payments systems.



James M. Lyon
First Vice President