

Federal Reserve Bank of Minneapolis

2008

Operations
Report

Message from the First Vice President



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. Over the past 18 months, the Federal Reserve System has taken unprecedented actions to respond to the financial and economic crisis through easing of monetary policy and the introduction of several new lending facilities.

During these times of uncertainty, 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 opportunities. For 2008, the Bank's many achievements demonstrate our effectiveness in executing our strategic plan and building on our strengths.

■ Overall, Bank performance was strong in 2008. Bank expenses were below budgeted levels, all efficiency measures in the check and cash operations were better than plan, and the Bank met nearly all quality measures. Our check operations met the Retail Payments Office's cost target. However, the sales revenue target was not fully achieved due to a more rapid transition to electronic check processing by our customers than assumed in our plans.

■ The Bank effectively led the Financial Services Policy Committee (the Federal Reserve System's payments policymaking arm) and the Financial Services Council, as evidenced by the achievement of all of their high priority objectives, except full cost recovery in Check.

■ The Bank pursued several initiatives as part of its continuing commitment to advance economic research and financial literacy, as well as to increase awareness of community development issues. In particular, the Bank's analysis and recommendations to better manage the too-big-to-fail problem have received increased attention given financial market developments. A number of scholarly articles published by the Bank's economists and advisers helped promote understanding of other policy issues.

■ One of our key challenges in 2008 was the need to accelerate the planned consolidation of our check operations as paper check processing volumes declined at a faster rate than expected. The check operations in Minneapolis transitioned from a full service paper and electronic check processing operation to a more limited capture/print operation during the fourth quarter of 2008.

2008 by the Numbers

In 2008, the Federal Reserve Bank of Minneapolis processed:

- 11.4 billion ACH (Automated Clearing House) payments worth approximately \$19.8 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.
- 850 million check items worth \$810 million; 80 percent of the items were received electronically.
- \$10.5 billion of currency deposits from financial institutions, destroyed \$963 million of worn and torn currency, and shipped \$12.4 billion of currency to financial institutions.
- Tenders, account maintenance, forms, and other customer transactions for 319,000 active Legacy Treasury Direct accounts for individuals holding Treasury securities totaling \$62 billion, and 3.6 million savings bond purchase requests worth \$1.8 billion, as one of two Treasury Retail Securities sites in the Federal Reserve System.
- 209,700 transaction items valued at \$505 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.

■ The Supervision, Regulation, and Credit Division focused its efforts on the oversight of the District's only large complex banking organization and prompt identification and redress of the areas of greatest risk in the financial institutions under supervision.

■ The Bank manages several key System operational responsibilities including FedACH Support Services, Treasury Services, Electronic Access Customer Contact Center, FedMail/FedPhone Leadership Center, Learning Management Support Office, and Technology Project Standards Office. The Bank met expectations for these responsibilities as defined by System performance metrics and corroborated by feedback from other Federal Reserve Banks and Product Offices.

The Bank's success in 2008 is a result of the strong commitment by our employees to excellence and the Bank's core values. Looking to the future, we will strive to sustain this commitment, successfully meet the challenges that lie ahead, and thereby continue to support 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