

Last year, Philadelphia Fed staff contributed to a large number of significant Bank and System projects. Here are some of the highlights for 2007:

## AUDIT

The Bank's information technology audit manager made a presentation in April in Ljubljana, Slovenia, at a workshop on "Information Technology Audit in Central Banks: Best Practice and International Standards." The department also hosted the 10th annual Bank-wide Audit Symposium, which offers staff continued professional development through information sharing and interaction with Bank, professional, and community leaders.

## CASH SERVICES

In May, Cash Services hosted the first regional cash customer meeting in conjunction with four contiguous Federal Reserve Districts: Boston, New York (EROC), Cleveland, and Richmond. In September, the national Cash Customer Advisory Council held its meeting at the Bank. Cash Services also began billing for additional handling and processing of currency deposited and withdrawn from the Federal Reserve in the same week. This billing is part of a national effort to encourage recirculation of currency by depository institutions.



## COMMUNITY AFFAIRS



The Community Affairs and Research departments jointly planned the fifth biennial Federal Reserve System Community Affairs Research Conference held in March 2007 in Washington, D.C. In addition, Community Affairs initiated a study of the effectiveness of homeownership counseling on long-term financial management. The study, which will follow participants for five years after they've received housing counseling, is important, since many borrowers are in foreclosure in the current financial environment. The department also helped housing advocates understand options for refinancing and how to work with loan servicers. The department's economic education staff reached 600+ educators through seminars and classes at the Bank or in our District.

## ENTERPRISE RISK MANAGEMENT

The Philadelphia Reserve Bank hosted the International Operational Risk Working Group conference. The department's assistant vice president chaired the key risk indicator group for the meeting. ERM also hosted the System's planning meeting for the 2007 Internal Control Assessment process, which supports compliance with Auditing Standard No. 2 (AS2). AS2 sets requirements for external auditors in conducting engagements and issuing opinions for organizations registered with the Securities and Exchange Commission.

## FACILITIES MANAGEMENT

The department completed the acquisition of a property for an off-site screening facility. The new building will be used for screening general delivery trucks, check courier vehicles, and armored carriers before the vehicles proceed to the main Bank building.

## FINANCIAL MANAGEMENT SERVICES

Staff in FMS chaired several System groups, including the COSO Coordination group, the Cost Accounting Group, and the Enterprise Risk Management group. The Bank's chief financial officer traveled to Rabat, Morocco, to help the Moroccan central bank with its risk management efforts. Staff in the division's accounts payable function achieved designation as certified accounts payable specialists and managers. The Bank's budget and procurement officer taught classes for the Institute of Internal Auditors.

## FINANCIAL STATISTICS

In 2007, the Financial Statistics Department made important contributions to the Federal Reserve System's Statistics and Reserves Technology Roadmap Initiative; System-level training; and development and testing of enhancements to the Statistics and Reserves application and the Federal Financial Institutions Examination Council's central data repository application. Department staff contributed to testing and evaluating proposed operational changes and identified and resolved often complex financial reporting issues.

## HUMAN RESOURCES

HR established a work group consisting of Bank officers and managers to develop a talent management program for the Bank. The Bank also established a Diversity Council and charter to support its objective of a work environment in which all employees can succeed. Seventeen summer interns, representing 10 universities, worked at the Bank over the summer. The department's ePEP group received a first place award for excellence in e-learning from the Pennsylvania, New Jersey, and Delaware Distance Learning Association.



## INFORMATION TECHNOLOGY SERVICES

ITS managed scores of internal Bank projects, supporting most business lines and hosting several major Federal Reserve System assignments, including Treasury Services, Retail Payments, and information security. The Bank's Groupware Leadership Center serves as one of many national information technology operators and has specific responsibility for the Federal Reserve's collaboration suite of services. These include e-mail and instant messaging, the calendar function, web conferencing, unified messaging, team workplace sites, community services, and enterprise content management. The video conferencing team supports an enterprise-wide service for all Federal Reserve offices and can connect to business partners in governments and industries worldwide. This service was expanded to pilot desktop video conferencing.

## LAW ENFORCEMENT

The Bank hired a former FBI agent to lead the Law Enforcement Department. The new assistant vice president supervised the public corruption squad and the white collar crime unit in the FBI's Philadelphia office. The department also now occupies newly renovated and expanded space to better meet staff needs.

## LEGAL

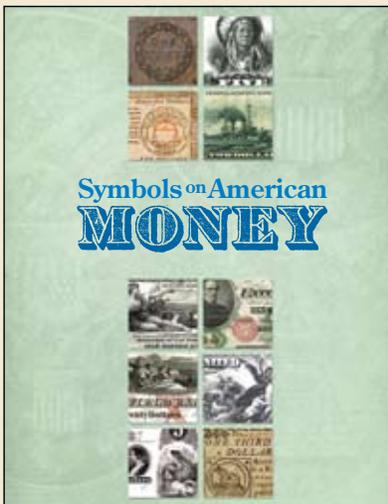
The Legal Department provided timely support for the complex transactions involved in the Bank's acquisition of property for an off-site screening facility. The Bank's general counsel has for many years chaired the System's Subcommittee of Ethics Officers, which provides information, guidance, and support to the ethics programs of all the Reserve Banks. Another department officer chairs the System work group reviewing legal issues related to verifying the identity of those seeking physical or electronic access to federal government sites.

## PAYMENT CARDS CENTER

Center staff worked with the Bank's Community Affairs Department in sponsoring a conference on the financial services behavior of low- and moderate-income households. Staff also joined with the Bank's Research Department to host the fourth biennial conference on "Recent Developments in Consumer Credit and Payments." The staff also made presentations at an unprecedented 11 industry-sponsored conferences and forums and numerous presentations in the Bank and the System.



## PUBLIC AFFAIRS



The department produced a new publication, *Symbols on American Money*, as part of the Bank's public information and economic education efforts. The redesign of the Bank's external website is now well underway. The redesign will improve the site's performance and technical capabilities and provide even better service to our widely diverse audience. The "Money in Motion" exhibit, which opened in July 2003, has now welcomed over 120,000 visitors. In 2007 a new element, "Supervision Mission," was added to help explain the Bank's regulatory role.

## RESEARCH

The Research Department worked with Community Affairs to organize the fifth biennial Federal Reserve System Community Affairs Research Conference. The research director then served as editor for a special issue of the *Journal of Economics and Business* in which selected papers from the conference were published. Research also organized and hosted the sixth annual Philadelphia Fed Policy Forum, as well as several other conferences, including the System Committee on International Analysis and a conference on analysis and methods using real-time data.



Annette L. Nazareth  
Former SEC Commissioner

## RETAIL PAYMENTS



Philadelphia was chosen in 2007 as one of four remaining Federal Reserve check processing sites and will absorb the workload from the current Baltimore, Utica, and Windsor Locks offices. The Customer Relations unit assisted financial institutions in their efforts to implement Check 21 deposit (FedForward and FedReturn) and presentment (FedReceipt) services. This is part of an evolution from a paper-based check collection system to an increasingly electronic check payments system.

## SUPERVISION, REGULATION AND CREDIT

SRC spearheaded the System's "Partnership for Progress: A Program for Minority-Owned and De Novo Institutions," the first of its kind to address the unique challenges facing minority-owned institutions. The department also played a lead role for retail credit on the System's Basel II qualification team. SRC also prepared to launch its consumer compliance newsletter as a System-wide publication.

In December 2007, for the first time, the Federal Reserve offered a unique lending program through its discount window called the Term Auction Facility (TAF). The TAF is designed to supply term loans through an auction method to those financial institutions eligible to borrow from the Fed under primary credit. Working under a short time frame with other Federal Reserve Banks and the Subcommittee on Credit and Risk Management, SRC's discount window staff facilitated the design, development, and testing of appropriate procedures to implement the TAF in the Third District.



## TREASURY SERVICES

The U.S. Treasury selected the Philadelphia Reserve Bank to lead the Treasury's collateral management and monitoring business line as part of the government's project to modernize its collections and cash management activities.