

A Message from the President and First Vice President

It is our pleasure to present the Bank's *1999 Annual Report*. The final year of the millennium saw continued extraordinary growth in both the national and District economies, while inflation remained well contained. Stimulated by rising productivity growth and the expectation it created of higher future income, domestic demand grew strongly and the foreign trade deficit expanded further. These events led the Federal Reserve to tighten monetary policy on three occasions during the second half of the year. Continued rapid consolidation in the banking industry challenged the Fed to enhance its capacity to supervise and regulate very large, far-flung banking organizations efficiently. Meanwhile, the Fed, like all financial institutions, ran hard to stay abreast of advances in information technology in order to provide better service to the public.

The "Year in Review" section highlights the Bank's contributions to System efforts in this environment to support the financial system and foster stable economic growth. Our staff worked diligently and successfully to help ensure that the century date rollover occurred with no disruptions in internal systems or services to the Bank's customers. We are exceedingly proud of the contributions of our employees to this achievement and grateful to them for their extra effort.

Equally important was the high level of teamwork and dedication that went into reformulating the Bank's strategic plan. Staff members throughout the District joined forces across functions to develop a plan that speaks directly to all of us about the Bank's mission and future vision. With broad-based internal support for the plan and its initiatives, the Bank will be better positioned to serve its customers and the public in the years to come.

As we enter a new era, a key international monetary development has been the recent establishment of the European Central Bank whose constituent national central banks will now play roles somewhat analogous to those of the regional Reserve Banks of the Federal Reserve System. Reserve Banks perform crucial functions in the conduct of monetary policy. Our regional presence facilitates surveillance of current economic and financial conditions. We assist in communicating the System's policy strategies and decisions to local and regional audiences. And healthy competition among the Reserve Banks in producing policy-related research stimulates innovative thinking on policy issues and critical scrutiny of particular policy proposals. In this year's feature article, Marvin Goodfriend, senior vice president and policy advisor, discusses how the national central banks in the Eurosystem might perform these same functions.

We thank all of our customers, employees, and other stakeholders for their support in 1999, and we look forward to working with and serving you in the years ahead.

J. Alfred Broaddus, Jr.
PRESIDENT

Walter A. Varvel
FIRST VICE PRESIDENT