



SARAH G. GREEN

## Message from Management

In 2006, the Federal Reserve Bank of Richmond took significant steps toward achieving the organization's vision of excelling in all we do and making important contributions to our key constituents: financial institutions, the U.S. Treasury, the public, and our employees. Our attention and energy are concentrated in several areas—strengthening our voice on policy issues, sustaining strong overall performance in our financial services and fiscal agency responsibilities, strengthening our connection to the region, and fully engaging our people.

We pursued a number of initiatives during the year to broaden our influence on policy issues. We augmented our monetary policy preparations with research on emerging findings related to inflation dynamics. Our Research Department is also finding new ways to share insights with audiences outside the Bank on specialized economic subjects, starting with consumer finance. In supervision and regulation, we made contributions to key System efforts, assuming leadership positions in quality management, credit risk management, and asset securitization, as well as

in capital markets training. Our examination staff continues to provide effective and efficient supervision of our community, regional, and large banking organizations and through various forums is expanding its efforts to share information with the industry about emerging risks and best risk-management practices.

This policy work is among the Bank's more public roles. Our leadership also has been evident in our payments system role. The Currency Technology Office, which is responsible for the System's automated currency-handling processes, developed important enhancements that will drive productivity gains and also contributed to counterfeit detection and currency recirculation initiatives. We worked closely with our financial institution customers to accelerate the adoption of Check 21 and electronic payments services. And in our role as fiscal agent, we enhanced a number of the U.S. Treasury's critical electronic payments and collection systems.

The Richmond Reserve Bank performs a number of important administrative functions on behalf of the entire Federal Reserve System. The Bank now processes the paychecks for all 19,000 employees of the 12 Federal Reserve Banks. The National Procurement Office, also located in Richmond, achieved significant System-wide procurement cost savings and expanded its use of e-business tools.

In the region, we worked to build teaching and learning relationships that expand the Bank's contributions to and the public's understanding of the financial system and the economy. Our outreach in 2006 focused both on improving relationships with depository institutions and on improving economic and financial education in the Fifth District. We developed new strategies to meet more frequently with depository institutions throughout the region. As an example, we held forums with bankers to talk about impending

cash policy changes. Our economic and financial education initiatives grew out of a District-wide effort to find ways to strengthen contributions to our communities. We completed research on the unbanked population and are working with organizations throughout the District to build awareness about financial education issues. Bank management and staff have increased outside speaking events and service on organization boards, and have built new partnerships.

As we define what we as a Bank mean to our region, we also recognize that our people define who we are as a Bank. To attract and retain the best people, we created a talent management framework in 2006 that addresses recruitment, development, performance, compensation, and Bank culture. We have implemented a more comprehensive recruiting process and a new approach to performance management for all employees. Development opportunities now focus on both leadership skills and helping all members of our staff grow in their jobs.

Over the past year, the Richmond Fed has expanded the influence we have on financial matters and in monetary policy, increased the contributions we make to important Federal Reserve services, deepened the connections we have throughout our region with financial institutions and community organizations, and implemented new practices that will strengthen the people whose work is critical to our mission. We are proud of our policy contributions, of our leadership of critical Federal Reserve System initiatives, of the services we provide to our customers and the U.S. Treasury, and of our people.



**Sarah G. Green**

*First Vice President*