Announcements

Federal Open Market Committee Statements

The Federal Open Market Committee decided on August 10, 2004, to raise its target for the federal funds rate 25 basis points, to 1½ percent.

The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. In recent months, output growth has moderated and the pace of improvement in labor market conditions has slowed. This softness likely owes importantly to the substantial rise in energy prices. The economy nevertheless appears poised to resume a stronger pace of expansion going forward. Inflation has been somewhat elevated this year, though a portion of the rise in prices seems to reflect transitory factors.

The Committee perceives the upside and downside risks to the attainment of both sustainable growth and price stability for the next few quarters are roughly equal. With underlying inflation still expected to be relatively low, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability.

Voting for the FOMC monetary policy action were: Alan Greenspan, Chairman; Timothy F. Geithner, Vice Chairman; Ben S. Bernanke; Susan S. Bies; Roger W. Ferguson, Jr.; Edward M. Gramlich; Thomas M. Hoenig; Donald L. Kohn; Cathy E. Minehan; Mark W. Olson; Sandra Pianalto; and William Poole.

In a related action, the Board of Governors unanimously approved a 25 basis point increase in the discount rate, to 2½ percent. In taking this action, the Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

The Federal Open Market Committee decided on September 21, 2004, to raise its target for the federal funds rate 25 basis points, to 1¾ percent.

The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. After moderating earlier this year, partly in response to the substantial rise in energy prices, output growth appears to have regained some traction, and labor market conditions have improved modestly. Despite the rise in energy prices, inflation and inflation expectations have eased in recent months.

The Committee perceives the upside and downside risks to the attainment of both sustainable growth and price stability for the next few quarters to be roughly equal. With underlying inflation expected to be relatively low, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability.

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Proposed Amendments to Regulation E

The Federal Reserve Board on September 13, 2004, requested public comment on proposed amendments to Regulation E (Electronic Fund Transfers), which implements the Electronic Fund Transfer Act, and the regulation's official staff commentary. The proposed revisions to the regulation would provide guidance regarding the rights, liabilities, and responsibilities of parties engaged in electronic check conversion transactions and would provide that payroll card accounts are accounts covered by Regulation E.

Among the proposed changes, persons, such as merchants and other payees, that use information from a check to initiate an electronic fund transfer from a consumer's account, would be required to provide notice to the consumer for each electronic fund transfer and obtain the consumer's authorization for the transaction. Currently, merchants and other payees that engage in electronic check-conversion transactions are not covered by Regulation E.

In addition, the regulation would be revised to provide that payroll card accounts that are established either directly or indirectly by an employer on behalf of a consumer for the purpose of providing salary, wages, or other employee compensation on a recurring basis are covered by Regulation E. A payroll card account would be subject to the regulation whether the account is operated or managed by the employer, a third-party payroll processor, or a depository institution.

Proposed commentary revisions would provide guidance on preauthorized electronic transfers from a consumer's account, additional electronic check conversion issues, error resolution, and other matters. Comments were due November 19, 2004.

Amendments to Regulation CC, Appendix A

The Federal Reserve Board on September 22, 2004, provided information about future amendments to appendix A of Regulation CC (Availability of Funds and Collection of Checks) that the Board will make in 2005 through early 2006 to reflect the restructuring of the Federal Reserve's check-processing operations.

Appendix A provides a routing number guide that helps depository institutions determine the maximum permissible hold periods for most deposited checks. Collectively, the amendments will reduce the number of check-processing regions listed in the appendix from thirty-two to twenty-three, resulting in some nonlocal checks in the affected regions becoming local checks that are subject to faster availability schedules. The Board intends to publish each amendment in the *Federal Register* at least sixty days before the effective date to allow ample time for depository institutions to make necessary changes.

The Board on September 22, 2004, also approved a final rule that deletes the reference in appendix A to the Indianapolis check-processing office of the Federal Reserve Bank of Chicago and reassigns the Federal Reserve routing symbols currently listed under that office to the Cincinnati office of the Federal Reserve Bank of Cleveland. As of October 30, 2004, the Chicago Reserve Bank's Indianapolis office no longer processes checks, and banks that were served by that office have been reassigned to the Cleveland Reserve Bank's Cincinnati office. To coincide with the effective date of the underlying check-processing changes, the final rule became effective October 30, 2004. As a result of these changes, some checks deposited in the affected regions that were nonlocal checks have become local checks that are subject to shorter permissible hold periods.

The final rule deleting the reference in appendix A to the Indianapolis office is the last in a series of amendments to the appendix associated with the restructuring of check-processing operations that the Reserve Banks announced in February 2003. That phase of restructuring resulted in the number of check-processing regions listed in the appendix being reduced from forty-four to thirty-two.

Revisions to Policy Statement on Payments System Risk

The Federal Reserve Board on September 23, 2004, announced that it has revised its Policy Statement on Payments System Risk concerning interest and redemption payments on securities issued by government-sponsored enterprises (GSEs) and certain international organizations.

The Reserve Banks are currently processing and posting these payments to depository institutions' Federal Reserve accounts by 9:15 a.m. eastern standard time, the same posting time as for U.S. Treasury securities' interest and redemption payments, even if the issuer has not fully funded its payments.

The revised policy requires that, beginning July 20, 2006, Reserve Banks will release these interest and redemption payments as directed by the issuer provided the issuer's Federal Reserve account contains sufficient funds to cover them. Although the issuer will determine the timing of these payments during the day, each issuer will be required to fund its interest and redemption payments by 4:00 p.m. eastern standard time for the payments to be processed that day.

To promote a smooth transition to the new policy, the Federal Reserve will coordinate an industry working group through the Federal Reserve Banks' Wholesale Product Office in New York. Organizations that commented on the planned policy changes, members of those organizations, and fiscal principals to whom the policy applies will be invited to participate.

Also beginning July 20, 2006, the revised policy will align the treatment of the general corporate account activity of GSEs and certain international organizations with the treatment of activity of other account holders that do not have regular access to the discount window and thus are not eligible for intraday credit. Such treatment will include applying a penalty fee to daylight overdrafts resulting from these entities' general corporate payment activity.

The revised policy contains other modifications to reflect the recent changes to the operating hours of the online Fedwire Funds Service, and to clarify, update, or remove items that have become outdated. These revisions were effective immediately.

By law, Reserve Banks act as fiscal agents for the following GSEs and international organizations: Fannie Mae; the Federal Home Loan Mortgage Corporation; entities of the Federal Home Loan Bank System; the Farm Credit System; the Federal Agricultural Mortgage Corporation; the Student Loan Marketing Association; the Financing Corporation; the Resolution Funding Corporation; the World Bank; the Inter-American Development Bank; the Asian Development Bank; and the African Development Bank.

Amendments to Regulation J

The Federal Reserve Board on October 22, 2004, announced final amendments to Regulation J (Collection of Checks and Other Items by Federal Reserve Banks), which governs Reserve Banks' collection of checks and other cash items. The final amendments ensure that Regulation J covers the entire range of check-processing services that the Reserve Banks now offer since the Check Clearing for the 21st Century Act became effective on October 28, 2004.

The Check 21 Act permits banks to use substitute checks in place of original checks in the check-collection or return process. The act does not require any bank to accept checks electronically, although it facilitates the use of electronic transmission between banks that choose to do so. In light of the Check 21 Act, the Reserve Banks plan to offer a wider range of electronic check-processing services, including accepting items in electronic form for collection and return. The final amendments therefore bring electronic items within the coverage of Regulation J. The final amendments also establish new warranties and indemnities that apply to electronic items handled by a Reserve Bank and that are not subject to warranties and indemnities under other law. The final amendments became effective on October 28, 2004, coinciding with the effective date of the Check 21 Act.

Study of Investigation Adequacy

The Federal Reserve Board on August 5, 2004, announced that it is conducting a study on the adequacy of investigations of disputed consumer information reported to consumer reporting agencies. In connection with the study, the Board is soliciting public comment on issues that will assist in the preparation of the study.

The Fair and Accurate Credit Transactions Act of 2003 (FACT Act), which generally amends the Fair Credit Reporting Act (FCRA), requires the Board and the Federal Trade Commission to conduct a joint study of the extent to which consumer reporting agencies and furnishers of information to consumer reporting agencies comply with certain FCRA requirements. The study will focus on (1) the prompt investigation of disputed information, (2) the completeness of information reported to consumer reporting agencies, and (3) the prompt correction or deletion of any information that cannot be verified.

The FACT Act also requires that the study, which must be submitted to the Congress by December 4, 2004, include recommendations for appropriate legislative and regulatory action. Comments were due by September 17, 2004.

Annual Adjustment of Fee-Based Trigger Amount for Additional Disclosure Requirements

The Federal Reserve Board on August 12, 2004, published its annual adjustment of the dollar amount that triggers additional disclosure requirements under the Truth in Lending Act for home mortgage loans that bear rates or fees above a certain amount.

The dollar amount of the fee-based trigger has been adjusted to $510 for 2005 based on the annual percentage change reflected in the consumer price index that was in effect on June 1, 2004. The adjustment is effective January 1, 2005.

The Home Ownership and Equity Protection Act of 1994 restricts credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed the fee-based trigger (initially set at $400 and adjusted annually) or 8 percent of the total loan amount, whichever is larger.

Release of Annual Adjustments for Reserve Calculations and Deposit Reporting

The Federal Reserve Board on October 6, 2004, announced the annual indexing of the low reserve tranche and of the reserve requirement exemption amount for 2005. These amounts are used in the calculation of reserve requirements of depository institutions. The Board also announced the annual indexing of the non-exempt deposit cutoff level and the reduced reporting limit that will be used to determine deposit reporting panels, effective September 2005.

All depository institutions must hold a percentage of certain types of deposits as reserves in the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-through account at a correspondent institution. Reserve requirements currently are assessed on the depository institution's net transaction accounts (mostly checking accounts). Depository institutions must also regularly submit deposit reports of their deposits and other reservable liabilities.

For net transaction accounts in 2005, the first $7.0 million, up from $6.6 million in 2004, will be exempt from reserve requirements. A 3 percent reserve ratio will be assessed on net transaction accounts more than $7.0 million—up to and including $47.6 million, which is up from $45.4 million in 2004. A 10 percent reserve ratio will be assessed on net transaction accounts in excess of $47.6 million.

These annual adjustments, known as the low reserve tranche adjustment and the reserve requirement exemption amount adjustment, are based on growth in net transaction accounts and total reservable liabilities, respectively, at all depository institutions between June 30, 2003, and June 30, 2004.

For depository institutions that report weekly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the fourteen-day reserve computation period that began Tuesday, November 23, 2004, and the corresponding fourteen-day reserve maintenance period that begins Thursday, December 23, 2004.

For depository institutions that report quarterly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the seven-day reserve computation period that begins Tuesday, December 21, 2004, and the corresponding seven-day reserve maintenance period that begins Thursday, January 20, 2005.

The Board also announced increases in two other amounts, the non-exempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency with which depository institutions must submit deposit reports.

Comment Requested on Proposal to Discontinue FRB Services for Definitive Municipal Securities

The Federal Reserve Board on October 14, 2004, requested comment on a proposal for the Federal Reserve Banks to stop providing services to depository institutions for the collection of definitive municipal securities at the end of 2005. The proposal to exit this service is prompted by the declining volume of definitive municipal securities, the Reserve Banks' expected underrecovery of costs for providing the service in future years, and the availability of reasonable private-sector alternatives.

The Reserve Banks' noncash collection service involves the collection and processing of definitive municipal bonds and coupons issued by state and local governments. Definitive municipal securities are registered or bearer bonds that have been issued with interest coupons in certificated or physical form. The volume of these securities has declined over the years as a result of legal and market changes. Over the past five years, volume has decreased an average of 20 percent annually and is expected to decline one-third in 2005. The declining volume has reduced service revenue for the Reserve Banks. However, service costs remain largely fixed because of the strict custody control requirements for handling physical securities. Although the Reserve Banks have recovered the costs of their noncash collection service over the long run, they project a significant underrecovery of costs beginning in 2005 even if the fees they charge depository institutions are increased.

If the Reserve Banks withdraw from the service, depository institution customers would have several reasonable, private-sector options available for processing definitive municipal securities such as through the Depository Trust Company, correspondent banks, or direct presentment to the paying agents. Collectively these alternatives would be expected to provide an adequate level of service nationwide. Comment is requested by December 20, 2004.

Appointment of Chairmen and Deputy Chairmen of the Federal Reserve Banks

The Federal Reserve Board on October 27, 2004, announced the appointment of the chairmen and deputy chairmen of the twelve Federal Reserve Banks for 2005.

Each Reserve Bank has a nine-member board of directors. The Board of Governors in Washington appoints three of these directors and each year designates one of its appointees as chairman and a second as deputy chairman.

Following are the names of the chairmen and deputy chairmen appointed by the Board for 2005:

Boston
Samuel O. Thier, M.D., professor of medicine and professor of health care policy, Harvard Medical School, Massachusetts General Hospital, Boston, Massachusetts, renamed chairman.
Blenda J. Wilson, president and chief executive officer, Nellie Mae Education Foundation, Quincy, Massachusetts, renamed deputy chairman.

New York
John E. Sexton, president, New York University, New York, New York, renamed chairman.
Jerry I. Speyer, president and chief executive officer, Tishman Speyer Properties, New York, New York, renamed deputy chairman.

Philadelphia
Ronald J. Naples, chairman and chief executive officer, Quaker Chemical Corporation, Conshohocken, Pennsylvania, renamed chairman.
Doris M. Damm, president and chief executive officer, ACCU Staffing Services, Cherry Hill, New Jersey, renamed deputy chairman.

Cleveland
Robert W. Mahoney, retired chairman and chief executive officer, Diebold, Incorporated, Canton, Ohio, renamed chairman.
Charles E. Bunch, president and chief operating officer, PPG Industries, Inc., Pittsburgh, Pennsylvania, renamed deputy chairman.

Richmond
Thomas J. Mackell, Jr., president and chief operating officer, The Kamber Group, Washington, D.C., named chairman.
Theresa M. Stone, chief financial officer, Jefferson-Pilot Corporation, and president, Jefferson-Pilot Communications Company, Greensboro, North Carolina, named deputy chairman.

Atlanta
David M. Ratcliffe, chairman, president, and chief executive officer, Southern Company, Atlanta, Georgia, renamed chairman.
V. Larkin Martin, managing partner, Martin Farm, Courtland, Alabama, renamed deputy chairman.

Chicago
W. James Farrell, chairman and chief executive officer, Illinois Tool Works, Inc., Glenview, Illinois, renamed chairman.
Miles D. White, chairman and chief executive officer, Abbott Laboratories, Abbott Park, Illinois, renamed deputy chairman.

St. Louis
Walter L. Metcalfe, Jr., chairman, Bryan Cave LLP, St. Louis, Missouri, renamed chairman.
Gayle P.W. Jackson, managing director, FondElec Clean Energy Group, Inc., St. Louis, Missouri, renamed deputy chairman.

Minneapolis
Linda Hall Whitman, chief executive officer, MinuteClinic, Minneapolis, Minnesota, renamed chairman.
Frank L. Sims, corporate vice president, Transportation, Cargill, Inc., Wayzata, Minnesota, renamed deputy chairman.

Kansas City
Robert A. Funk, chairman of the board and chief executive officer, Express Personnel Services International, Oklahoma City, Oklahoma, named chairman.
Richard H. Bard, chairman and chief executive officer, International Surface Preparation Corporation, Golden, Colorado, named deputy chairman.

Dallas
Ray L. Hunt, chairman, president, and chief executive officer, Hunt Consolidated, Inc., Dallas, Texas, renamed chairman.
Patricia M. Patterson, president, Patterson Investments, Inc., Dallas, Texas, renamed deputy chairman.

San Francisco
George M. Scalise, president, Semiconductor Industry Association, San Jose, California, renamed chairman.
David K.Y. Tang, partner, Preston, Gates and Ellis LLP, Seattle, Washington, named deputy chairman.

Federal Reserve Banks Announce Changes to Increase Efficiency in Check Services

The Federal Reserve Banks on August 2, 2004, announced further changes to increase the efficiency of their check-processing operations while maintaining high-quality services to depository institutions throughout the country. Check-processing operations at nine sites will be discontinued and the volumes at these sites shifted to other Federal Reserve locations. These changes will take place through 2005 and early 2006, and they respond to the nation's increasing substitution of electronic payments for paper checks. This announcement follows the Reserve Banks' June 16, 2004, announcement of a strategy to meet the evolving demands of the payments system.

The Reserve Banks will continue providing check services to customers nationwide. However, by decreasing the number of check-processing locations and increasing capacity at other sites, the Reserve Banks will reduce their check service operating costs in line with the ongoing shift in consumer and business preferences for electronic payments.

"These changes are intended to improve the efficiency of our check operations while maintaining high-quality check services to depository institutions nationwide," said Gary Stern, chairman of the Reserve Banks' Financial Services Policy Committee and president of the Federal Reserve Bank of Minneapolis. "But streamlining our check infrastructure is only part of the Reserve Banks' strategy to improve efficiency; for example, we are also launching new products and services to support the implementation of the Check 21 Act in October 2004."

As previously announced in early 2003, the Reserve Banks are also undergoing a restructuring of their check operations from forty-five to thirty-two sites by the end of 2004. This new restructuring will reduce that number to twenty-three by early 2006. The implementation schedule for this new round of restructuring changes will be determined within the next several months. Also, as previously announced, the Reserve Banks will continue to review their check-processing operations each year and undertake further restructurings as necessary.

The new round of restructurings will mean the transfer of check operations as shown in the following table:

Offices where check operations will close	Offices where check operations will move
Boston, Massachusetts	Windsor Locks, Connecticut
Columbus, Ohio	Cleveland, Ohio
Birmingham, Alabama	Atlanta, Georgia
Nashville, Tennessee	Atlanta, Georgia
Detroit, Michigan	Cleveland, Ohio
Oklahoma City, Oklahoma	Dallas, Texas
Houston, Texas	Dallas, Texas
Portland, Oregon	Seattle, Washington
Salt Lake City, Utah	Denver, Colorado

"As we've been saying for some time and as the financial services industry realizes, not only are fewer checks being written, but paper checks are increasingly giving way to electronic alternatives," said Stern. "While this makes for an increasingly efficient payments system, it also means that we must shift work among offices and, unfortunately, some dedicated staff will lose their jobs."

As a result of these changes, the Reserve Banks will reduce their overall check staff on net about 270, representing about 6 percent of their current check employees. In the offices where check processing will be eliminated, about 640 positions will be affected. Some staff reductions may occur through attrition and there may be some opportunities for reassignment. In addition, the Reserve Banks estimate that they will add about 370 positions at the offices that will continue to process checks.

As with their current restructuring effort, the Reserve Banks will offer a variety of programs to affected staff, including separation packages, extended medical coverage, and career transition assistance.

In 2003 Reserve Banks' check volume declined at about a 5 percent rate. During 2004 check volumes have declined at an accelerated pace, and such declines are expected to continue in coming years. A 2001 Federal Reserve study revealed that about 42 billion checks were written in the United States in 2000, down from about 50 billion in 1995. The Reserve Banks will continue to assist the nation's financial services industry by conducting research related to the nation's payments system. The results of the most recent payments study will be available later in 2004.

The Federal Reserve Banks' long-term check-processing strategy will allow them to better meet the expectations of the 1980 Monetary Control Act. That act requires the Federal Reserve to set prices to recover, over the long run, its total operating costs of providing payment services to depository institutions, as well as the imputed costs it would have incurred and the imputed profits it would have expected to earn had the services been provided by a private business firm.

Banking Agencies Issue Host State Loan-to-Deposit Ratios

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency on August 26, 2004, issued the host state loan-to-deposit ratios that the banking agencies will use to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994. These ratios update data released on May 22, 2003.

In general, section 109 prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Section 109 also prohibits branches of banks controlled by out-of-state bank holding companies from operating primarily for the purpose of deposit production.

Section 109 provides a process to test compliance with the statutory requirements. The first step in the process involves a loan-to-deposit ratio screen that compares a bank's statewide loan-to-deposit ratio to the host state loan-to-deposit ratio for banks in a particular state.

A second step is conducted if a bank's statewide loan-to-deposit ratio is less than one-half of the published ratio for that state or if data are not available at the bank to conduct the first step. The second step requires the appropriate banking agency to determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches.

A bank that fails both steps is in violation of section 109 and is subject to sanctions by the appropriate banking agency.

Implementation of Web-Based Central Data Repository

The federal banking agencies announced on August 31, 2004, that they will target implementation of the Central Data Repository (CDR) for one of the first two Call Report periods of 2005. A specific date will be announced by the end of 2004.

Originally scheduled for implementation in October 2004, the system's start date was postponed last month to address industry feedback and to allow more time for testing and enrollment. The decision to delay implementation beyond 2004 was made to ensure that rollout of the new system would not increase burden for those bankers with additional reporting requirements at the end of 2004.

The agencies and industry focus groups are currently evaluating the schedule and will post detailed information and a new timeline on the Federal Financial Institutions Examination Council's (FFIEC) website, www.FFIEC.gov/FIND, later in 2004. In the meantime, banks will continue to file their Call Report data in the same manner that they have been and the agencies will continue to process Call Report data using their existing processing systems.

The agencies have been considering Call Report changes that may be introduced in 2005. Information on any proposed revisions to the Call Report will be released separately from the announcement of the updated schedule for the CDR.

The CDR is an Internet-based system created to modernize and streamline the way that agencies collect, validate, and distribute financial data or *Call Reports*, submitted by banks. This initiative—the Call Report Modernization Project—is an interagency effort under the auspices of the FFIEC. Additional project details and other important information are posted on the FFIEC's website at www.FFIEC.gov/FIND.

Agencies Publish Brochure about Internet Phishing

The federal bank, thrift institution, and credit union agencies on September 8, 2004, announced the publication of a brochure with information to help consumers identify and combat a new type of Internet scam known as *phishing*.

The term is a play on the word *fishing*, and that is exactly what Internet thieves are doing—fishing for confidential financial information, such as account numbers and passwords. With enough information, a con artist can run up bills on another person's credit card or, in the worst case, even steal that person's identity.

In a common type of phishing scam, individuals receive e-mail messages that appear to come from their financial institution. The e-mail message may look authentic, right down to the use of the institution's logo and marketing slogans. They often describe a situation that requires immediate attention and then warn that the account will be terminated unless the recipient verifies their account information immediately by electronically selecting a provided link.

The link will take the e-mail recipient to a screen that asks for account information. While it may appear to be a page sponsored by a legitimate financial institution, the information will actually go to the con artist who sent the e-mail message.

The federal financial regulatory agencies want consumers to know that they should never respond to such requests. No legitimate financial institution will ever ask its customers to verify their account information online.

The brochure also suggests the following to consumers:

- Never electronically select a link provided in an e-mail message if there is reason to believe it is fraudulent. The link may contain a virus.
- Do not be intimidated by e-mail messages that warn of dire consequences if their instructions are not followed.
- If there is a question about whether the e-mail message is legitimate, go to the company's website by typing in a site address that you know is legitimate.

• If you fall victim to a phishing scam, act immediately to protect yourself by alerting your financial institution, placing fraud alerts on your credit files, and monitoring your account statements closely.

• Report suspicious e-mail messages or calls to the Federal Trade Commission through the Internet at www.consumer.gov/idtheft, or by calling 1-877-IDTHEFT.

The interagency brochure is available on each agency's website and financial institutions are encouraged to download the camera-ready file for use in their own customer-education programs.

Results of the Shared National Credit Review of Syndicated Bank Loans

The quality of large syndicated bank loans showed marked improvement this year, according to the Shared National Credit (SNC) review released on September 15, 2004, by federal bank and thrift institution regulators.[1] Adversely rated loans continue to subside, although certain industries continue to have a high concentration of them.

The results—reported by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision—are based on analyses prepared in the second quarter of 2004 and reflect business and economic conditions at that time.

Total loan commitments classified as either substandard, doubtful, or loss fell $78.2 billion, or 51 percent, from the previous year, compared with a net decrease of $4.9 billion, or 3 percent, the year before.[2] Commitments rated special mention decreased $22.4 billion, or 41 percent, in contrast to 2003, when they fell $23.8 billion, or 30 percent. None of these figures includes the effects of hedging or other techniques that organizations often employ to mitigate risk.

The ratio of classified loan commitments to total commitments fell to 4.8 percent, the lowest level since 2000, as industry charge-off trends and demand in the secondary market for lower quality assets removed many of the weakest loans from the banking system. Total adversely rated credits (classified and special mention combined) also fell considerably, to 6.9 percent of total commitments.

Adversely rated credits (also known as criticized credits) are the total of loans classified substandard, doubtful, and loss—and loans rated special mention. Classified credits are only those rated substandard, doubtful, and loss. Under the agencies' Uniform Loan Classification Standards, classified loans have well-defined weaknesses, including default in some cases.[3] Special mention loans exhibit potential weaknesses, which may result in further deterioration if left uncorrected.

Overview

In aggregate, the 2004 SNC Program covered 7,490 credits totaling $1.5 trillion in loan commitments to 4,746 borrowers. Total commitments were down 6 percent from the previous year and down 25 percent from the 2001 peak of $2.0 trillion. This is consistent with market data pointing to lower customer demand, tighter underwriting standards, and attractive capital market financing alternatives. Total outstandings, or drawn amounts, were down 17 percent from the previous year, to $500 billion.

NOTE. The charts, tables, and appendixes to this announcement are available at www.federalreserve.gov/boarddocs/press/bcreg/2004/20040915.

1. The Shared National Credit (SNC) Program was established in 1977 by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. In 2001 the Office of Thrift Supervision became an assisting agency. With a few exceptions, the annual program, which seeks to provide an efficient and consistent review and classification of large syndicated loans, generally covers loans or loan commitments of at least $20 million that are shared by three or more financial institutions.

2. Loan commitments included both drawn and undrawn portions of a loan or loan facility.

3. Excerpt from Federal Reserve's SR Letter 79-556 defining regulatory classifications: Classification ratings are defined as *Substandard*, *Doubtful*, and *Loss*. A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected. An asset classified as doubtful has all the weakness inherent in one classified substandard with the added characteristic that the weaknesses make the collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

Excerpt from June 10, 1993, Interagency Statement on the Supervisory Definition of Special Mention:

Assets

A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

For the 2004 review, total loan commitments classified as substandard fell $57 billion, or 51 percent from the previous year, while doubtful credits dropped $16.8 billion, or 57 percent. Commitments classified as loss fell $4.3 billion, down 40 percent from the previous year. Doubtful and loss amounts reflect the continued downward migration of credits with previously identified weakness. While total classified commitments fell sharply, the portion of outstanding classified loans not accruing interest fell at a slower rate (41 percent), to $30.1 billion.[4]

Industry Trends

The quality of the SNC portfolio improved markedly in all industries.[5] The strongest improvement occurred in the manufacturing sector, with a $23 billion, or 54 percent, decline in classified commitments. Classified credits in the oil, gas, pipelines, and utilities segment fell $13.9 billion but remained at significantly elevated levels, with 13.8 percent of commitments classified. The telecommunications and cable segment also exhibited improvement, although exposure to previously identified weaknesses still linger. Well-documented problems facing airlines continue to drive classifications in the lodging and transportation segment. Other segments, such as financial services and insurance and construction and real estate, showed modest classification rates that were below those for the entire SNC program. Credits identified for special mention fell $22.4 billion with strong declines experienced in every industry except telecommunications and cable. These declines were driven by a migration of a portion of the previous year's special mention credits to classified categories, as well as a decline in newly identified credits with potential weaknesses. Of total losses in 2004, $3.6 billion, or 56 percent, were directly attributable to the weakened energy sector, most of which is related to outcomes of bankruptcy filings. The remaining losses were spread widely across a variety of industries.

Trends by Entity Type

During 2004 the share of SNC commitments held by U.S. banks and nonbank entities each edged up 1 percentage point, to 46 percent and 12 percent respectively.[6] The share held by foreign banking organizations (FBOs) continued to decline, totaling 42 percent in 2004. All types of lenders experienced a decline in classified assets during 2004, with U.S. banks showing the largest improvement, down 57 percent from the previous year. The quality of holdings also varied among entity types, with classifieds amounting to 3 percent of total commitments at U.S. banks, compared with 5 percent at FBOs and 13 percent at nonbanks. Total outstandings not accruing interest improved for all entity types. Most notably, U.S. banks experienced a 57 percent decline.

Risk Management by Banks

Banking organizations remain vigilant in identifying problem credits and have generally reflected the appropriate risk rating in their internal ratings of credits in the SNC program. Although credit quality has improved, banking organizations must continue to carefully monitor the condition of their borrowers to ensure that they promptly identify and address any emerging weaknesses and adjust loan loss allowance levels appropriately.[7]

BANKS DISTRIBUTE REDESIGNED $50 NOTE

Newly redesigned $50 notes arrived at banks beginning September 28, 2004, ready to make their way into circulation and consumer wallets. On that day, the Federal Reserve System distributed the new note to banks and thus into the public's hands.

To mark the occasion, officials from the U.S. Department of the Treasury, the Federal Reserve Board, and the U.S. Secret Service were on hand for the first transaction using the newly redesigned

4. Loans not accruing interest are defined for regulatory reporting purposes as "loans and lease financing receivables that are required to be reported on a non-accrual basis because (a) they are maintained on a cash basis due to a deterioration in the financial position of the borrower, (b) payment in full of interest or principal is not expected, or (c) principal or interest has been in default for ninety days or longer, unless the obligation is both well-secured and in the process of collection." Non-accrual classifieds are those funded or outstanding portions of loans classified as substandard and doubtful that are not accruing interest. For 2004 this consisted of $19.2 billion in loans rated substandard and $11.7 billion rated doubtful.

5. Note that the current industry totals categorizes borrowers according to 2002 NAICS codes, in contrast to previous releases of SNC data, which categorized borrowers according to 1997 NAICS codes.

6. Nonbanks include independent investment brokerages, investment vehicles, and other institutional investors.

7. For further guidance, institutions should refer to the July 12, 1999, Joint Interagency Letter to Financial Institutions on the allowance for loan losses, as well as the July 2, 2001, Interagency Policy Statement on Allowance for Loan and Lease Losses (ALLL) Methodologies and Documentation for Banks and Savings Institutions.

$50 note. Paying homage to the symbol of freedom featured in the note's new design, the U.S. flag, the officials used one of the first new $50 notes to buy an American flag from the Alamo Flag shop in Washington, D.C.'s Union Station.

The $50 note includes enhanced security features, subtle background colors of blue and red, images of a waving American flag, and a small metallic silver-blue star. The new design is part of the U.S. government's ongoing efforts to stay ahead of counterfeiting and protect the integrity of U.S. currency.

''The stability and integrity of U.S. paper currency is something the U.S. government takes very seriously,'' said Brian Roseboro, Under Secretary for Domestic Finance at the Department of the Treasury. ''We believe that redesigning the currency regularly and enhancing security features is the way to keep U.S. currency safe and secure from would-be counterfeiters.''

''A combination of factors keep currency counterfeiting at low levels,'' said Paul Johnson, assistant special agent in charge of the U.S. Secret Service's Criminal Investigations Division. ''Improved worldwide cooperation in law enforcement, improvements in currency design, like those in the new $50 notes that will begin circulating today, and a better-informed public all contribute to our success in the fight against counterfeiting.''

The government is supporting the new currency's issue with a public education program designed to inform people in the United States and in other countries about updated security features and ensure a smooth introduction of each newly designed note into circulation.

''As we introduce these beautiful new notes, we want to emphasize that the older design $50 notes will remain in circulation for some time to come and will remain legal tender,'' said Louise Roseman, the Federal Reserve Board's director of Federal Reserve Bank Operations and Payment Systems.

The new $50 note is the second denomination in the Series 2004 currency, the most secure series of notes in U.S. history. The first denomination in the series to be redesigned was the $20 note, which began circulating in October 2003.

''The next denomination in the series will be a new $10 note,'' said Roger W. Ferguson, Jr., Vice Chairman of the Board of Governors. ''We are currently working on the design and expect to unveil it in the spring of 2005.'' The $100 note is also slated to be redesigned, but a timetable for its introduction is not yet set. No decision has been reached on any potential design changes to the $5 note, but the $1 and $2 notes will not be redesigned.

Public Education

Because the improved security features are more effective if the public knows about them, the U.S. government is undertaking a broad, worldwide public education program. This program will ensure that people all over the world know the new currency is coming, and help them recognize and use the security features. The outreach includes cash handlers, merchants, business and industry associations, and the media. Nearly $700 billion is in circulation worldwide, and as much as two-thirds of U.S. currency is held outside the United States.

A variety of training materials—such as posters, training videos, and brochures—is available in twenty-four languages. The materials can be downloaded or ordered through www.moneyfactory.com/newmoney. Since the Treasury's Bureau of Engraving and Printing began taking orders in May 2003, more than 52 million pieces of training materials have been ordered by businesses and other organizations to help them train their cash-handling employees about the notes' enhanced security features.

The New Color of Money

Although consumers should not use color to check the authenticity of their currency (relying instead on user-friendly security features), color does add complexity to the note, making counterfeiting more difficult. Different colors are being used for different denominations, which will help everyone—particularly those who are visually impaired—to tell denominations apart.

Security Features

The new $50 design retains three important security features that were first introduced in the 1990s and are easy for consumers and merchants alike to check:

- *watermark*—a faint image, similar to the portrait, which is part of the paper itself and is visible from both sides when held up to the light.
- *security thread*—also visible from both sides when held up to the light, this vertical strip of plastic is embedded in the paper and spells out the denomination in tiny print.
- *color-shifting ink*—the numeral in the lower right corner on the face of the note, indicating its denomination, changes color from copper to green when the note is tilted.

Counterfeiting: Increasingly Digital

Counterfeiting has been kept at low levels through a combination of improvements in security features, aggressive law enforcement, and education efforts to inform the public about how to check their currency. About 1 in 25,000 $50 notes is a counterfeit, according to the Federal Reserve.

However, since 1995, digitally produced counterfeit notes have increased from 1 percent of all counterfeits detected in the United States to 40 percent. To stay ahead of counterfeiters as advances in technology make digital counterfeiting of currency easier and cheaper, the government expects to redesign the currency about every seven to ten years.

COMMENT LETTER ISSUED ON THE SEC'S PROPOSED BROKER RULES FOR BANKS

The Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency filed a formal comment letter on October 8, 2004, with the Securities and Exchange Commission (SEC) regarding the SEC's proposed Regulation B.

Proposed Regulation B would implement the exceptions for bank broker activities that the Congress adopted in the Gramm–Leach–Bliley Act. These exceptions were designed to allow banks to continue to execute securities transactions in connection with their normal trust, fiduciary, custodial, and other specified banking activities.

AGENCIES PROVIDE CONSUMER INFORMATION ON AVOIDING OVERDRAFT AND BOUNCED-CHECK FEES

The federal bank, thrift institution, and credit union regulatory agencies on October 14, 2004, announced the publication of a new consumer resource, *Protecting Yourself from Overdraft and Bounced-Check Fees*.

The brochure's key message to consumers is that the best way to avoid overdraft and bounced-check fees is to manage accounts wisely. That means keeping an up-to-date check register, recording all electronic transactions and automatic bill payments, and monitoring account balances carefully.

Many banks, savings and loans, and credit unions offer *courtesy overdraft protection* or *bounce-coverage* plans so checks do not bounce and ATM, debit card, and other electronic or automatic transactions go through. But most financial institutions charge a flat fee (often $20 to $30) for each item they cover. Even if a financial institution has a bounce-coverage plan, there is no guarantee an overdraft will be covered.

The federal financial regulatory agencies want consumers to know that careful account management is the lowest-cost way to avoid overdraft and returned-check fees and protect your hard-earned money. If overdraft protection is needed every now and then, consumers should talk with their financial institution or a financial adviser about the choices and services that are right for them. Financial institutions may provide other ways of covering overdrafts that may be less expensive. For example, consumers may be able to link a savings or other account to automatically transfer funds into their checking account. Consumers also may be able to establish an overdraft line of credit or link a checking account to a credit card.

The interagency information is available on each agency's website. A PDF (portable document format) version is provided on the website so that consumer groups, financial institutions, agencies, and other organizations can download and print copies for distribution to their clients and customers. It includes a space on the back panel for organizations to provide their own contact information.

Single copies of the brochure are available free of charge from Publications Fulfillment, MS-127, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; telephone (202) 452-3244; or send facsimile to (202) 728-5886.

COMMENTS REQUESTED ON PROPOSED GUIDANCE FOR RETAIL CREDIT RISK

The federal bank and thrift institution regulatory agencies announced on October 27, 2004, the publication of a joint *Federal Register* notice and request for comment on proposed guidance for Internal Ratings-Based Systems for Retail Credit Risk for Regulatory Capital. The proposed guidance provides banking organizations with a description of the agencies' current views regarding the components and characteristics of a qualifying internal ratings-based (IRB) system for measuring credit risk of retail exposures. Retail exposures include various types of consumer credit such as residential mortgages, consumer credit cards, and automobile and personal loans as well as some small business loans.

The proposed retail guidance, like the August 4, 2003, proposed corporate IRB guidance and the

Advanced Measurement Approaches for operational risk guidance, includes a number of supervisory standards that ultimately may become part of the qualification criteria for IRB systems in a future interagency notice of proposed rulemaking regarding the Basel II framework in the United States. Comments on the proposed guidance are requested by January 25, 2005.

CONSUMER GUIDES PUBLISHED REGARDING CHECK 21 AND CHECK-PROCESSING TECHNOLOGY

The Federal Reserve Board on October 28, 2004, announced the publication of two new consumer guides that provide practical information on the changes resulting from technological advances in check processing.

Technological innovation is allowing for checks to be collected and processed more efficiently, reducing the time and resources dedicated to handling, sorting, and transporting checks. A federal law known as the Check Clearing for the 21st Century Act (Check 21), which became effective on October 28, makes it easier for banks to electronically transfer check images instead of physically transferring paper checks. Check 21 does not require banks to accept checks electronically, but it facilitates electronic transmission between banks by providing a way for banks that clear checks electronically to exchange information with those that do not.

Under Check 21, banks would be able to stop the flow of paper checks, process them electronically, and create machine-readable *substitute checks*—paper copies of the front and back of original checks—when a paper check is needed. Check 21 requires banks and consumers to accept substitute checks in place of original checks in the check-collection or return process. It does not require that bank customers stop receiving paid checks in their account statements, although these checks may be either the originals or in the form of substitute checks.

The *Consumer Guide to Check 21 and Substitute Checks* describes ways that consumers may be affected by the new law and provides information on ways to resolve problems associated with the receipt of substitute checks.

A second consumer guide, *What You Should Know about Your Checks,* discusses more broadly the ways that check payments have changed, including the increased use of electronic check conversion, a process separate from Check 21. In the check-conversion process, a consumer authorizes the use of information from their paper check to make an electronic payment at the point of sale or when paying a bill by mail.

Both brochures stress that because payments might be processed faster, when a check is written, the money may be deducted from a consumer's checking account sooner. As a result, consumers should be sure they have enough money in their account to cover the amount of their check.

The *Consumer Guide to Check 21 and Substitute Checks* is available on the Board's website at www.federalreserve.gov/pubs/check21/consumer_guide.htm. *What You Should Know about Your Checks* is available at: www.federalreserve.gov/pubs/check21/shouldknow.htm. These publications are also available from Publications Fulfillment, MS-127, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; telephone (202) 452-3244; or send facsimile to (202) 728-5886.

RELEASE OF MINUTES TO DISCOUNT RATE MEETINGS

The Federal Reserve Board on August 19, 2004, released the minutes of its discount rate meetings from May 17, 2004, through June 30, 2004.

On September 30, 2004, the Board released the minutes of its discount rate meetings from July 19, 2004, through August 10, 2004.

MEETING OF THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced on September 30, 2004, that the Consumer Advisory Council would hold its next meeting on Thursday, October 28, 2004. The meeting occurred in Dining Room E, Terrace level, in the Board's Martin Building. The session began at 9:00 a.m. and was open to the public.

The council's function is to advise the Board on the exercise of its responsibilities under various consumer financial services laws and on other matters on which the Board seeks its advice.

ENFORCEMENT ACTIONS

Written Agreements

The Federal Reserve Board on August 2, 2004, announced the execution of a written agreement by and among the Traders Bank, A Banking Corporation, Spencer, West Virginia; the West Virginia Division of Banking, Charleston, West Virginia; and the Federal Reserve Bank of Richmond.

The Federal Reserve Board and the New York State Banking Department on October 8, 2004, announced the execution of a written agreement by and among Standard Chartered, plc, London, United Kingdom; its subsidiary bank, Standard Chartered Bank, London, United Kingdom; the bank's New York branch; the Federal Reserve Bank of New York; and the New York State Banking Department.

The written agreement addresses Bank Secrecy Act and anti-money-laundering compliance at Standard Chartered Bank's New York branch, including policies and practices relating to the provision of correspondent banking services.

The Federal Reserve Board on October 19, 2004, announced the execution of a written agreement by and between the Union Bank of California International, New York, New York, and the Federal Reserve Bank of New York.

The written agreement addresses Bank Secrecy Act and anti–money-laundering compliance at the Union Bank of California International, including policies and practices relating to the provision of correspondent banking services.

The Federal Reserve Board on October 21, 2004, announced the execution of a written agreement by and among The Community State Bank, Poteau, Oklahoma; the Oklahoma State Banking Department, Oklahoma City, Oklahoma; and the Federal Reserve Bank of Kansas City.

The Federal Reserve Board on October 29, 2004, announced the execution of a written agreement by and between the County Bank, Merced, California, and the Federal Reserve Bank of San Francisco.

Other Actions

The Federal Reserve Board on August 24, 2004, announced the issuance of a consent notice of prohibition against Charles Kushner, an institution-affiliated party of The NorCrown Trust, an unregistered bank holding company that owns or controls the shares of the NorCrown Bank, Livingston, New Jersey, a state nonmember bank.

A notice of prohibition is issued under a provision of the Federal Deposit Insurance Act that authorizes the Federal Reserve and other bank regulators to limit the activities of bank officials who have been charged with criminal offenses pending the resolution of the charges.

The Board's action against Mr. Kushner has been coordinated with the U.S. Attorney's Office for the District of New Jersey.

The Federal Reserve Board on August 24, 2004, announced the issuance of a consent notice of prohibition against Kenneth M. Matzdorff, the majority shareholder and a former officer and director of Garden City Bancshares, Inc., Garden City, Missouri, a registered bank holding company that owns or controls the Garden City Bank, Garden City, Missouri, a state nonmember bank.

A notice of prohibition is issued under a provision of the Federal Deposit Insurance Act that authorizes the Federal Reserve and other bank regulators to limit the activities of bank officials who have been charged with criminal offenses pending the resolution of the charges.

The Board's action against Mr. Matzdorff has been coordinated with the U.S. Attorney's Office for the Eastern District of New York.

The Financial Crimes Enforcement Network (FinCEN) and the Board of Governors of the Federal Reserve System announced on October 12, 2004, that they have jointly assessed a $10 million civil money penalty against AmSouth Bank of Birmingham, Alabama, for its violations of the Bank Secrecy Act.

In addition, the Federal Reserve Board and the Alabama Superintendent of Banks concurrently issued a cease and desist order requiring AmSouth Bank and its parent bank holding company, AmSouth Bancorporation, to take certain corrective actions. AmSouth, without admitting or denying any allegations, consented to the payment of the civil money penalty and issuance of the orders by FinCEN, the Board, and the state.

FinCEN and the Federal Reserve Board based their assessment on the failure of the banking organization to establish an adequate anti-money-laundering program and the failure to file accurate, complete, and timely Suspicious Activity Reports (SARs). The agencies found systemic defects in AmSouth's program with respect to internal controls, employee training, and independent review that resulted in failures to identify, analyze, and report suspicious activity occurring at the bank.

William D. Langford, Jr., associate director of FinCEN's Regulatory Policy and Programs Division, stated, "Comprehensive Bank Secrecy Act compliance programs that enable financial institutions to identify and report suspicious activities are the foundation of our efforts to combat money laundering and protect our financial system. As this case reflects, if a financial institution fails to establish and implement effectively such programs, we will take appropriate action to ensure compliance.''

The orders are part of coordinated actions with the Office of the U.S. Attorney for the Southern District of Mississippi and the Internal Revenue Service, Criminal Investigation, who also announced on October 12, 2004, the execution of a deferred prosecution agreement with AmSouth in connection with charges that the bank violated the Bank Secrecy Act relating to the filing of inaccurate, incomplete, or late SARs. The Federal Reserve Board and FinCEN provided assistance to, and cooperation with, law enforcement authorities during the course of their investigation.

''These actions demonstrate how coordination among the agencies responsible for enforcement of the Bank Secrecy Act can address the effectiveness of banks' anti-money-laundering programs and internal compliance reviews,'' said Herbert A. Biern, senior associate director of the Board's Division of Banking Supervision and Regulation.

The cease and desist order issued by the Federal Reserve Board requires improvements in the banking organization's Bank Secrecy Act compliance and suspicious activity monitoring and reporting programs, a review of previous transactions to ensure that all SARs have been filed, as required, and enhancements to internal controls and management oversight.

Changes in Board Staff

The Board of Governors on July 27, 2004, approved the following officer promotions and appointments in the Division of International Finance, effective October 3, 2004.

- Thomas Connors promoted to senior associate director
- Richard Freeman promoted to associate director
- Steven Kamin promoted to associate director

The Board also announced the reassignment of responsibilities for Joseph Gagnon, Michael Leahy, and Nathan Sheets.

Thomas Connors will continue to oversee the Advanced Foreign Economies and Emerging Market Economies sections, as well as the Administrative Office. Mr. Connors joined the Board's staff in 1977 and was named section chief in 1987. He was appointed to the official staff in 1994. From 1982–83, he was on leave as an adviser to the U.S. executive director at the International Monetary Fund. Mr. Connors received his PhD from the University of Michigan.

Richard Freeman will continue to oversee the Financial Markets and International Banking and Finance sections. Mr. Freeman joined the Board in 1977 and was named section chief in 1988. He was appointed to the official staff in 1999. In 1984 Mr. Freeman was on leave as senior staff economist at the Council of Economic Advisers. Before joining the Board's staff, he was on the faculty of Cornell University. Mr. Freeman received his PhD from Stanford University.

Steven Kamin will continue to oversee the Trade and Quantitative Studies and International Financial Transactions sections. He joined the Board in 1987 and was named section chief in 1997. He was appointed to the official staff in 1999. Mr. Kamin was a senior staff economist at the Council for Economic Advisers in 1992. He also visited at the Bank for International Settlements in 1996. Mr. Kamin received his PhD from the Massachusetts Institute of Technology.

Joseph Gagnon, assistant director, will assume oversight responsibilities of the Financial Markets and International Banking and Finance sections. He joined the Board in 1987. Mr. Gagnon joined the U.S. Department of the Treasury in 1997 as an office director. He returned to the Board in 1999 as section chief. He was appointed to the official staff in 2001. In 1990 Mr. Gagnon taught at the University of California, Berkeley. He received his PhD from Stanford University.

Michael Leahy, assistant director, will assume oversight responsibilities of the Advanced Foreign Economies and Emerging Market Economies sections. He joined the Board in 1986 and was named section chief in 1997. He was appointed to the official staff in 2001, after returning from a two-year visit to the Organization for Economic Cooperation and Development. Mr. Leahy received his PhD from the University of Wisconsin.

Nathan Sheets, assistant director, will assume oversight responsibilities of the International Financial Transactions and Trade and Quantitative Studies sections. He joined the Board in 1993 and was named section chief in 1999. Mr. Sheets was appointed to the official staff in 2001. In 1996 he taught at Brigham Young University. Mr. Sheets received his PhD from the Massachusetts Institute of Technology.

The Board of Governors on September 27, 2004, approved the appointment of Deborah J. Danker as special assistant to the Board in the Division of Monetary Affairs and the FOMC Secretariat.

Ms. Danker is returning to the Board after eleven years at the World Bank. During her time at the World Bank, she was engaged in its capital market funding activities and in financial policy formulation and risk management. Recently, she served as senior adviser to the managing director and chief financial officer.

Ms. Danker began her career in 1979 at the Federal Reserve Bank of New York, where she worked in both the International Research and Foreign Exchange departments. In 1984 she joined the Board's staff, working in what became the Division of Monetary Affairs and rising to the level of assistant director. During her years with the Board, she was also detailed to the Council of Economic Advisers as a senior staff economist from 1987–88 and to the U.S. Treasury as deputy assistant secretary for Federal Finance from 1992–93. Ms. Danker received an AB from Princeton University and a PhD in economics from Yale University.

Ms. Danker will have general oversight responsibility for the work of the FOMC Secretariat, which includes the preparation of the agenda, minutes, and transcripts for each meeting, and contribute to the policy advice prepared in the Division of Monetary Affairs.

The Management Division has announced a new structure to help meet its responsibilities, which have expanded since September 11, 2001. The changes are intended to fully integrate the diverse functions of the division to improve service to the Board. The division will also emphasize the strategic deployment of information technology to automate, simplify, and improve business processes. The changes will strengthen risk management and address succession-planning issues facing the division as well.

The Board of Governors approved on September 30, 2004, the following officer promotions and appointments in the Management Division.

- Darrell Pauley, associate director, promoted to deputy director, Human Resources and Facilities
- Steve Clark, associate director, promoted to senior associate director, Financial Services
- Christine Fields, assistant director, promoted to associate director and personnel security officer, Employee Services
- Donald Spicer, assistant director, promoted to associate director, Facilities Services
- Billy Sauls, assistant director, promoted to associate director and chief, Security Services
- Marsha Reidhill, transfer from the Division of Reserve Bank Operations, promoted to associate director, Corporate Services
- James Riesz, appointed assistant director, Technology and Compliance
- Charles O'Malley, appointed assistant director, Security Services

Darrell Pauley joined the Board in 1975 as an accountant in the Office of the Controller and was promoted to head the Finance and Accounting section in 1981. Mr. Pauley was appointed to the official staff in 1987 as assistant controller for Finance. From July 1993 to March 1994, he was assigned to the Division of Human Resources Management as part of an officer rotation program. During this time he served in the capacity of assistant director in charge of Human Resources operations.

Steve Clark will be responsible for the Planning and Budgeting and Accounting sections in Financial Services and will continue to serve in his role as the Board's emergency evacuation coordinator. Mr. Clark joined the Board in 1979 as a program and budget analyst in the Office of the Controller and in 1983 was promoted to head the Program Analysis and Budgets section. He was appointed to the official staff in 1987 as assistant controller for budgeting.

Christine Fields will be responsible for Employee Services and will serve as the personnel security officer for the Federal Reserve System. Ms. Fields joined the Board in 1987 and was promoted to manager in 1990 and to assistant director in 2001.

Donald Spicer will have oversight responsibility for Space Planning, Engineering and Facilities, and General Services, which includes the mail, postal, supply, motor transport, and cafeteria operations. Mr. Spicer came to the Board in 1987 as a program analyst in Support Services and was promoted to program manager in 1996, chief in 2001, and assistant director in 2002.

Billy Sauls will have oversight responsibility for the overall security program. Mr. Sauls came to the Management Division in January 2002 as chief of Security. Before coming to the Board, he spent four years as assistant inspector general for the U.S. Postal Service and twenty-two years with the U.S. Secret Service.

Marsha Reidhill will oversee the Corporate Services unit, including Procurement, Fine Arts, Travel, and special projects. Ms. Reidhill recently completed a twelve-month rotational assignment in the Management Division working primarily with the staff director and division director on several special projects. She has been at the Board since November 1992, first in the Division of Banking Supervision and Regulation as manager of the Surveillance section and since November 1996, in the Division of Reserve Bank Operations and Payment Systems as assistant to the director and then as the assistant director for Cash and Fiscal Agency functions.

James Riesz will oversee the Information Systems, Compliance and Records, and the Administrative Systems Automation Project (ASAP) functions. Mr. Riesz joined the Board in 1992. He was manager of ASAP and spent the last twelve months on a rotational assignment in Human Resources.

Charles O'Malley will be responsible for the operational and administrative management of the Security unit. Before joining the Board in 2001, Mr. O'Malley spent more than twenty-seven years with the U.S. Secret Service. □