

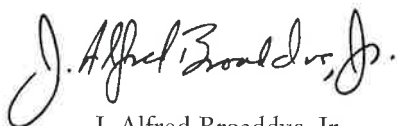
A MESSAGE FROM THE PRESIDENT AND FIRST VICE PRESIDENT

It is a pleasure to present our Bank's *Annual Report* for 1996. Back in 1993, the Bank's staff developed a comprehensive strategic plan to help us make the strongest contribution possible both to the economic and financial health of the Lower Middle Atlantic region we serve directly and to the Federal Reserve System's national activities. The plan had a number of longer-term goals covering all of the areas in which we work: contributing to the System's development of monetary, banking, and payments system policy; banking supervision and regulation; the provision of financial services to depository institutions and the United States Treasury; and the maintenance of essential internal support services. We are very proud of the progress the Bank has made toward achieving these goals, and we are grateful both to our outstanding staff and to the members of our board of directors for the hard work that has made this progress possible.

Further progress was made toward these objectives in 1996, as detailed in the "Year in Review" section elsewhere in this *Report*. Several achievements are especially noteworthy. First, our Community Affairs staff has been exceptionally productive over the past year, in keeping with our objective of contributing strongly to public policy in this increasingly important and visible area. In particular, the department produced three new community profiles and hosted a highly successful Districtwide conference that explored ways to foster small business development — truly the key to broader economic development in many communities and neighborhoods.

Second — and also consistent with one of our goals — we continued our tradition of providing high quality and cost effective financial services to depository institutions and particularly the Treasury and other government agencies. Indeed, a project we completed for the Department of Agriculture was recognized by an award for excellence. In concert with our colleagues at the other Reserve Banks and the Board of Governors — and, again, in pursuit of one of our strategic goals — we believe we made a material contribution to the development and implementation of the System's monetary, banking, and payments system policies. One example is the national conference for banking regulators hosted by our Bank Supervision and Regulation staff in Richmond that addressed supervisory policy issues associated with the emergence of new electronic banking and payment options.

Regarding monetary policy, for many years this Bank has argued strongly that the Federal Reserve could maximize its contribution to the nation's economic growth and vitality by focusing primarily on achieving and maintaining price level stability in its conduct of policy. Our former president, Robert P. Black, promoted this policy approach tirelessly throughout his long and distinguished career, and we, along with our associates, want very much to reinforce his accomplishments. In this vein, the feature article in this *Report* — prepared by our able director of research, Marvin S. Goodfriend — provides a longer-term perspective on the evolution of American monetary policy in the century now coming to a close and shows that a principal focus on price stability is the natural culmination of that evolution.



J. Alfred Broaddus, Jr.
PRESIDENT



Walter A. Varvel
FIRST VICE PRESIDENT