

OPENING A NEW DOOR

FEDERAL RESERVE BANK OF ATLANTA — 2001 ANNUAL REPORT

OPEN AND OPERATIONAL

Of all the elements required for a smoothly functioning economy, perhaps the most essential is confidence. Without the public's certainty that payments will be settled or faith in the stability of the nation's financial system, most economic activity would not take place efficiently or effectively.

One of the most important ways the Federal Reserve bolsters confidence is through its operation of payment systems—the transmission grid for the dynamo that is the U.S. economy. The Federal Reserve Bank of Atlanta's new headquarters is one expression of our commitment to payment systems leadership. In cash operations, currency processing—the sorting, shredding, and fitness testing that take place after the Atlanta Fed receives deposits—is now aided by robotics, four automated guided vehicles, and the second-largest automated vault in the Federal Reserve System. In check operations, the new headquarters consolidates processing, settlement, and adjustments under one roof and allows room for more high-speed sorters and other automated systems. This more efficient operating environment was one factor that led the U.S. Treasury Department to designate Atlanta one of four Reserve Banks to consolidate Treasury check processing. The new facilities, along with the bank's district efficiency program, are helping the Atlanta Fed maintain its long-time position as one of the most efficient Reserve Banks.



Automated guided vehicles move currency and coin throughout the cash processing area and the vault at the Atlanta Fed's new headquarters.



Still, leadership is more than just operating efficiencies, and the Atlanta Fed offers far more to the payment system than a state-of-the-art processing facility. The bank is home to the Retail Payments Office (RPO), which is responsible for strategic planning, product development, and operations management for the Fed System's two retail payments services, checks and FedACH (automated clearinghouse). In 2001 the Atlanta Fed was one of two Feds chosen as consolidated sites for FedACH operations.

Often, the greatest test of leadership is crisis. In the hours following the terrorist attacks of September 11, the Federal Reserve Board of Governors issued the following statement: "The Federal Reserve System is open and operating. The discount window is available to meet liquidity needs." For Atlanta Fed credit officer Aruna Srinivasan and her staff, this commitment meant responding to a flood of inquiries from financial institutions and originating overnight loans through the discount window.

And when the Federal Aviation Administration grounded all civilian flights, Julius Weyman and Greg Fuller of RPO's Check Relay improvised a ground hub-and-spoke transportation system to keep the checks the Fed processes moving throughout the nation. When the planes began flying again, the Check Relay staff also assembled an airborne "float triage" network to ensure that large-volume and long-distance checks were among the first to move. The dedication and resourcefulness demonstrated by Check Relay and many others throughout the Federal Reserve System ensured that payment systems remained open and operating during an extraordinarily difficult week in our nation's history.

OPEN TO NEW IDEAS



Aruna Srinivasan, credit officer in Credit and Risk Management, discusses the role of the Atlanta Fed's discount window with a group meeting in the bank's conference center.

What does it mean to be a learning organization? For the Retail Payments Office, it means ensuring that its products are market-based, service-oriented, and innovative. That's one reason that in 2001 the RPO, in close collaboration with the Board of Governors, conducted the first national study of retail payments in more than twenty years to learn as much as possible about the marketplace. The study collected extensive data on checks and electronic payments to establish benchmark numbers for the volume and value of retail payments. The findings will help the Fed as well as financial institutions and other service providers assess payment trends and preferences.

But learning is hardly unique to the RPO. All public institutions must be aware of, if not always

immediately responsive to, ideas and trends that influence the people and markets they serve. This awareness is an important obligation for a central bank, particularly in a dynamic, information- and technology-powered economy. In the Atlanta Fed's new headquarters, the conference and training facilities provide a unique venue for the exchange of information and ideas that affect our public duties and facilitate staff development.

Exploring and sharing new ideas is a responsibility we take seriously at the Federal Reserve Bank of Atlanta. In 2001, for example, the Atlanta Fed's Community Affairs Department cosponsored more than a dozen conferences and workshops throughout the region on topics as varied as preda-



tory lending, “smart growth,” and rural development, working with institutions as diverse as the Appalachian Regional Commission, Fannie Mae, and the Office of Thrift Supervision.

In November the bank’s Latin America Research Group held a conference in Miami on domestic finance and global capital in Latin America. Scholars and practitioners from such institutions as the Central Bank of Brazil, New York University, and the Inter-American Development Bank considered some of the dilemmas and opportunities presented by financial liberalization in Latin America.

Engaged learning will also continue to be critical to the Atlanta Fed’s Supervision and Regulation

Division (S&R). The division’s emphasis on continuing education and professional development has helped the staff keep pace with an expanded constituency, unparalleled technological changes, and increasing consolidation and complexity in the financial services industry. For instance, bank charter conversions in 2001 led to a 21 percent increase in domestic assets under the Atlanta Fed’s supervision, yet S&R was able to accommodate that growth with little increase in staff.

The Atlanta Fed’s new conference center provides a place to meet in an environment designed for learning.

OPEN TO THE PUBLIC

When planning began for the new headquarters, the Atlanta Fed's building committee set a number of objectives for the new facility. It had to be secure, of course. It had to bring the Atlanta office's 1,200 employees back together under one roof. It had to allow the Atlanta Fed to keep up with the region's growth in payment operations, with expanded bank supervisory responsibilities, and with the increasing complexity of economic research.

And it had to be open—inviting, accommodating, and informative—to the constituents we serve.

Since the Federal Reserve was established in 1913, one of its defining features has been its independence from the political process. This independence enables the Fed to make decisions about monetary policy and bank supervision that might be inexpedient for an elected official.

The Fed is first and foremost a public institution created by Congress. This means the Fed must also be accountable. Moreover, the effectiveness of Fed policies demands that the public understand how the economy works and the Fed's role in it: For monetary policy to be credible, the general population needs a basic level of economic knowledge and financial literacy.



Students from Atlanta's S.M. Inman Middle School tour the Fed's Monetary Museum, led by volunteer tour guide Stanley Fong of the bank's systems department. Pictured (l to r) are Ysatis Wood, Tandreka Jordan, Sharon Walz (counselor), Fong, Cynetra Butler, and Frederick Ferdinand.



The Federal Reserve Bank of Atlanta's new Visitors Center and Monetary Museum is a physical expression of our desire to be understood. Through engaging, interactive exhibits, the museum is intended to educate visitors about the Fed's roles in the economy, from monetary policy to bank supervision to payment systems. And the new museum is designed to be accessible and informative for almost every level of interest.

Thousands of high school, college, and civic groups visited the Atlanta Fed's old headquarters, where the Monetary Museum was tucked away on the building's third floor. At 1000 Peachtree Street, the Fed expects to host many more visitors not only because the exhibits are more inviting for tours by students and other groups but also because the space is conveniently located off the main lobby. Although heightened security requirements since September 11 have temporarily limited access to the Visitors Center and Monetary Museum, our vision is to eventually open the exhibits to anyone interested in learning about the Fed.

OPEN TO THE REGION

On January 3, 2001, the Federal Open Market Committee reduced the federal funds target rate by 50 basis points to 6 percent. It was the first of eleven cuts that would culminate in a fed funds target rate of 1.75 percent by the end of the year. The cuts were a significant response to an economy that was suffering from a rapid deterioration in investment spending and manufacturing.

According to the National Bureau of Economic Research, the recession officially began in March 2001, nearly ten years after the beginning of the longest economic expansion in post-World War II U.S. history. More than six months earlier, though, economists at the Atlanta Fed began to see evidence of widespread weakness in the manufacturing-intensive economies of Mississippi and Alabama. Their research helped in some measure to inform the aggressiveness of the Fed's monetary policy in 2001.

Identifying turning points in the economy—and recommending monetary policy responses to Atlanta Fed president and FOMC policymaking participant Jack Guynn—is part of the job for the Atlanta Fed's Research Department. Like other analysts, Atlanta Fed economists rely on data published by government agencies, universities, and research institutions to help gauge the direction of the economy. But researchers at the Atlanta Fed



On Nissan's production line for the 2002 Altima in Smyrna, Tennessee, Atlanta Fed Nashville Director Emil Hassan talks with Stony Thomas, department manager, about production volume. Hassan is a senior VP for Nissan North America, Inc.



and throughout the Federal Reserve System have another valuable resource: Reserve Bank directors.

Directors, such as the Atlanta Fed's Nashville Director Emil Hassan, a senior vice president for Nissan North America, Inc., provide information on economic developments throughout their respective Federal Reserve districts. In this respect, Reserve Bank directors ensure that an idea decades ahead of its time in 1913—a decentralized central bank system, with representation from around the country—remains as relevant today as it was when the Federal Reserve was created.

Fed directors are also able to offer information and analysis on the economy that may take months to appear in the data, after the economy has already changed course. Making sense of events as they happen—in real time—requires information from individuals with knowledge and discernment about local or regional industries and their function in the national economy.

OPEN TO THE NEIGHBORHOOD



Lunching on the bank's grounds are several members of the Fed's Atlanta Branch Payor Bank Services: Xuan Mai Nguyen, Assistant VP Chris Alexander (left bench, l to r), and Palonesy Pham (far left on right bench).

When the Federal Reserve Bank of Atlanta announced that its new headquarters would be at the corner of Tenth and Peachtree Streets in Midtown Atlanta, the news was greeted with some surprise. While Midtown had already begun a revitalization, the area was still not a major corporate hub. But the bank's decision to locate at a crucial intersection reinforced the neighborhood's resurgence and growth.

The location had some important advantages. For one thing, the available parcel of land was large enough to accommodate a building that would consolidate all the functions of the Atlanta office. For another, the site's proximity to multiple interstate highways was convenient for the daily deliv-

eries from armored truck and check couriers, and its location across the street from the Midtown rapid rail station provided easy access for staff and visitors. And while Midtown's comeback may not have figured in the initial considerations for moving to Tenth and Peachtree, the location eventually gave the bank the opportunity to participate in the area's ongoing revival.

Almost from the moment the Atlanta Fed announced its intention to move, the Bank began working closely with the Midtown Alliance, a consortium of community and business leaders dedicated to improving the area. Integral to the Fed's new development plan were generous street setbacks, wide sidewalks, plazas, park benches,



green space, and trees. This plan provided a unique opportunity to contribute to the vision Midtown had developed to guide its growth.

From the earliest design studies to the final realization, the Atlanta Fed's new headquarters has been a manifestation of what the bank strives to be. The building's accessibility—its invitation to sit and enjoy a safe, open space—represents the spirit of the organization. It's a spirit that is also evident in the volunteer work Atlanta Fed employees throughout the district do in their communities, focusing on mentoring and tutoring services, workforce development, community development, and health and human services.

In 2001 Atlanta employees mentored students and offered personal finance classes at Midtown's Inman Middle School and participated in the Study Hall, a program for at-risk youth in Atlanta's Peoplestown Neighborhood. In New Orleans, branch employees led teacher and student workshops on economics and careers. Staff at the Jacksonville branch took part in programs for the homeless at the Clara White Mission. Nashville branch staff volunteered at a program for elderly citizens at the J.B. Knowles Home for the Aged.

In Atlanta as well as in the other five cities where we have offices, we never forget that public service begins with our neighbors.

OPEN AT WWW.FRBATLANTA.ORG

At the Atlanta Fed, our Web site is bringing interactivity to the bank's on-line resources. The goal of this constantly evolving site, introduced in 1996, is to provide a dynamic forum in which our constituents can interact with the bank and the wealth of resources we make available. Because of its ability to instantaneously communicate critical information, the Internet is one of the most important vehicles we have for carrying out our commitment to transparency—and therefore for maintaining credibility.

As the bank's on-line home, the Atlanta Fed's Web site makes information available in areas where we have particular expertise, such as the Latin America Research Group. But we're also using Internet technology to try to become more useful to the people we serve. On our site a teacher can access all of our publications, tap into FED101—an interactive economic education "classroom"—or get tour information. Check Relay customers can assess schedules and space availability using a continuously updated flight information database. Consumers can offer comments about their bank on-line. And, as of 2001, visitors to the site can now hear audio versions of some Atlanta Fed speeches or sign up on-line to receive e-mail notification when regulatory Circular Letters, Atlanta Fed publications, and news items such as the Beige Book,



Brett Hardin, a social studies and economics teacher at Campbell High School in Smyrna, Georgia, takes advantage of the Atlanta Fed Web site after hours. Hardin is the Georgia Council of Economic Education's 2002 nominee for Economics Teacher of the Year.



the Dollar Index, and financial services information become available.

Above all, www.frbatlanta.org reflects our desire to be more accessible. By interacting with the public we serve on a continuous basis, by inviting them to our on-line home, we become much more aware of how well we're reaching our customers and of areas where we have opportunities to improve. In this respect, www.frbatlanta.org is one expression of the outreach and openness that has become a pillar of the Federal Reserve Bank of Atlanta.