



FEDERAL RESERVE BANK OF PHILADELPHIA

2018

ANNUAL  
REPORT





2018 ANNUAL REPORT

# MAKING CONNECTIONS, MAKING A DIFFERENCE

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The Federal Reserve Bank of Philadelphia is one of the 12 regional Reserve Banks in the United States that, together with the Board of Governors in Washington, D.C., make up the Federal Reserve System – the nation’s central bank. The System’s primary role is to ensure a sound financial system and a healthy economy. The Philadelphia Fed serves the Third District, which is composed of Delaware, southern New Jersey, and central and eastern Pennsylvania.



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**Cover photo:** Alexander Calder’s *White Cascade*. The mobile — the largest created by Calder — is displayed in the Bank’s atrium.

# PRESIDENT'S LETTER

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In 2018, the Bank worked to solidify two major initiatives, the Economic Growth & Mobility Project (EGMP) and the Consumer Finance Institute (CFI), as well as to continue the great work we have always done around economic research, supervision and regulation of financial institutions, and outreach to residents and communities in the Third District and beyond. This year's annual report highlights some of the ways we made connections with communities within the Third District and made a difference in people's lives as we worked to fulfill our mission to ensure a robust financial system and a strong economy.

Continuing in our efforts to foster inclusive economic growth, a key event for our Bank in 2018 was the biennial Reinventing Our Communities (ROC) conference (page 10). Cohosted with the Federal Reserve Bank of Richmond and the Johns Hopkins 21st Century Cities Initiative, the three-day event brought together community development experts, philanthropic thought leaders, and academics from across the world to discuss how struggling communities can leverage the assets they have to revitalize their economies and give their residents economic opportunity.

The ROC conference is just one example of the important community development work done by the Bank in 2018. Our EGMP moved toward completing its first Research in Action Lab, which focused on unequal access to transportation, especially among people who do not own cars. This lab carried out research and helped to bring together different community leaders and advocates to discuss an equitable transit strategy in northeastern Pennsylvania. The goal of the Research in Action Labs is to help community-led stakeholders find solutions to local economic problems, create "lessons learned" game plans and toolkits that can be exported to other regions facing similar issues, and create pathways toward more equitable systems.

Other work started in 2018 that promotes an inclusive economy and fair and impartial access to credit was the Leveraging Lending and Investments for Nonprofits & Communities (LINC) program. LINC is designed to help community banks connect with community development organizations under the umbrella of the Community Reinvestment Act. Our initial project took place in Chester County, Pennsylvania.

On a national level, the Federal Reserve continues efforts toward its mission to safeguard the financial system. The Philadelphia Fed's Supervision, Regulation, and Credit (SRC) Department has championed this effort through regular visits and examinations of area banks (page 13). Last year, passage of the Economic Growth, Regulatory Relief, and Consumer Protection Act reduced the regulatory burden on smaller community banks while protecting against undue risk. Our bank examiners can now use data supplied by supervised banks to oversee institutions and identify possible risks with fewer onsite visits. The change frees up time for community banks to focus on the business of serving customers and promotes a robust financial system that offers safe consumer products for everyone.

Within the Third District, the Bank continued its outreach efforts as another step in making connections and making a difference. Other senior leaders and I engaged with community stakeholders and officials in cities such as Wellsboro, State College, and Lancaster, PA (page 17). These tours allowed us to learn about the economic challenges faced across the Third District, but, more important, we heard about the remarkable work being done to overcome these barriers, such as the bilingual workforce training geared toward Lancaster's large Hispanic population and the cross-sectoral regional cooperation taking place in Pennsylvania's Northern Tier. Other outreach efforts included our signature annual field meetings, the addition of a



Patrick T. Harker

roundtable series where financial industry executives can network with one another and engage with me and other Bank leaders, and key partnerships with members of our advisory councils who bring unique points of view and valuable insights that enable the Bank to accomplish its mission.

The Fed's work also touches individual lives. In 2018, research from CFI brought attention to financial abuse among the cognitively impaired elderly (page 20), a growing problem as the large baby boomer population ages into retirement. The research included ways that families can try to protect their loved ones and their finances from fraud and exploitation. Our Economic Education unit worked with teachers from grade school to college level to promote financial literacy and knowledge of banking and money (page 12). The unit shared the best practices for economic education and personal finance and alerted teachers to common misconceptions people have about budgeting and investing. These efforts helped to educate the public, including the next generation of consumers, on making the best choices when it comes to money.

Finally, none of these connections and differences could happen without the dedicated staff of the Federal Reserve Bank of Philadelphia (page 6). Our employees further the mission of the Fed while staying true to our Bank's core values of being open, collaborative, and innovative.

I hope you enjoy paging through the Bank's *2018 Annual Report*. I think it explains how the Philadelphia Fed is working to create relevant, in-depth research; ensure a safe and robust financial system; and promote fair and impartial access to credit. All employees at the Bank, including myself, are dedicated to the Fed's mission of fostering thriving communities and a strong economy that ensure opportunity and mobility for all people.

A handwritten signature in black ink, appearing to read 'Patrick T. Harker', written in a cursive style.

Patrick T. Harker  
President & CEO

# FIRST VICE PRESIDENT'S LETTER

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The fundamental purpose of an annual report is to outline the facts and figures that make up an organization. At the Federal Reserve Bank of Philadelphia, we use this opportunity to showcase the equally important aspects of what makes us who we are: our mission and our people.

That sentiment is not unique; in fact, the prevalence of its use probably relegates it to the realm of the cliché.

So, what makes us different?

Principles are an inherent part of the Bank's mission. It's true of the work we're entrusted to carry out on behalf of the American people, and it's true of the values we champion in our staff. It's been a defining characteristic of the Philadelphia Fed for decades.

When it comes to assessing how we value our staff, one of the most important metrics is the duration of the average tenure. It says something that, when visitors walk through Ten Independence Mall, they see e-boards scrolling an ever-updating list of congratulations for 10-, 20-, and 30-year service anniversaries.

That commitment to the Bank and our mission is at the core of what we do. And it's a critical factor in how we operate.

We know that to continue that tradition we need to develop the talent that's already here in addition to recruiting exceptional candidates. That becomes all the more important as we start to lose expertise and organizational knowledge to the wave of baby boomer retirements, a pressure born of demographic forces that faces every employer in the country.

The Philadelphia Fed has always placed a premium on developing leadership skills, and that was especially evident in 2018 when our Leadership Academy — which provides training for newly minted supervisors and managers — was so full we had to institute a second class.

We also saw the first cohort of our Leadership Fellows program, an initiative to strengthen our talent pipeline and take a more inclusive approach to development across the career spectrum. The fellows are embarking on an immersive experience with different areas of the Bank over a three-year period.

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**“The Philadelphia Fed has always placed a premium on developing leadership skills, and that was especially evident in 2018.”**

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The Fellows program was launched to fill a gap in training for new employees who don't have significant leadership experience yet. It adds to an existing, strong suite of training designed for experienced supervisors and those embarking on a management track.

One of the most important aspects of leadership — and one that we stress — is that great leaders develop their staffs. They get results by lifting people up, and they motivate with encouragement. To emphasize this point, we've run a series of articles in our internal publication highlighting the myriad examples of leadership role models within the Bank. Ronel Elul, for example, oversees two teams — one in Philadelphia and one in the Chicago Fed — as they execute their crucial role in bank stress-testing. Tight deadlines, rigorous work, and intense public scrutiny are all functions of the job, and the people





James D. Narron

Elul manages don't formally report to him; their direct supervisors are in different departments, sometimes even different Banks. But he gets results with calm, well-reasoned discussion and encouragement.

Another milestone in 2018 was the 10-year anniversary of our diversity and inclusion program. While diversity was a driving principle long before we took on this initiative, this was a formal recognition of its value to the organization. After a decade of work, we know that this is an ongoing journey; approaches will change and needs will evolve, and the only real endgame is for the commitment to diversity and inclusion to be embedded in our organizational DNA.

To help guide our endeavors, we brought on a new assistant director for our Office of Minority and Women Inclusion. Rebecca Robinson brings a wealth of experience to the job, with more than 20 years in organizations from 3M to the Bank of Canada.

Finally, we take staff involvement as a measure of engagement, and there is no shortage of commitment

from the staff at the Philadelphia Fed. From the waves of volunteers sorting food donations for Philabundance to those refurbishing Andrew Jackson Elementary School for the Martin Luther King Jr. Day of Service, our people are giving their all at every opportunity. Our employee resource groups brought out crowds for events throughout the year, and we added to the employee resource group family with the introduction of the Asia-Pacific Community Employee Network for Diversity.

It was a great 2018, as you'll see in the following pages, and for that I want to thank every employee of the Philadelphia Fed. They give their best, every day, and it shows.

A handwritten signature in black ink that reads "James D. Narron". The signature is fluid and cursive.

James D. Narron

First Vice President & COO

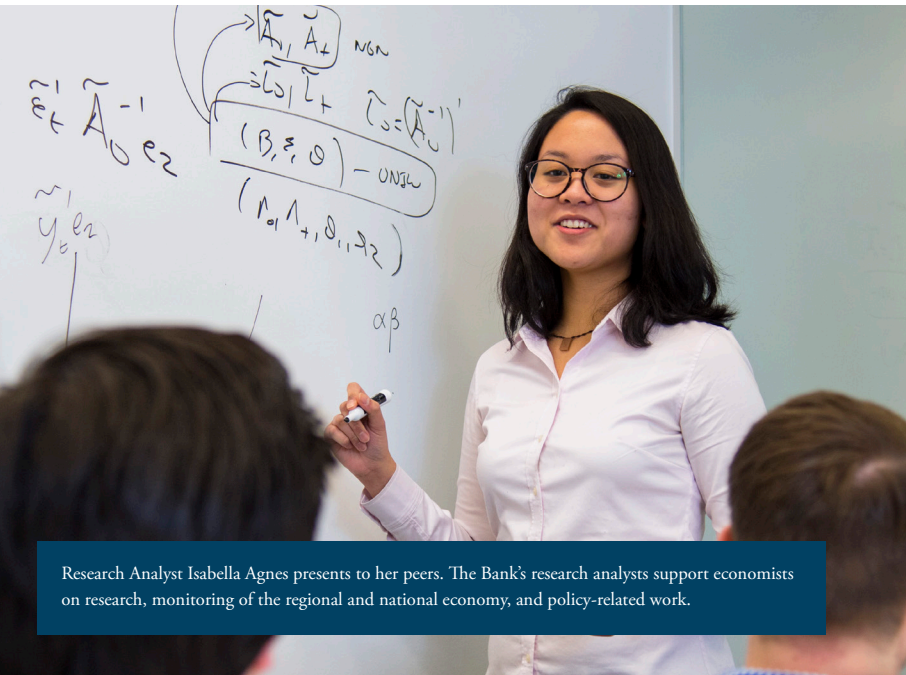
# 2018 HIGHLIGHTS IN PHOTOS



Governor Lael Brainard of the Board of Governors of the Federal Reserve System gives the opening keynote address at the 2018 Fintech and the New Financial Landscape conference.



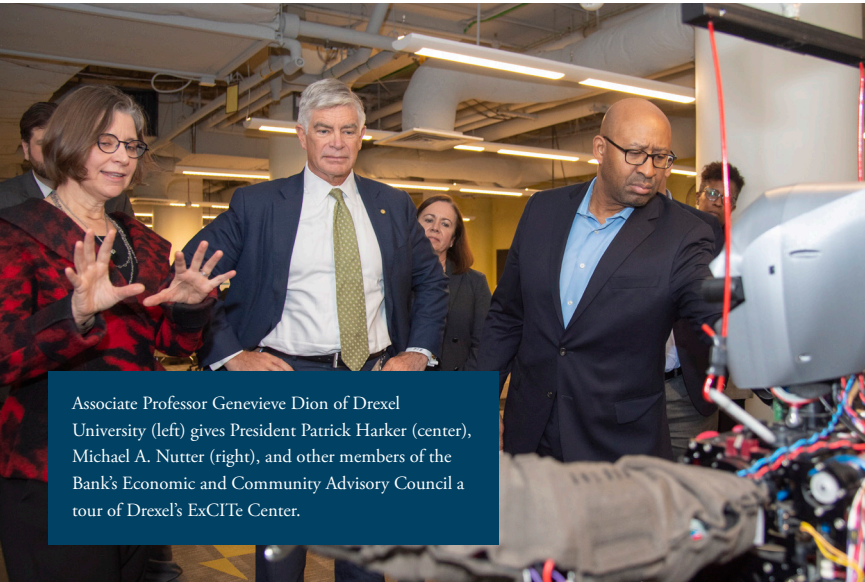
Community Development Research Associate Eileen Divringi (right) is working on a project approved by the Philadelphia Fed's Federal Statistical Research Data Center. Her collaborators are Community Development Research Manager Keith Wardrip (left) and Principal Financial Economist Lauren Lambie-Hanson (center).



Research Analyst Isabella Agnes presents to her peers. The Bank's research analysts support economists on research, monitoring of the regional and national economy, and policy-related work.



Assistant Vice President and Information Security Officer Nancy Hunter presents at the 2018 Bankers Cybersecurity conference held at the Bank.



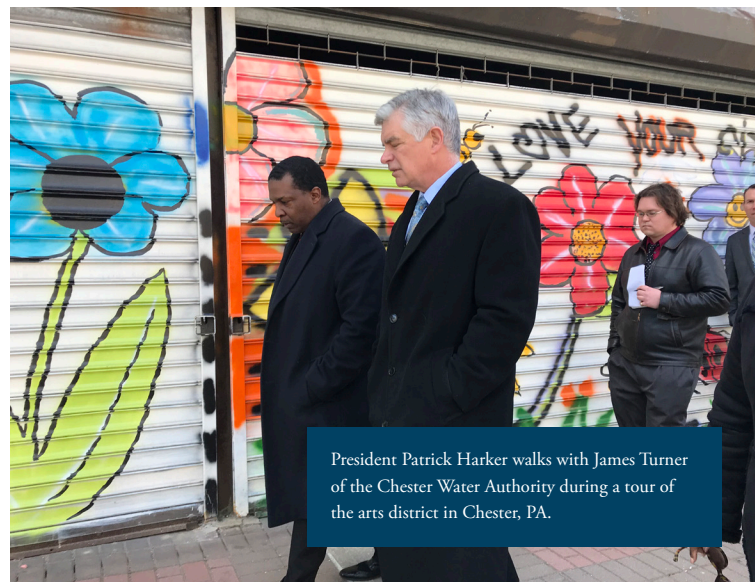
Associate Professor Genevieve Dion of Drexel University (left) gives President Patrick Harker (center), Michael A. Nutter (right), and other members of the Bank's Economic and Community Advisory Council a tour of Drexel's ExCITE Center.



Senior Vice President and Community Affairs Officer Theresa Singleton (left) speaks to the Board of Governors' Senior Associate Director of Consumer & Community Affairs Anna Alvarez Boyd at the 2018 Reinventing Our Communities conference in Baltimore.



Economic Education Officer Andrew Hill leads an educational session on monetary policy.



President Patrick Harker walks with James Turner of the Chester Water Authority during a tour of the arts district in Chester, PA.

# COMMUNITY DEVELOPMENT FOCUSES ON WAYS TO PROMOTE ECONOMIC MOBILITY AND FAIR ACCESS TO CREDIT

Promoting the health of the U.S. economy is a critical part of the Federal Reserve’s mandate, but finding ways to make sure that a healthy economy extends to everyone in the nation and that growth is inclusive were issues in the spotlight at the biennial Reinventing Our Communities (ROC) conference, hosted by the Philadelphia Fed’s Community Development and Regional Outreach (CDRO) Department in October 2018.

“Even though the overall economy is doing well, many individuals and communities are still struggling,” said Theresa Singleton, senior vice president and community affairs officer. “The ROC conference is CDRO’s hallmark event that enables community development practitioners, researchers, bankers, funders, policymakers, and other key stakeholders to come together to share emerging strategies and discuss how we move individuals from poverty up the economic ladder. This year’s conference centered on advancing challenging conversations to move regional economies forward in an inclusive way.”

The eighth ROC, held in partnership with the Richmond Fed and the Johns Hopkins 21st Century Cities Initiative, attracted a record attendance of more



Economic Growth & Mobility Project Analyst Alvaro Sanchez listens to an attendee during an interactive session at the Partnerships for Equitable Transit workshop.

than 550 and shifted the focus from Philadelphia for the first time in its history, with a move to Baltimore, which, as Singleton noted, is another post-industrial city working to confront its challenges, raise up issues of equity, and have honest — and sometimes difficult — conversations about who is being left out of the American dream.

“These are conversations that need to be had in many communities across the country,” she said.

With sessions ranging from tours of Charm City’s renewed neighborhoods to discussions around the lack of affordable rental housing, racial disparity, the business case for quality jobs, and the opioid crisis,

ROC explored the theme of Investing in Opportunity: how the four major types of capital — financial, human, physical, and social — can be invested to change the trajectory of struggling communities and households.

“Conferences like ROC allow the Bank to bring together thought leaders and practitioners to discuss problems facing struggling households and to explore strategies that have succeeded to create change,” said Philadelphia Fed President Patrick T. Harker, who also spoke at the three-day event. “You could feel the energy and excitement at each session.”

While ROC dealt with issues at the national level, the Economic Growth & Mobility Project (EGMP) continued to build on its efforts to foster inclusive growth across the Third District, addressing barriers to economic mobility such as transit access and financing workforce development.

Among those efforts was the Partnerships for Equitable Transit workshop, an opportunity to share lessons learned from EGMP’s first Research in Action Lab in northeastern Pennsylvania (NEPA) focused on equitable transit. The EGMP team convened business and community leaders from York County, Pennsylvania, and Atlantic County, New Jersey, to hear from NEPA Moves leadership and discuss best practices for building partnerships. Researchers also presented a new study on transit access and employment to understand differences in access to opportunity in medium-sized metros.

The EGMP team noted that, although the research focused on northeastern Pennsylvania and York and Atlantic counties, the lessons learned can be carried beyond those regions.

“In order to grow regional economies equitably, we need to engage the systems that determine access to economic opportunity,” said Kyle DeMaria, community development research analyst, who produced the research along with Alvaro Sanchez, EGMP analyst.

The workshop was not just a chance to share lessons learned from the transit lab, it also gave many stakeholders the opportunity to gather in one place to discuss and find common ground around ways to advance inclusive economic growth in their region, according to EGMP Director Ashley Putnam.

“As we think bigger and include more voices, we advance the conversation about equity,” she said.

Beyond established efforts like EGMP and ROC, the Bank launched the pilot of its Leveraging Lending and Investments for Nonprofits & Communities (LINC) program, designed to foster relationships between community development organizations and community banks as well as expand knowledge and capacity on the Community Reinvestment Act (CRA).

Following a series of training webinars, the first LINC cohort focused on Chester County, Pennsylvania, and resulted in three nonprofit organizations making



Bank Director Phoebe A. Haddon (left) greets author Zachary R. Wood who spoke at the Reinventing Our Communities conference in 2018.

connections — two directly with banks in the program and a third via the knowledge acquired during the training process.

Beyond those tangible results, LINC also resulted in new opportunities for nonprofits to network and collaborate, and it gave the Bank the opportunity to strengthen connections with community banks, become more responsive to those banks' needs, and identify opportunities to support community development.

“It confirmed what we had been hearing in terms of outreach, that there is very much a deep need that exists to form these partnerships,” said Sydney Diavua, community engagement associate. “We hear from nonprofits all the time, ‘We’d like to do more, but we just don’t have the capacity to do the fundraising or to build out our staff,’ and we’re trying to be more responsive to those capacity needs.”

LINC will build on its initial success and expand to two cohorts in 2019, one focused on Lancaster, York, and Harrisburg in Pennsylvania, and another focused on the Vineland and Bridgeton areas in southern New Jersey.

Finally, 2018 featured the release of *Investing in America’s Workforce*, a book that explores how the United States can structure effective programs and policies that result in better economic outcomes for individuals, businesses, and communities. Part of a System-wide initiative, the book included contributions from the Philadelphia Fed, including a section on the changing workforce by President Harker and a chapter on the efforts by the philanthropic sector to support workforce development initiatives written by CDRO Research Manager Keith Wardrip. ♦

## WORKING TO EXPAND FINANCIAL LITERACY IN THE THIRD DISTRICT

Fostering economic and financial education and the skills one needs to be financially capable are key parts of the Federal Reserve’s core responsibility to support economically healthy communities and households.

At the Philadelphia Fed, that effort — supported by a slew of lesson plans and teacher resources designed and published for kindergarten through high school — is led by Economic Education Officer Andrew Hill and Economic Education Specialist Todd Zartman, who have been training teachers in the best practices of economic and financial education for more than 15 years.

“Personal finance is more than balancing a checkbook or making investments,” said Zartman. “We want kids to understand resources, choices, and their costs and benefits, and the future consequences of their decisions.”

The Economic Education team’s flagship program is Keys to Financial Success (Keys), a high school personal finance program designed to help teachers instruct students about personal finance using active and collaborative learning methods. In 2018, the Philadelphia Fed trained 39 new teachers in the Keys program, an intensive, weeklong professional development course offered to educators in the Third District. The team also provided continuing support for teachers from 184 schools across the District.

And educational training extends well before high school — the Economic Education staff hosted one-day professional development programs targeted to Philadelphia teachers in charge of K–2, 3–5, and 6–8 grades as well as pre-K teachers who learned to implement the Kiddyconomics personal finance curriculum in their classrooms.

“Research shows that by age seven, children are forming long-lasting ideas about money,” said Hill. “Clearly, some of these ideas are correct, but some can have significant negative consequences that carry into adulthood.” The Philadelphia Fed’s teacher-training programs are aimed at fixing these misconceptions in children in kindergarten through 12th grade.

Beyond instructional time, the Bank’s Money in Motion exhibit, part of the wider public outreach effort on money, banking, and the Federal Reserve, was an area of focus in 2018, as the education staff worked with a museum consultant to develop designs for reimagining, renewing, and rebuilding the exhibit in the near future.

# SUPERVISION AND REGULATION: EASING REGULATORY BURDEN ON COMMUNITY BANKS

In the decade following the financial crisis, new policies and regulations have succeeded in building a stronger and safer banking industry.

The Federal Reserve System plays a key role in maintaining a financial marketplace that is not only safe and sound but also fair and open. While the Federal Reserve is best known for its responsibilities as the nation's central bank, it also plays a critical role as the federal regulator charged with examining state member banks as well as inspecting bank and savings and loan holding companies. The Philadelphia Fed's 68 bank examiners from the Supervision, Regulation, and Credit (SRC) Department regularly examine the Third District's state member banks in the areas of safety and

soundness, consumer compliance, IT, and trusts and inspect the District's bank holding companies.

Part of the supervision function requires a balance in risk-taking. "Banks should take appropriate risks but not enough to jeopardize the institution or its deposits," said William G. Spaniel, senior vice president and lending officer at the Bank.

In the wake of the financial crisis, the Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act of 2010 established new requirements to monitor the banking industry and to protect consumers. While the Dodd-Frank Act ushered in new rules and regulations for all financial institutions,



William G. Spaniel, senior vice president and lending officer, leads the Bank's Supervision, Regulation, and Credit Department.

in some cases, these may have had a greater impact on community banks than their larger brethren that had greater resources to address the new requirements. The regulatory outcome should not be a one-size-fits-all solution, especially for the Third District, where community banks outnumber other financial institutions.

“In essence, the pendulum swung too far from the precrisis atmosphere to the very granular, complex requirements of the 863 pages of the Dodd–Frank Act,” said Kenneth Benton, principal consumer regulations specialist at the Philadelphia Fed. Because community banks don’t have as many resources as their larger counterparts, implementing Dodd–Frank’s requirements was more challenging for community banks.

“But in 2018 — 10 years after the crisis — the pendulum swung back slightly,” said Benton. That is when Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act (aka the Crapo Bill, so named for Senator Mike Crapo of Idaho) to recalibrate some of the provisions — that had once burdened community banks — without causing undue risk. For example, banks must file a lengthy financial report every quarter known as the Call Report. The Crapo Bill expanded an exception that allows community banks to file an abbreviated Call Report in two of the four quarters, which is much less burdensome to prepare.

Technology has played a significant role in changing the financial landscape. “It’s obvious that the largest banks can use stress testing models and economic models to predict losses and to determine the appropriate capital levels to weather those losses,” said Spaniel. “We’re certainly not going to put all the community banks through a stress test, but as regulators, we can use some modeling and data analysis techniques on our own to help us refine where we might see risk in the community banks and then focus our supervisory attention on those risks, rather than other areas that may pose less risk. Another vital part of our supervision should be the dialogue with bankers about growing concentrations, new markets, or competition from other sectors that might have an impact on their performance or business models.”

Bank examiners may now spend less time in community banks during the examination process, but the time spent onsite nets more value as more focus is spent on supervision. “We still need to be onsite to ask questions and to see the culture of the bank, but a lot of the examination work is now done offsite,” said Spaniel. “As a result, we’re not necessarily using space in the bank and taking up time that the bank’s management could use to devote to their customers.” The Philadelphia Fed examination teams can use a bank’s data offsite to home in on questions, see emerging risks, and focus attention on risks instead of trying to cover everything, whether there’s a risk or not. “We’re now in a position as a federal regulator to have much better data across all the banks and to use the data to make our supervision less intrusive on a day-to-day basis,” said Spaniel.

Often, regulatory burden is looked at as paperwork, said Spaniel, “but it’s actually the attitude we put into play to move banks to a better place.” How examiners approach corrective action or findings is important. Since banking laws for consumer protection and safety and soundness are complex, bankers can make honest mistakes because they did not completely understand the laws and regulations.

“It’s our job to help the banks navigate the process,” said Spaniel. “As banks grow, they need different levels of risk management and internal controls.” The management structure, the needs, and the systems for a \$250 million bank are much different than those for a \$1 billion bank.

“We’ve been very thoughtful about how long we should wait between exam cycles, what data are critical, how banks can effectively assess the value of the collateral, and how we can increase some of the appraisal thresholds,” said Spaniel. “As we look at the data, we see it in a more holistic way to identify emerging trends. If we see a problem emerging, we will be able to step in between examinations because we can make decisions on that data.” No one knows when the next credit cycle downturn will come, but it will come, he said. “And I think we want to make sure our banks are well prepared and have appropriate reserves and capital on hand to weather those losses.”





Robin P. Myers (left) and Kenneth Benton, both of the Supervision, Regulation, and Credit Department, work to ensure a safe and sound financial system.

Outreach efforts and connecting with the banking industry are a big part of our efforts as well. In 2018, Spaniel set up the first District, Diners & Dialogues, a series of informal breakfast meetings with bankers that he is continuing in 2019. He admits the tenor of the discussions turned out to be more “grassroots” than sitting with CEOs and CIOs around a conference table. The bankers are willing to share anecdotes about their customers or what happened in the bank last week. “Often, it’s less about the conversation with me and more about the conversations among the bankers as they discuss similar trends and compare notes,” he said.

There’s another benefit to such meetings. Third District banks can see the Philadelphia Fed team as a facilitator in the banking community. “No one is giving away trade secrets, but these types of informal meetings are a way to build relationships with bankers,” said Spaniel. “When we reach out to them, it shouldn’t be just when we have a problem or concern. It ought to be an ongoing dialogue, and these meetings help with that process.”

Likewise, two other officers in SRC — Robin P. Myers, vice president of Consumer Compliance and Outreach, and Anjanette Kichline, assistant vice president — started the Consumer Compliance/Community

Reinvestment Act Listening Tours in 2018 as a way to connect with state member banks.

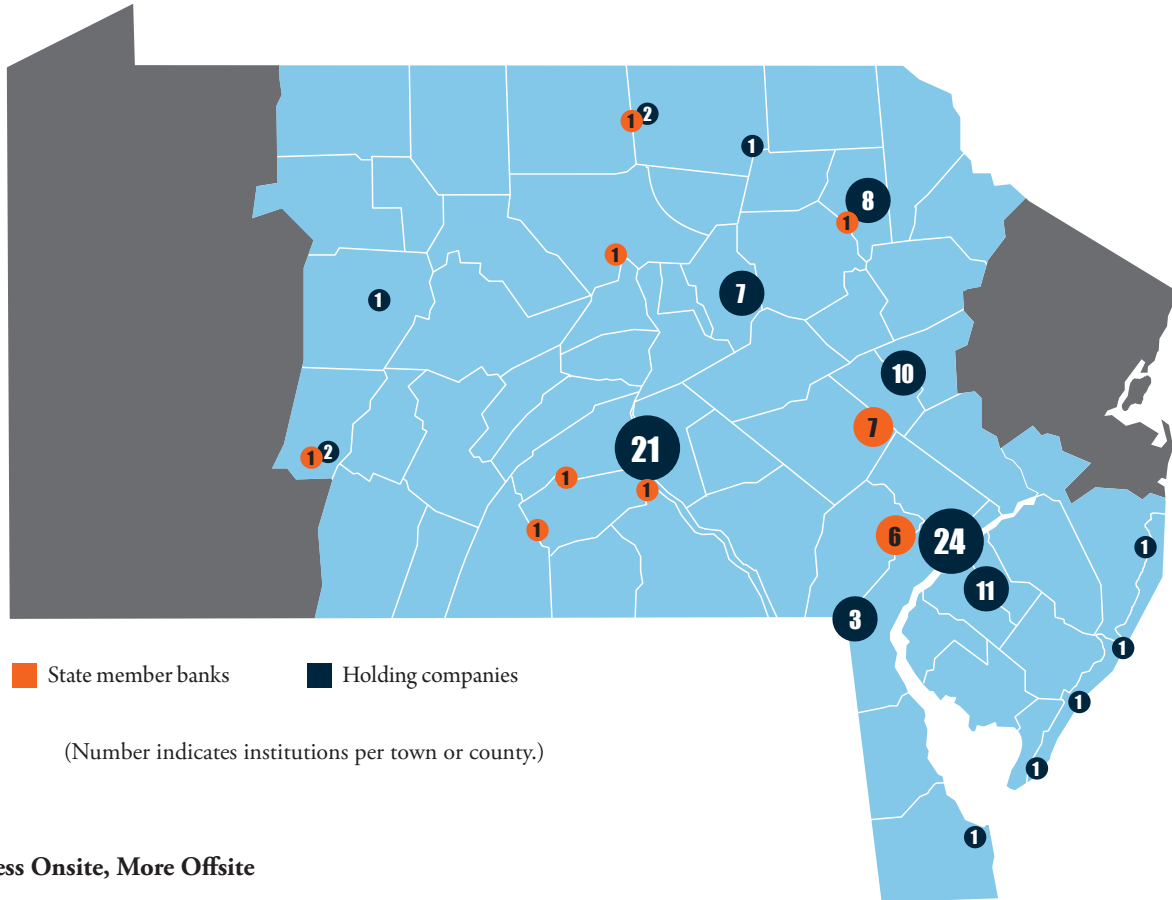
“The listening tours are actually a two-way exchange,” said Myers. “Bankers can share their pain points and feedback with us, and we in turn can share emerging trends in consumer compliance protection with them.” The responses from state member bankers have been very positive, according to Myers, especially since bankers can meet the Philadelphia Fed team in person and “put a face with the name.”

“The Federal Reserve’s wealth of information and resources serve not only our own staff but bankers and bank boards of directors as well,” said Spaniel. His supervision and regulation team provides a variety of outreach channels for community bankers through training, conferences and workshops, listening tours, and two national supervision publications — *Community Banking Connections* and *Consumer Compliance Outlook* — to help navigate complex regulations and laws in safety and soundness and consumer compliance supervision.

“We want to be of service to all bankers in the District in terms of being the go-to source for information, research, or answering questions,” said Spaniel. ♦

# WORKING TO BUILD A STRONGER AND SAFER FINANCIAL SYSTEM

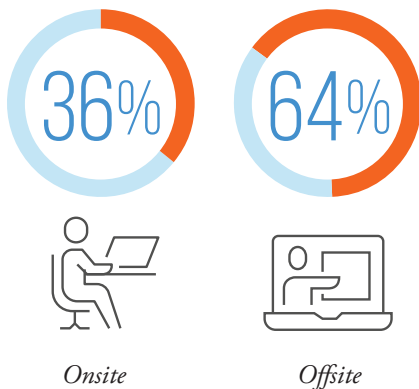
Examiners from the Philadelphia Fed travel all across the Third District. The map below shows the towns and cities where state member banks and bank holding companies can be found.\*



## Less Onsite, More Offsite

New regulations and technological innovation have reduced the burden on community banks. Bank examiners now spend less time at state member banks to check for the safety and soundness of the institution.

Percentage of examination time spent:



Large Bank Supervisory Events:



29

Regional and Community Bank Supervisory Events:



148

Consumer Compliance and CRA Supervisory Events:



15

\*The Philadelphia Fed supervises 23 savings and loan holding companies that are headquartered in the Second District.

# 'GETTING OUT IN THE DISTRICT IS CRITICAL TO THE BANK'S WORK'



During a visit in Wellsboro, PA, President Patrick T. Harker (right) tours a Dairy Farmers of America processing plant with Pennsylvania Secretary of Agriculture Russell C. Redding.

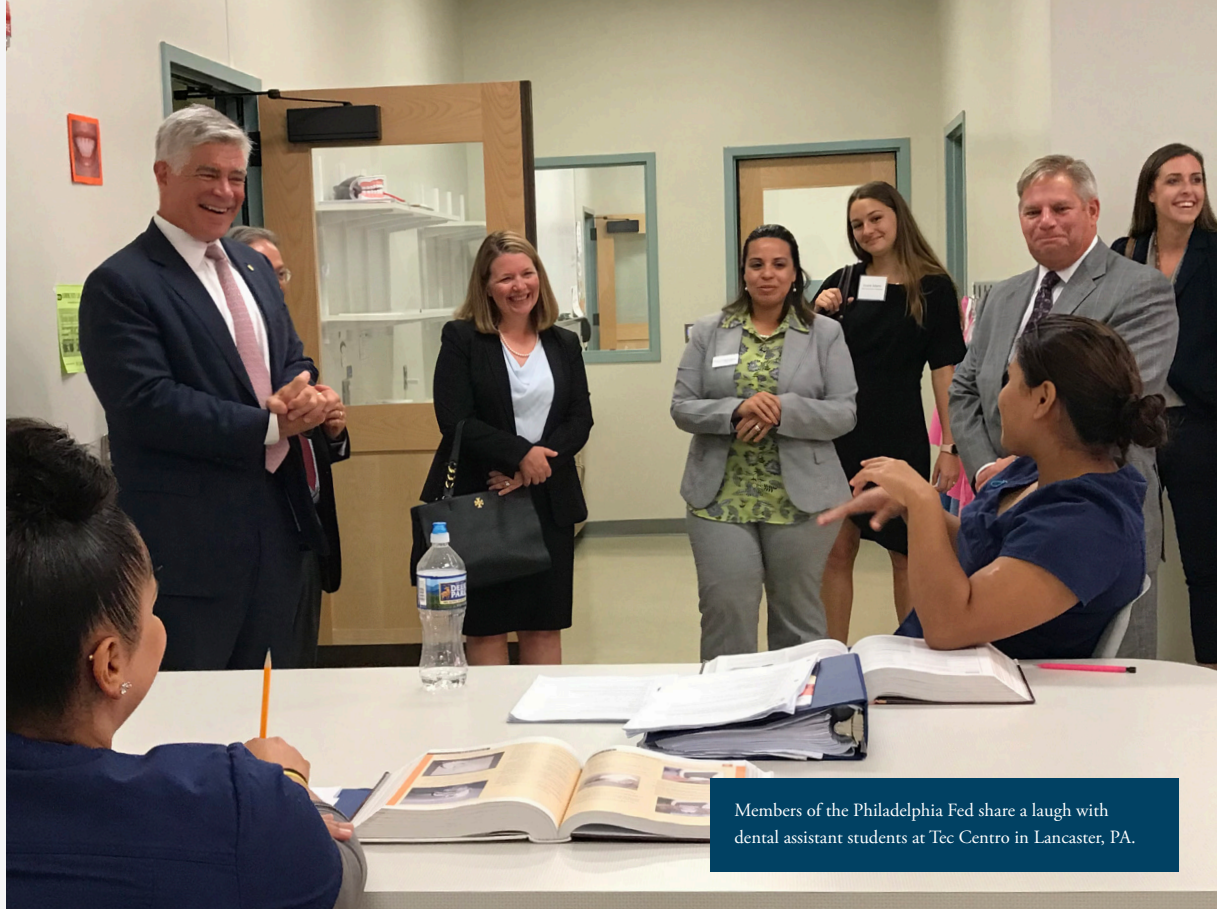
The Philadelphia Fed is committed to engaging with communities and individuals in the Third District, which comprises Delaware, southern New Jersey, and central and eastern Pennsylvania. In 2018, senior Bank leadership and members of the Community Development and Regional Outreach (CDRO) Department connected with District residents through several community tours, targeted outreach programs, the Bank's advisory councils, and field meetings with members of the financial industry.

## **Community Tours Offer a View of On-the-Ground Conditions in the District**

On an afternoon in September, the Tec Centro training center in Lancaster, PA, was bustling with activity.

President Patrick T. Harker and other Philadelphia Fed leaders toured the facilities, stopping to chat with participants in the dental assistant program and visiting the spacious classroom where students learn skills such as HVAC maintenance, plumbing, and carpentry. The center offers adult education, language classes, bilingual skills training, and job placement services for the city's large Hispanic population. Lancaster's religious communities have traditionally been open to immigrants and refugees, and now nearly 40 percent of the area's population is of Hispanic or Latino origin.

Tec Centro's effort to train workers to find jobs in the local economy is just one of the many innovative solutions that President Harker and other Bank leaders have learned about during community tours in the



Members of the Philadelphia Fed share a laugh with dental assistant students at Tec Centro in Lancaster, PA.

Third Federal Reserve District. Tours are an important part of the Philadelphia Fed’s regional outreach because they allow Bank leaders to meet with government, business, and nonprofit leaders; hear the real-life stories behind the data; and witness the drivers of local economies firsthand.

During the tours held in 2018, senior Bank leaders heard inspiring stories of resilience and hope for brighter futures. They met with people who are committed to creating economic growth and paths of mobility. As President Harker told participants at one roundtable discussion, “We’re here to learn from you.”

Consider the community development tour in Stroudsburg, PA, where President Harker and others learned about an approach being taken by ESSA Bank & Trust to lessen a regional challenge: how to help citizens returning to civilian life after federal incarceration. The bank provides critical loans for housing, transportation, and education to participants in the Court-Assisted Re-Entry (CARE) program. Since 2015, ESSA has provided seven loans to CARE participants, creating critical reentry supports. Not only is ESSA the only community

bank in the country partnering with a court reentry program, the loans have a zero delinquency rate, said Stephanie Lefferson, corporate secretary at ESSA Bank.

### **Outreach Critical to Bank’s Mission**

Community tours are not the only way the Philadelphia Fed engages in the District. The Bank’s outreach activities build relationships with leaders in banking and business, local government, civic groups, philanthropy, and the nonprofit sector.

“Getting out in the District is critical to the Bank’s work,” said Erin Mierzwa, strategic outreach and engagement officer in the Community Development and Regional Outreach Department. “Meeting with local leaders and hearing directly from them about the challenges they are facing and how communities are addressing economic and social problems informs our research and initiatives and enables us to identify new opportunities for collaboration.”

Outreach not only creates a beneficial two-way flow of information but also plays a key role in helping the

Bank fulfill its mission to foster regional conditions that provide economic opportunity for residents, safeguard the banking and financial system, and create a strong U.S. economy.

### **Building Relationships Through Advisory Councils**

Crucial to this model of creating partnerships and exchanging information are the Bank's two advisory councils. The Community Depository Institutions Advisory Council (CDIAC) comprises executives from commercial banks, thrift institutions, and credit unions in the Third District who provide advice and information on issues related to regulations, the payments system, and regional economic indicators. A second group, the Economic and Community Advisory Council (ECAC), advises on emerging trends, market conditions, and economic growth opportunities and includes leaders from various industry sectors, nonprofit and philanthropic organizations, academic institutions, government, and organized labor.

Relationships created through advisory councils often lead to additional outreach opportunities. ECAC member Daniel Betancourt, president and CEO of Community First Fund, hosted the Philadelphia Fed in Lancaster. A member of CDIAC, J. Bradley Scovill, president and CEO of Citizens & Northern Bank, invited the Philadelphia Fed to Pennsylvania's Northern Tier to learn about opportunities and challenges in a rural part of the Third District, where agriculture is still an important part of the economy. President Harker and other Bank leaders met with a group of business leaders, county commissioners, and educators who described the cross-sectoral cooperation taking place and tackling problems at the regional level.

### **Building Relationships with the Financial Services Industry**

For more than 70 years, the Philadelphia Fed has held annual field meetings in the District. These events allow the Bank's senior management to meet with bankers to hear their perspectives on the economic,

banking, and regulatory landscape. Field meetings also feature presentations from Federal Reserve subject matter experts who provide data and information on the economy and banking conditions as well as other current topics affecting the industry, such as cybersecurity and fintech.

Responding to feedback from field meeting attendees and a changing industry environment, for the first time in 2018, the Philadelphia Fed launched a series of smaller, more informal roundtable events to complement its signature field meetings. Roundtables allow bank CEOs and board chairs to engage with President Harker, First Vice President James D. Narron, Senior Vice President and Lending Officer William G. Spaniel, and other Philadelphia Fed leaders and to network with their industry peers.



President Harker (left) greets Gary S. Olson, president and CEO of ESSA Bank and a member of the Philadelphia Fed's Community Depository Institutions Advisory Council.

“Bankers roundtables have been a great addition to our outreach activities this year,” said Mierzwa. “When it comes to relationships with bankers and other important stakeholders in the region, we continue to evolve and look for opportunities to deepen engagement.”

The ultimate goal? “We want businesses and communities in the Third District to know that the Philadelphia Fed is here,” said Mierzwa. “We are listening, we can offer useful data and information, and we are a resource to help them.” ♦

# BANK RESEARCH BRINGS COMPELLING KNOWLEDGE TO COMMUNITIES AND INDIVIDUALS

One of the Philadelphia Fed's high-priority objectives is to be a source of compelling, in-depth, and unbiased research to gain a better understanding of the economy, to explain how policy translates into results, and to give consumers more information that they could use to make better decisions. The Bank accomplishes this goal through the work of its economists, analysts, and research fellows across many departments, including the recently established Consumer Finance Institute (CFI) and the Economic Growth & Mobility Project (EGMP) within the Community Development and Regional Outreach Department.

This research carries on and expands the aim of the Bank to engage with communities across the Third District and create work that can make a difference in people's lives. Two examples illustrate how these connections were achieved.

## Cognition and Elder Financial Abuse

Consider the research done on cognition and elder financial abuse. "*Cognitive aging* — the process by which cognitive abilities decline with age — can lead to poor judgment, an inability to perform daily financial tasks, and an increased susceptibility to third party fraud and financial exploitation by familiar people — even family members."<sup>1</sup> Even more devastating are

1 Kristen Triebel and Daniel Marson, "The Warning Signs of Diminished Financial Capacity in Older Adults," *Generations*, 2 (Summer 2012), pp. 39–45.

the cognitive changes caused by brain diseases such as Alzheimer's disease. The financial damage is estimated to cost older Americans between \$3 billion and \$36 billion per year.<sup>2</sup>

Building on research begun in 2017, Larry Santucci, a CFI senior research fellow, and Jeanne Rentzelas, senior vice president and general counsel of the Bank, published a working paper in 2018 that outlined steps individuals could take to try and protect themselves and their finances should they suffer from cognitive decline. These steps include assigning trusted contacts

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**“Research done by the Philadelphia Fed also helps explain how economic trends affect a community.”**

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to all financial accounts, preparing a durable financial power of attorney, and writing a will.

In earlier work, Santucci also included other solutions that could reduce the number of fraud cases. Working with Jason Karlawish, professor of medicine, medical ethics and health policy, and neurology at the University of Pennsylvania, Santucci noted that the health-care,

2 "The MetLife Study of Elder Financial Abuse: Crimes of Occasion, Desperation, and Predation Against America's Elders," MetLife, June 2011.



Larry Santucci (left), CFI senior research fellow, and Jeanne Rentezelas, senior vice president and general counsel, collaborate to raise public awareness of the risks associated with mental cognitive decline and financial abuse.

financial, and legal communities could work together to combat elder abuse.

This holistic approach would include key factors, some of which involve changing mindsets among those in the financial industry. For instance, Santucci's research and that of others show that financial institutions should encourage older adults to plan for diminished capacity. Diminished financial capacity can often be a signal of cognitive decline and may occur well before a doctor is able to detect and diagnose a problem. Therefore, a banker or financial advisor may be the first to identify changes in a client's financial capacity or suspect that fraud or financial exploitation is occurring. Consumer financial data and interactions with financial institutions can be used to help doctors diagnose cognitive decline. But regulations and privacy laws must be defined or adjusted to allow such exchange of information. Santucci has noted that in many cases the fraud goes beyond one financial institution. Thus, if financial institutions were permitted to share client data amongst each other under a set of appropriate circumstances, a financial institution that

identified a financially vulnerable client could notify other institutions, decreasing the likelihood of the client experiencing losses in accounts held at those institutions.

This work is an example of the research being done in the CFI that expands our knowledge of how consumers make financial and career decisions. In turn, the work can help people by showcasing best practices for decision-making. To educate the public, Santucci and Rentezelas appeared on *Aging Insights*, a public access television show produced by the New Jersey Foundation for Aging. Their work generated commentaries about elder fraud and ways to reduce it. These commentaries written by Santucci and Rentezelas as well as President Patrick T. Harker appeared in many media outlets, including the *Philadelphia Inquirer* and *Bloomberg View*.

### **Gentrification and Tax Relief Programs in Philadelphia**

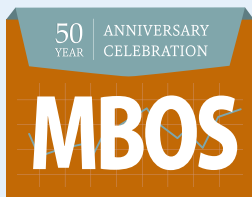
Research done by the Philadelphia Fed also helps explain how economic trends affect a community. Recent research by Lei Ding in the Community



Community Development Economic Advisor Lei Ding has published research on gentrification and tax payment behavior in the Philadelphia area.

## TWO MAJOR BANK REPORTS MARK GOLDEN ANNIVERSARIES

In 2018, the Research Department of the Philadelphia Fed had the opportunity to acknowledge not one but two 50-year anniversaries of data reports that are widely used by macroeconomists, business analysts, and policymakers.



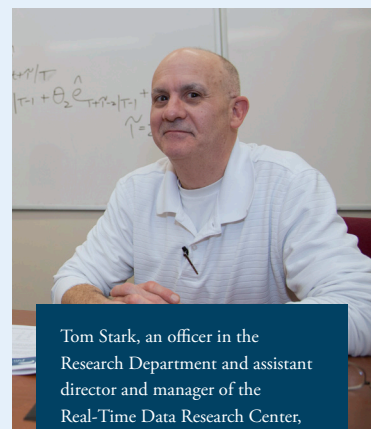
In May, the Philadelphia Fed's *Manufacturing Business Outlook Survey (MBOS)* marked 50 years of data collecting with its May release. The *MBOS* — called the “Philly

Fed Index” by the media and Wall Street economists — is the longest running report compiled by a regional Fed Bank.

The *MBOS* is a monthly survey of manufacturing firms in the Third District. Survey participants indicate the direction of change in several of their firms’ economic indicators, such as employment, working hours, new and unfilled orders, shipments, and prices paid and received.

Mike Trebing, senior economic analyst, has overseen the *MBOS* for more than 20 years. He said the survey was originally developed in cooperation with the Bell Telephone Company of Philadelphia as a way to see how the local economy was doing. What makes the *MBOS* important

is that it is released coincident with the month being surveyed, and this



Tom Stark, an officer in the Research Department and assistant director and manager of the Real-Time Data Research Center, produces the *Survey of Professional Forecasters*.

timeliness gives it an edge over many other economic indicators. Traders and other financial analysts also note the *MBOS*'s predictive value for other



Development and Regional Outreach Department, and coauthored by Jackelyn Hwang, assistant professor of sociology at Stanford University, examined the effects of gentrification and tax relief programs on homeowners in Philadelphia.

The sweeping overhaul of the city's property tax system in 2013 allowed the authors to conduct the first study that was able to isolate the causal relationship between gentrification and individual homeowners' tax payment behavior. Ding's study suggests that gentrification increases the risk of homeowners' tax delinquency in general but that it has not yet led more elderly or financially disadvantaged homeowners to sell off their homes and leave the community. According to the paper, the lack of increased displacement is most likely because the city has adopted several unique gentrification relief programs. Findings from this study can help policymakers and practitioners better understand the complicated relationship between gentrification,

property taxes, and residential displacement as well as the effectiveness of tax relief programs.

Ding's research generated a great deal of interest from regional and national audiences. Resulting media coverage included an opinion piece by the *Philadelphia Inquirer's* editorial board and stories in the *Inquirer*, *The Atlantic*, WHYY's *PlanPhilly*, and *NewsWorks Tonight*, WHYY's nightly radio news program.

Gentrification and elder financial abuse were not the only issues covered by the Bank's many researchers in 2018. Other work published by the Philadelphia Fed covered a myriad of topics, including the effect of automation on local employment, changes in labor turnover, the effects of competition in consumer credit markets, and the mismeasurement of economic activity because of the advent of "free media." What these papers have in common is their furtherance of the Bank's goal to be a primary source of compelling knowledge. ♦

factory-related data points, such as the Institute for Supply Management's manufacturing indexes.

Its long history also means the *MBOS* is a case study in how data gathering and reporting have evolved over the past half-century. Initially the survey was mailed out as was the *MBOS* itself. Later, the survey was done via phone, and the Research Department created a prerecorded telephone "hot line" that analysts could call. Today, both the data gathering and the release of the *MBOS* are done online. The *MBOS* is released at 8:30 a.m. on the third Thursday of the month.

The look of the report has also changed over the years. The special questions section was added in 2001 by Loretta Mester, the former director of research who is now president of the Cleveland Fed. What has stayed constant, said Trebing, is the set of

core questions: "It has never changed at all in these 50 years."



The second golden anniversary was marked in November by the *Survey of Professional Forecasters (SPF)*, making it the oldest quarterly forecast survey in the United States. The *SPF* data provide an up-to-date consensus outlook on the macroeconomy, with projections for more than 23 variables, including real gross domestic product and its components, unemployment and employment, and inflation.

In 1968 the American Statistical Association and the National Bureau of Economic Research started the

survey, and the Bank took it over in 1990. At that time, according to Tom Stark, research officer and assistant director and manager of the Real-Time Data Research Center, the survey was "something that the Research Department recognized as being important, but it wasn't something that the outside world was paying much attention to."

However, the survey has attracted increasing amounts of attention over time and is one of the most downloaded releases on the Philadelphia Fed's website. The Real-Time Data Research Center devotes a significant amount of resources to supporting the survey. Stark, who has been working on the *SPF* since 1993, spends a considerable amount of time answering inquiries about the survey from people in the System, across the United States, and all over the world, a sign of the survey's popularity and importance.



Seated, from left: Patricia A. Hasson, Brian McNeill, Phoebe A. Haddon; standing, from left: Carol J. Johnson, Jon Evans, David R. Hunsicker, William S. Aichele, Anthony Iburgüen. Not pictured: Madeline Bell

## 2018 BOARD OF DIRECTORS

As provided by the Federal Reserve Act, each of the 12 Reserve Banks is supervised by a nine-member board of directors. The directors oversee the Bank's direction and performance, and they participate in the formulation of the Fed's monetary policy through their reports on economic and financial conditions and their decisions on the Bank's discount rate.

### CHAIR

**Brian McNeill** (a, c, d)  
President and CEO  
Touchpoint, Inc.  
Concordville, PA

### DEPUTY CHAIR

**Phoebe A. Haddon** (a, b)  
Chancellor  
Rutgers University–Camden  
Camden, NJ

### BOARD MEMBERS

**William S. Aichele** (a, c)  
Chairman  
Univest Corporation of Pennsylvania  
Souderton, PA

**Madeline Bell** (a, d)  
President and CEO  
The Children's Hospital of Philadelphia  
Philadelphia

**Jon Evans** (a, b)  
President and CEO  
Atlantic Community Bankers Bank  
Camp Hill, PA

**Patricia A. Hasson** (a, c, d)  
President and Executive Director  
Clarifi  
Philadelphia

**David R. Hunsicker** (a, b, d)  
Chairman, President, and CEO  
New Tripoli Bank  
New Tripoli, PA

**Anthony Iburgüen** (a, b)  
CEO, Quench USA, Inc.  
King of Prussia, PA  
President, AquaVenture Holdings, Ltd.  
Tampa, FL

**Carol J. Johnson** (a, c)  
Former President and COO  
AlliedBarton Security Services  
Conshohocken, PA

(a) Member of the Bank's Executive Committee; (b) Member of the Bank's Audit Committee; (c) Member of the Bank's Management and Budget Committee; (d) Member of the Bank's Nominating and Governance Committee



Seated, from left: Jeff March, Amey R. Sgrignoli, Christopher D. Maher, Gary S. Olson; standing, from left: J. Bradley Scovill, David J. Hanrahan, Thomas R. Quinn Jr, James Wang, Patrick L. Ryan. Not pictured: Joseph B. Bower Jr., Mark E. Huntley, Jeane M. Vidoni

## COMMUNITY DEPOSITORY INSTITUTIONS ADVISORY COUNCIL

The Community Depository Institutions Advisory Council, created in 2011, includes representatives from commercial banks, thrift institutions, and credit unions. The council provides information, advice, and recommendations to the Federal Reserve Bank of Philadelphia from the perspective of community depository institutions.

**Joseph B. Bower Jr.**

President and CEO  
CNB Bank and CNB Financial Corporation  
Clearfield, PA

**David J. Hanrahan**

President and CEO  
Capital Bank of New Jersey  
Vineland, NJ

**Mark E. Huntley**

President and CEO  
Artisans' Bank  
Wilmington, DE

**Christopher D. Maher**

Chairman, President, and CEO  
OceanFirst Bank  
Toms River, NJ

**Jeff March**

President and CEO  
Citadel Federal Credit Union  
Exton, PA

**Gary S. Olson**

President and CEO  
ESSA Bank & Trust  
Stroudsburg, PA

**Thomas R. Quinn Jr.**

President and CEO  
Orrstown Bank  
Shippensburg, PA

**Patrick L. Ryan**

President and CEO  
First Bank  
Hamilton, NJ

**J. Bradley Scovill**

President and CEO  
Citizens & Northern Bank  
Wellsboro, PA

**Amey R. Sgrignoli**

President and CEO  
Belco Community Credit Union  
Harrisburg, PA

**Jeane M. Vidoni**

President and CEO  
Penn Community Bank  
Bristol, PA

**James Wang**

President and CEO  
Asian Bank  
Philadelphia



Front row, from left: Arlen Shenkman, Sharmain Matlock-Turner, Staci Berger, Susan S. Hakkarainen, Janice E. Nevin, Patrick J. Eiding; back row, from left: Daniel Betancourt, Edward (Ed) L. Dandridge, Devesh Raj, Michael A. Nutter, John A. Fry. Not pictured: Terri Kelly, Donald F. Schwarz, Linda Thomson

## ECONOMIC AND COMMUNITY ADVISORY COUNCIL

The Economic Advisory Council, created in 2008, was expanded and renamed the Economic and Community Advisory Council in 2016. It is now composed of up to 15 leaders who represent businesses of different sizes and industry sectors as well as nonprofit and philanthropic organizations, academic institutions, the public sector, and organized labor. The council advises Federal Reserve officials on emerging trends, market conditions, and economic growth opportunities in the Third District and the nation.

### **Staci Berger**

President and CEO  
Housing and Community Development  
Network of New Jersey  
Trenton, NJ

### **Daniel Betancourt**

President and CEO  
Community First Fund  
Lancaster, PA

### **Edward L. Dandridge**

Global Chief Marketing and Communications  
Officer  
AIG General Insurance  
New York

### **Patrick J. Eiding**

President  
Philadelphia Council AFL-CIO  
Philadelphia

### **John A. Fry**

President  
Drexel University  
Philadelphia

### **Susan Hakkarainen**

Cochair and Co-CEO  
Lutron Electronics Co., Inc.  
Coopersburg, PA

### **Sharmain Matlock-Turner**

President and CEO  
Urban Affairs Coalition  
Philadelphia

### **Janice E. Nevin**

President and CEO  
Christiana Care Health System  
Wilmington, DE

### **Michael A. Nutter**

Principal Advisor  
Michael A. Nutter Advisors LLC  
Former Mayor of the City of Philadelphia  
Philadelphia

### **Devesh Raj**

Senior Vice President of Strategic and  
Financial Planning  
Comcast Corporation  
Philadelphia

### **Donald F. Schwarz**

Senior Vice President, Program  
Robert Wood Johnson Foundation  
Princeton, NJ

### **Arlen Shenkman**

Executive Vice President of Global Business  
Development and Ecosystems  
SAP SE  
Newtown Square, PA

### **Linda Thomson**

President and CEO  
JARI  
Johnstown, PA

# MANAGEMENT COMMITTEE

The Management Committee is composed of the Bank's President and CEO, the first vice president and COO, the chief of staff, the executive vice president, and senior vice presidents. Members advise the president and first vice president on matters of Bank policy and strategy.

**Patrick T. Harker**

President and Chief Executive Officer

**James D. Narron**

First Vice President and Chief Operating Officer

**Michael Dotsey**

Executive Vice President, Director of Research, and Director of the Consumer Finance Institute

**Donna L. Franco**

Senior Vice President and Chief Financial Officer

**Terry E. Harris**

Senior Vice President and Chief Information Officer, Information Technology Services

**Deborah L. Hayes**

Senior Vice President, Corporate Affairs

**Mary Ann Hood**

Senior Vice President and EEO Officer, Human Resources; Director, Office of Diversity and Inclusion

**Arun K. Jain**

Senior Vice President, Treasury and Financial Services

**Jeanne R. Rentzelas**

Senior Vice President and General Counsel, Legal

**Michelle Scipione**

Liaison to the Committee  
Senior Vice President and General Auditor  
Audit

**William G. Spaniel**

Senior Vice President and Lending Officer, Supervision, Regulation, and Credit

**Patricia Wilson**

Senior Vice President, Chief of Staff, and Corporate Secretary

# ADDITIONAL BANK OFFICERS

## SENIOR VICE PRESIDENTS

### Larry Cordell

Senior Vice President  
Supervision, Regulation, and Credit

### Robert Hunt

Senior Vice President and Associate Director  
Consumer Finance Institute

### Keith Sill

Senior Vice President and Director  
Real-Time Data Research Center  
Research

### Theresa Y. Singleton

Senior Vice President and Community Affairs  
Officer  
Community Development and Regional  
Outreach

## VICE PRESIDENTS

### Roc Armenter

Vice President and Economist  
Research

### Mitchell S. Berlin

Vice President and Economist  
Research

### Donna L. Brenner

Vice President  
Enterprise Risk Management

### Paul S. Calem

Vice President  
Supervision, Regulation, and Credit

### Paul P. Capelli

Vice President  
Public Affairs

### Jennifer E. Cardy

Vice President  
Financial Management Services

### Satyajit Chatterjee

Vice President and Economist  
Research

### Julia Cheney

Vice President and Assistant Director  
Consumer Finance Institute

### Kori Ann Connelly

Vice President and Deputy General Counsel  
Legal

### Joseph O. Dietzmann

Vice President and Collaboration Services  
Executive  
End User Services

### Gregory Fanelli

Vice President  
Information Technology Services

### Stephen G. Hart

Vice President  
Human Resources

### Charles Kirkland

Vice President  
Financial Statistics

### Jeffrey Lin

Vice President and Economist  
Research

### Deming Love

Vice President  
Digital Strategy Group

### Robert F. Mucirino

Vice President  
Collateral Management and Administrative  
Services

### Robin P. Myers

Vice President  
Supervision, Regulation, and Credit

### Leonard Nakamura

Vice President and Economist  
Research

### Gregory A. Ramick

Vice President  
Cash Services

### Perry Santacecilia

Vice President  
Supervision, Regulation, and Credit

### Stanley J. Sienkiewicz

Vice President  
Research Support  
Research

### Kimberly J. Taylor

Vice President  
Human Resources

### Patrick F. Turner

Vice President  
End User Services

### Linda Van Valkenburg

Vice President  
Information Technology Services

### James K. Welch

Vice President  
Law Enforcement and Facilities

### William T. Wisser

Vice President  
Supervision, Regulation, and Credit

## ASSISTANT VICE PRESIDENTS

### Joanne M. Branigan

Assistant Vice President  
Supervision, Regulation, and Credit

### Brian W. Calderwood

Assistant Vice President  
End User Services

### Maryann T. Connelly

Assistant Vice President and Counsel  
Legal

### Michael T. Costello

Assistant Vice President  
Supervision, Regulation, and Credit

### Daniel W. Crouthamel

Assistant Vice President  
Research Information Technology Support  
Research

### Heather C. Derbyshire

Assistant Vice President  
Financial Statistics

### Matthew R. Frame

Assistant Vice President  
Supervision, Regulation, and Credit

### Suzanne W. Furr

Assistant Vice President and Assistant General  
Auditor  
Audit

Includes promotions through January 2019

**Amber Germain**  
Assistant Vice President  
Enterprise Risk Management

**Christopher C. Henderson**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Jill Hettinger**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Nancy R. Hunter**  
Assistant Vice President and Information  
Security Officer  
Information Technology Services

**Christopher L. Ivanoski**  
Assistant Vice President  
Facilities

**John P. Kelly**  
Assistant Vice President  
Financial Management Services

**Anjanette Kichline**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Andrew A. Kish**  
Assistant Vice President  
Supervision, Regulation, and Credit

**James K. Lofton**  
Assistant Vice President  
Cash Services

**Lorraine A. Lopez**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Michael O'Brien**  
Assistant Vice President  
Law Enforcement

**Wanda Preston**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Chellappan Ramasamy**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Stephen J. Smith**  
Assistant Vice President and Counsel  
Legal

**Eric A. Sonnheim**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Gail L. Todd**  
Assistant Vice President and Credit Officer  
Supervision, Regulation, and Credit

#### **OFFICERS**

**Xudong An**  
Officer  
Supervision, Regulation, and Credit

**Jonathan S. Brown**  
Officer  
Supervision, Regulation, and Credit

**Kimberly Caruso**  
Officer  
Supervision, Regulation, and Credit

**Kenneth Chin**  
Officer  
Cash Services

**James W. Corkery Jr.**  
Officer  
Supervision, Regulation, and Credit

**Dusty Downs**  
Officer  
Collateral Management and Administrative  
Services

**Jeff Fries**  
Officer  
End User Services

**Andrew Hill**  
Officer  
Public Affairs

**Yilin Huang**  
Officer  
Supervision, Regulation, and Credit

**Daniel R. Kutschera**  
Officer  
Supervision, Regulation, and Credit

**Erin K. Mierzwa**  
Officer  
Community Development and Regional  
Outreach

**Rebecca C. Robinson**  
Officer and Assistant Director, Office of  
Minority and Women Inclusion  
Office of Diversity and Inclusion

**Tom Stark**  
Officer and Assistant Director  
Real-Time Data Research Center  
Research

# FINANCIAL STATEMENTS

The audited annual financial statements of the Federal Reserve Bank of Philadelphia as of and for the years ended December 31, 2018, and December 31, 2017, are incorporated here by reference. They are available at the Board of Governors of the Federal Reserve System at <https://www.federalreserve.gov/aboutthefed/files/philadelphiafstmt2018.pdf>. That public disclosure also provides: Notes to Financial Statements, Management's Report on Internal Control over Financial Reporting, and the Independent Auditors' Report.

The Board of Governors' Statement of Auditor Independence is provided below:

## **Statement of Auditor Independence**

The Federal Reserve Board engaged KPMG LLP (KPMG) to audit the 2018 combined and individual financial statements of the Reserve Banks.<sup>1</sup>

In 2018, KPMG also conducted audits of internal controls over financial reporting for each of the Reserve Banks. Fees for KPMG services totaled \$7.0 million. To ensure auditor independence, the Board of Governors requires that KPMG be independent in all matters relating to the audits. Specifically, KPMG may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In 2018, the Bank did not engage KPMG for any non-audit services.

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<sup>1</sup> In addition, KPMG audited the Office of Employee Benefits of the Federal Reserve System (OEB), the Retirement Plan for Employees of the Federal Reserve System (System Plan), and the Thrift Plan for Employees of the Federal Reserve System (Thrift Plan). The System Plan and the Thrift Plan provide retirement benefits to employees of the Board, the Federal Reserve Banks, the OEB, and the Consumer Financial Protection Bureau.



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