

Federal Reserve Bank of Minneapolis

2009 Operations Report

Message from the First Vice President



For the Federal Reserve Bank of Minneapolis (Bank) and the entire Federal Reserve System (System), 2009 was a year like few others. As 2009 dawned, we were mired in the deepest recession since the Great Depression and struggling with severe disruptions in financial markets. Given our mission to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payments systems to promote optimal economic performance, circumstances called for extraordinary measures and the System responded with a number of new initiatives. The System introduced a variety of special liquidity facilities to address disruptions in normal market functioning. The System undertook a program of large-scale asset purchases to further its monetary policy objectives after having lowered short-term interest rates as far as possible. The System stress tested the balance sheets of large financial firms to assess the adequacy of their capitalization. While some of these initiatives worked better than others, the overall impact has clearly been positive.

Throughout 2009, the outlook gradually improved. Financial markets began to function more normally, although strains remain. The economic

outlook has improved, although unemployment remains extremely high and foreclosures continue at record rates. Financial firms began to pay back government support, but the outlook is for bank failures to continue at an elevated level. Our attention has now turned to the manner in which the System will wind down the special liquid-

ity facilities, reduce the size of its balance sheet, and allow financial firms to repay government support.

In 2009, the Bank also experienced major change. Gary Stern retired as the second-longest-serving president in the history of the System, and we welcomed his successor, Narayana Kocherlakota.

During these times of unprecedented challenges, the Bank remains focused on effectively executing its strategic plan, which is directed at ensuring that 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 that align with our operational expertise and managerial skills. For 2009, the Bank's many achievements demonstrate our effectiveness in executing our strategic plan and building on our strengths.

2009 by the Numbers


In 2009, 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.
- \$441 million of electronic check transactions.
- \$10.5 billion of currency deposits from financial institutions, destroyed \$999 million of worn and torn currency, and shipped \$11.8 billion of currency to financial institutions.
- Tenders, account maintenance, forms, and other customer transactions for 265,000 active Legacy Treasury Direct accounts for individuals holding Treasury securities totaling \$50 billion, and 3.1 million savings bond purchase requests worth \$1.4 billion, as one of two Treasury Retail Securities sites in the Federal Reserve System.
- 204,700 transaction items valued at \$452 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.

- Overall, Bank performance was strong in 2009. Bank expenses were below budgeted levels, and the Bank met nearly all efficiency and quality measures.
- The Bank successfully completed the consolidation of most of its remaining check processing operations as part of the Systemwide transition from paper to electronic check processing.
- The Bank effectively led the Financial Services Policy Committee (the Federal Reserve System's payments policymaking arm) until Gary Stern's retirement in September 2009, when leadership transferred to the Federal Reserve Bank of Cleveland.
- 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 advanced recommendations to improve macroprudential supervision and address the too-big-to-fail issue. *The Region* featured interviews with key economists and policymakers, including Paul Volcker. Bank economists and advisers published a number of scholarly articles that helped promote understanding of other policy issues.

- The Supervision, Regulation, and Credit Division effectively focused its efforts on the prompt identification and redress of the areas of greatest risk in the financial institutions under supervision.
- The Bank has a number of key System operational responsibilities, and it met expectations for these responsibilities as defined by System performance metrics and corroborated by feedback from other Federal Reserve Banks and Product Offices.
- In late 2009, the Bank successfully bid to become one of two Reserve Banks responsible for providing systemwide IT help desk support, as the System consolidates this function to improve efficiency and effectiveness.

The Bank's success in meeting the challenges of this past year 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 System's mission to foster stability, integrity, and efficiency in the nation's monetary, financial, and payments systems to promote optimal economic performance.



James M. Lyon
First Vice President