

# THE VALUE OF INDEPENDENT PERSPECTIVES

*A Focus on the Twelfth District Boards of Directors*



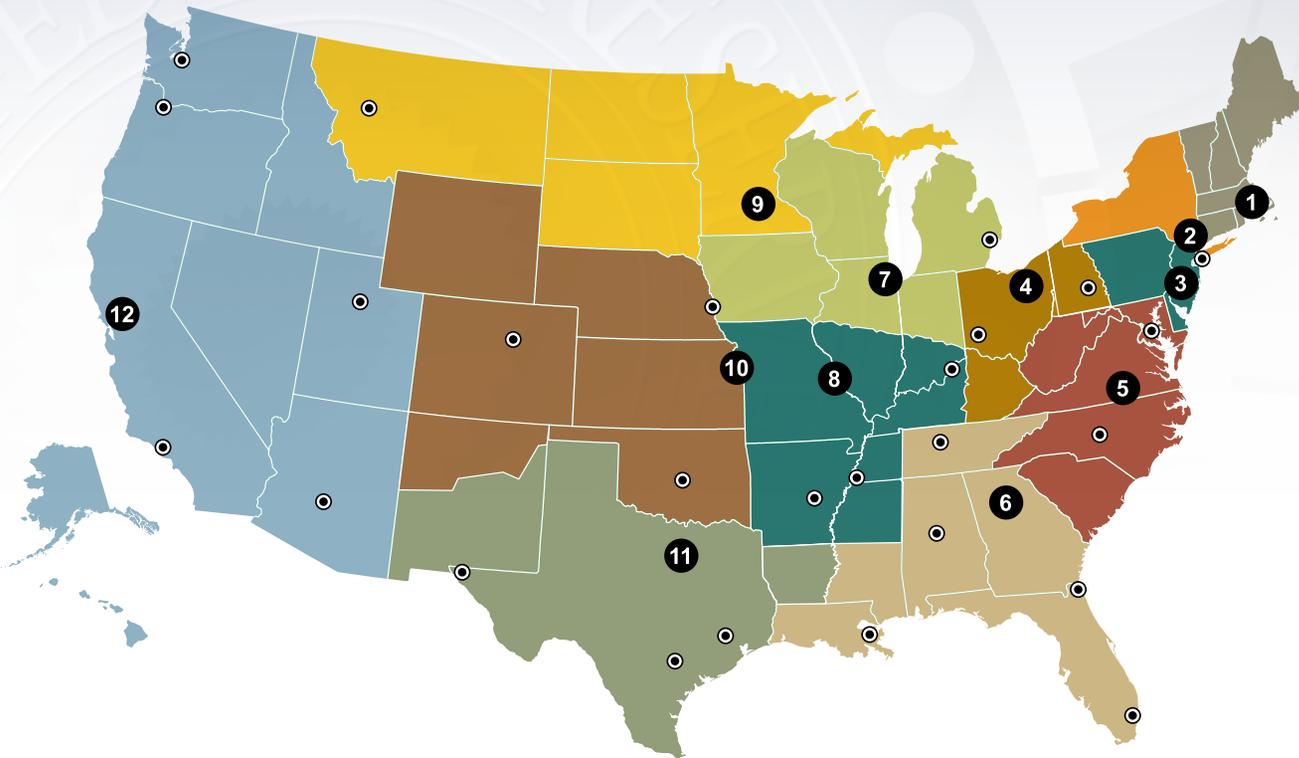
**Janet L. Yellen**

President and Chief Executive Officer  
Federal Reserve Bank of San Francisco

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# The Federal Reserve System



- 1. Boston**  
*Boston, MA*
- 2. New York**  
*New York, NY  
East Rutherford, NJ*
- 3. Philadelphia**  
*Philadelphia, PA*
- 4. Cleveland**  
*Cleveland, OH  
Cincinnati, OH  
Pittsburgh, PA*
- 5. Richmond**  
*Richmond, VA  
Baltimore, MD  
Charlotte, NC*
- 6. Atlanta**  
*Atlanta, GA  
Birmingham, AL  
Jacksonville, FL  
Miami, FL  
Nashville, TN  
New Orleans, LA*
- 7. Chicago**  
*Chicago, IL  
Detroit, MI*
- 8. St. Louis**  
*St. Louis, MO  
Little Rock, AR  
Louisville, KY  
Memphis, TN*
- 9. Minneapolis**  
*Minneapolis, MN  
Helena, MT*
- 10. Kansas City**  
*Kansas City, MO  
Denver, CO  
Oklahoma City, OK  
Omaha, NE*
- 11. Dallas**  
*Dallas, TX  
El Paso, TX  
Houston, TX  
San Antonio, TX*
- 12. San Francisco**  
*San Francisco, CA  
Los Angeles, CA  
Portland, OR  
Salt Lake City, UT  
Seattle, WA  
Phoenix, AZ  
(Processing Center)*

The Federal Reserve Bank of San Francisco is one of twelve regional Federal Reserve Banks across the United States that, together with the [Board of Governors](#) in Washington, D.C., serve as our nation's central bank.

The Twelfth Federal Reserve District includes the nine western states—Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—and American Samoa, Guam, and the Northern Mariana Islands. Branches are located in Los Angeles, Portland, Salt Lake City, and Seattle, with a cash facility in Phoenix. The largest District, it covers 35 percent of the nation's landmass, ranks first in the size of its economy, and is home to approximately 20 percent of the nation's population.



*As of January 1, 2010*

**T. GARY ROGERS**  
Chairman

**JANET L. YELLEN**  
President and  
Chief Executive Officer

**JOHN F. MOORE**  
First Vice President and  
Chief Operating Officer

**DOUGLAS W. SHORENSTEIN**  
Deputy Chairman

## Letter from the President

A year ago in my *Letter from the President*, I described a U.S. economy that was in the midst of the most severe crisis since World War II. This year, I am able to say, with great relief, that the nation managed to return to growth in the second half of 2009, avoiding the worst-case scenario so many people feared. That expansion seems to be gaining momentum this year. Accumulating evidence suggests that the recovery is on firm ground. Still, a variety of forces, including a financial system that hasn't fully healed, weak housing and commercial real estate markets, and a significant retrenchment in consumer spending, is restraining the pace of growth. The moderate expansion we at the San Francisco Federal Reserve Bank forecast will not be enough to bring the unemployment rate down swiftly, which means that millions of our fellow Americans will continue to struggle to find jobs in 2010.

The natural resilience of the U.S. economy is a major reason why the deep recession we just experienced wasn't significantly worse. But the response of public officials to the financial and economic emergency also deserves a large share of credit. The Federal Reserve in particular met the challenges head on, pushing short-term interest

rates to historic low levels, and developing a broad range of entirely new programs to shore up a crumbling financial system, ease credit conditions, and stimulate the economy. The results were dramatic. At the beginning of 2009, many vital credit markets were broken. Financing, if available at all, could only be had at prohibitive rates. By the end of the year, the gap between rates in many of those markets and those available from ultra-safe U.S. Treasury securities had shrunk to more normal levels, bringing huge economic dividends. In the housing sector, for example, sales volume jumped and price declines leveled off, thanks in large measure to low mortgage rates that benefited from the Federal Reserve's massive purchases of mortgage-backed securities and other real-estate-related instruments. Now, in 2010, the Federal Reserve faces the task of unwinding many of the special programs put in place to bolster the financial system and fight the recession. We are determined to do so in a way that supports the health of the financial system and fosters economic recovery.

The difficult period we are just leaving saw disproportionate damage done in the nine western states served by the Federal Reserve Bank of San Francisco. Several of the states in the District, including California, posted

their highest unemployment rates since the Great Depression and face the prospect of elevated joblessness for some time to come. Las Vegas, Phoenix, and several cities in California's Central Valley were among the metropolitan areas nationwide hardest hit by the collapse of the housing market. In 2009, our Bank worked actively to promote recovery in the District by encouraging responsible lending, reducing foreclosures, and helping financial institutions weather the storm. We will continue our efforts in 2010, a year that we expect will be marked by gradual progress toward economic health.

The San Francisco Fed's Head Office and Branch boards of directors are playing a vital part in our efforts to promote economic recovery. These boards and their counterparts at other District Banks and Branches in the Federal Reserve System are unique. Board members are private sector individuals who play an important role overseeing the management of the 12 Federal Reserve District Banks. This important private sector component distinguishes the Fed from the world's other central banks, ensuring that individuals with independent points of view are involved in governance of the District Banks and the determination of monetary policy. This year's annual report looks at the contributions of

San Francisco Fed board members in 2009 and examines the important place directors have at our Bank, and in the Federal Reserve System more generally.

For the San Francisco Fed, 2009 was a year of extraordinary challenges and achievements. As bank regulators, we exercised heightened vigilance over institutions that faced problems created by the recession. The demands on our supervisory staff were extraordinary, and they met them with distinction.

The year also marked the first in the District's history that the Bank no longer processed paper checks. The change is part of a multi-year effort to consolidate paper-check processing and related check functions within the Federal Reserve as the industry moves to the greater efficiency of electronic processing. During the year, teams in our Los Angeles and Seattle Branches successfully consolidated their operations to support the Fed's electronic processing initiative, meeting all financial and operational targets. I would like to thank all those working in our check functions for their steadfast commitment as we make this significant transition.

Other areas of our Bank also showed outstanding dedication. During 2009, staff in our Statistics and Information & Technology Services areas helped develop the Term Deposit Facility, a new lending program designed to support the Fed's monetary policy objectives. Employees in our Public Information and Economic Research areas partnered to create our *Crisis & Response* website to inform the public about the Fed's efforts to promote recovery.

I would like to take this opportunity to thank all of the Bank's employees for their commitment and public service during the year. I also would like to thank our Twelfth District directors and Economic Advisory Council members for their invaluable counsel and service. In particular, I would like to acknowledge the contributions of those who concluded their terms of service during 2009:

- **on the Los Angeles Branch Board:** Eric L. Holoman, president, Magic Johnson Enterprises, Los Angeles, California;
- **on the Portland Branch Board:** Robert D. Sznwajs, president and chief executive officer, West Coast Bancorp, Lake Oswego, Oregon;

- **on the Seattle Branch Board:** Stan W. McNaughton, chairman, chief executive officer and president, PEMCO Mutual Insurance, Seattle, Washington; Carol K. Nelson, president and chief executive officer, Cascade Financial Corporation, Everett, Washington; and Helvi K. Sandvik, president, NANA Development Corporation, Anchorage, Alaska, who served as chairman of the Seattle Branch Board for the last two years; and
- **on the Twelfth District Economic Advisory Council:** John H. "Jack" Gleason, managing member, Community Planning Advisors, LLC, Paradise Valley, Arizona.

All of these individuals—directors, advisory council members, and employees—have my deep appreciation. It is because of their efforts that the San Francisco Fed was able to perform at such a high level during a period of extraordinary financial and economic difficulty.



Janet L. Yellen  
President and Chief Executive Officer

# THE VALUE OF INDEPENDENT PERSPECTIVES

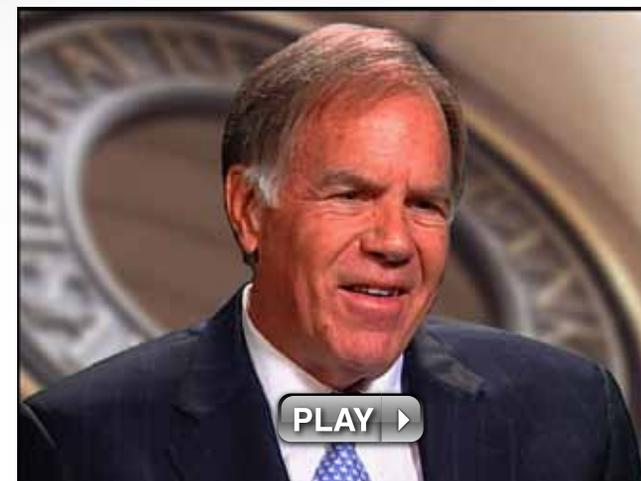
## *A Focus on the Twelfth District Boards of Directors*

The directors of the Federal Reserve Bank of San Francisco are assembling for their regular board meeting at the Head Office. They enter the boardroom and take their respective seats. The chairman strikes the table with the gavel, and the meeting begins. Every month the directors meet to review Bank operations, discuss the economy, and vote on a discount rate recommendation. Representatives from the boards of each of the San Francisco Fed's four Branches also attend to give their perspectives on economic conditions in their regions and advise on the discount rate vote. All Head Office and

Branch directors are from the private sector. None are officers or staff members of the San Francisco Fed.

This snapshot of a San Francisco Fed board meeting illustrates the unique nature of the Federal Reserve System. It combines elements of a government agency and a private institution in a decentralized structure that encompasses the Board of Governors in Washington, D.C., and 12 regional banks, including the San Francisco Fed. The Federal Open Market Committee (FOMC), the Fed's chief monetary policymaking group, is an important component of this structure. The FOMC is made up of the members of the Board of Governors, the president of the New York Fed, and presidents of four other Reserve Banks, who serve on a rotating basis.

A total of 37 directors serve on the boards of either the San Francisco Fed's Head Office or its Branches in Los Angeles, Portland, Salt Lake City, and Seattle. Each of the other 11 District Banks in the Federal Reserve System is also governed by a board composed of private sector representatives. At the same time, the Board of Governors is a federal government agency coordinat-



### **Independent within Government**

T. Gary Rogers, *Chairman of the Board  
Federal Reserve Bank of San Francisco*

ing and supervising the activities of the District Banks. This decentralized structure is designed to give the Federal Reserve the independence it needs to carry out its statutory responsibilities of promoting full employment and price stability.

Directors of District Banks and Branches offer regional perspectives that are tremendously valuable to the Federal Reserve in setting monetary policy and carrying out its



# 12TH FEDERAL RESERVE DISTRICT

**SEATTLE BRANCH**

**HELVI K. SANDVIK**  
President  
NANA Development Corporation  
Anchorage, Alaska

**PORTLAND BRANCH**

**DAVID Y. CHEN**  
Managing Director  
Equilibrium Capital Group LLC  
Portland, Oregon

**SCOTT L. HYMAS**  
Chief Executive Officer  
RC Willey  
Salt Lake City, Utah

**SALT LAKE CITY BRANCH**

**T. GARY ROGERS**  
Chairman of the Board  
Federal Reserve Bank of San Francisco

**SAN FRANCISCO HEAD OFFICE**

**ARNOLD T. GRISHAM**  
President and Chief Executive Officer  
Alta Alliance Bank  
Oakland, California

**LOS ANGELES BRANCH**

**GRACE EVANS CHERASHORE**  
President and Chief Executive Officer  
Evans Hotels  
San Diego, California

other responsibilities. In the San Francisco Fed's District, the twelfth and largest in the Federal Reserve System, directors represent a diverse set of business and other interests, reflecting the size of the region's economy and the great extent of its geographical territory. They represent the District's small and large businesses, community interests, small banks, and large financial institutions. They work in markets that are central to the District's economic vitality, and offer first-hand knowledge of such critical areas as consumer spending, tourism, residential and commercial real estate, and agriculture. Some are directly involved in trade with Asia, in keeping with the San Francisco Fed's



**Directors Represent a Cross-Section of the District Economy**

close ties to the Pacific Basin region. Others bring special knowledge about healthcare, affordable housing, higher education, and the sustainable economy.

### Cross-Section of a District's Economy

The composition of the boards of the San Francisco Fed and other District Banks is dictated by the basic law that governs the Federal Reserve System. Under the Federal Reserve Act, each District Bank is accountable to a board of nine directors divided evenly among three classes—A, B, and C—with members serving three-year staggered terms. Class A directors represent

“The process of engaging the private sector in the dialogue with the Fed really helps the Fed stay very in tune with the impact of the decisions they make, the recommendations they make on policy.”

– Helvi Sandvik, *President, NANA Development Corporation*

and are elected by banks in the District that are members of the Federal Reserve System. Class B and C directors represent a range of interests, including agriculture, commerce, industry, the service sector, labor, and consumers. Member banks elect Class B directors, while the Board of Governors appoints Class C directors and designates the board's chairman and deputy chairman from this group each year. Each District Branch has its own board of five or seven directors. Head Office directors appoint the majority of Branch board members, while the Board of Governors appoints the remainder.

### All in All, Not a Typical Private Sector Board

On the face of it, Head Office directors of the Fed's District Banks perform many of the same functions as directors of private sector

### Independent within Government

The architects of the Federal Reserve Act of 1913 combined private and public features to forge a regional, decentralized structure for the nation's central bank. Their goal was to maximize the Fed's independence to ensure that it could set monetary policy in the public interest, free of political influence.

The Federal Reserve Bank of San Francisco and the 11 other District Banks in the Federal Reserve are organized as separate corporations supervised by boards of directors whose members are recruited from the private sector. The San Francisco Fed represents the Twelfth District. Its stock is owned by banks that are members of the Federal Reserve System. Unlike the case of private corporations, stockholding does not confer control, nor does it provide a financial interest. The Federal Reserve Board of Governors in Washington, D.C., a federal government agency, sits at the top of this decentralized structure, supervising the 12 District Banks.

Although Fed policy decisions don't have to be approved by the President or U.S. Congress, the central bank is subject to congressional oversight. The Federal Reserve System works within the framework of the overall economic and financial policies established by the government. Because of its unique structure, the Federal Reserve is characterized as “independent within government.” As part of its independence, the Federal Reserve receives no congressionally appropriated funds. Its operations are financed primarily from the interest earned on the Fed's portfolio of U.S. government securities. Each year, all net earnings are transferred to the U.S. Treasury. In 2009, Reserve Banks transferred an estimated \$46.1 billion to the U.S. Treasury.



### Cross-Section of District Banks

Arnold Grisham, *President and Chief Executive Officer, Alta Alliance Bank Oakland, California*

“Our directors do an excellent job of connecting us to what our ultimate mission is, which is to serve the public.”

– John Moore, *First Vice President*  
Federal Reserve Bank of San Francisco

businesses. They oversee the District Bank’s management and operations, work with management to set strategic objectives, and review progress toward achieving those objectives. Directors approve the District Bank’s budget. Each year, they evaluate the performance of the Bank’s president and first vice president, as well as the Bank as a whole. Head Office directors also oversee management of the Branches, appoint key officers, and plan for management succession.

Despite these similarities, important distinctions exist between Fed District Bank directors and members of private sector boards. Specifically, the Board of Governors exercises oversight and gives guidance to directors for many of their responsibilities in the Federal Reserve System. For example, District Bank budgets approved by Fed directors also must be approved by the Board of Governors. In its oversight role, the Board of Governors can suspend or remove any District Bank director or officer.

To avoid conflicts of interest, directors do not oversee the banking supervision activities of District Banks.

The selection of District Bank presidents illustrates the unique nature of a director’s job at the Fed. In each District, Head Office directors appoint to a five-year term a chief executive officer who also must be qualified to serve as a member of the FOMC. The Board of Governors approves their choice.

One of the most important responsibilities of Head Office directors is to supervise each District Bank’s internal audit program to ensure financial integrity and provide risk oversight for the District Bank on whose



### Perspective from the First Vice President

John Moore, *First Vice President*  
Federal Reserve Bank of San Francisco

## Advisory Councils

The Federal Reserve’s mechanisms for gathering regional input include a number of advisory councils with private sector participation. Every year, San Francisco Fed directors choose an individual to speak on behalf of the Twelfth District on the Federal Advisory Council, which is composed of one banking industry representative selected by each of the 12 Fed Districts. The council meets with the Board of Governors in Washington, D.C., four times a year to advise the Board on all matters within its jurisdiction.

The San Francisco Fed also has its own advisory council made up of members invited to join by President Yellen. Twelfth District Economic Advisory Council members provide advice on agricultural, small business, labor, and other issues. Their regional input complements that of the San Francisco Fed’s Head Office and Branch Directors. In 2009, the council included representatives from the ranching, farming, timber, biotechnology, and retail industries, as well as individuals involved in affordable housing and community planning issues.

board they serve. Head Office directors appoint, determine compensation for, and evaluate the Bank’s general auditor, who reports solely to them. Each District Bank board has an audit committee, whose members work closely with the general auditor to ensure that effective risk controls and best financial practices are in place.

Fed District Banks rely on Head Office and Branch directors to advise on major capital projects, such as building and automation initiatives. In this capacity, directors at the San Francisco Fed’s Seattle Branch guided the selection of a site for a new Branch building, which opened in

2008. Similarly, Portland directors advised on the relocation of that Branch’s office to leased space two years earlier. During 2009, San Francisco Head Office directors helped oversee the development of a multi-year automation initiative to modernize the Federal Reserve System’s primary cash application.

### Regional Contributions to Monetary Policy

One of the unique roles of Federal Reserve directors is the part they play in formulating monetary policy. At monthly Head Office and Branch board meetings, directors report on economic and financial conditions in their



**A New Seattle Branch**  
 Helvi Sandvik, *President*  
 NANA Development Corporation  
 Anchorage, Alaska



**Real-Time Economic Information**  
 Scott L. Hymas, *Chief Executive Officer*  
 RC Willey, Salt Lake City, Utah

“By posing questions . . . to our directors, we were able to get ground-level information about how they were adapting, how rapidly financial markets were recovering, and what that implied for the emerging stabilization of the economy that we saw happening towards the end of 2009.”

– Robert Valletta  
*Research Advisor*  
*Microeconomic Research*  
*Federal Reserve Bank of San Francisco*



### Regional Contributions to Monetary Policy

Robert G. Valletta, *Research Advisor*  
Federal Reserve Bank of San Francisco

industries, communities, and regions. These assessments are invaluable to the monetary policy process. District Bank presidents and Fed economists use this information as part of the process of preparing for FOMC meetings. All presidents attend meetings and contribute to FOMC discussions about economic conditions and policy options, even if they are not voting members of the FOMC.

Directors often are first to sense movements in the economy and markets, providing real-time information that frequently isn't captured in the statistical data that Fed economists review. Economists at the San

Francisco Fed and other District Banks pose questions to directors on business conditions and solicit their views on the economy. The attitudes of directors about such vital issues as capital spending, inflation, and hiring provide information that helps economists develop their forecasts. During 2009, San Francisco Fed Head Office and Branch directors offered valuable insights on the weak housing market, trade with Asia, the prospects for recovery in the technology sector, the availability of credit, consumer behavior, and the impact of the federal fiscal stimulus program on demand.

Directors' observations of regional economic conditions helped economists at the San Francisco Fed understand consumer and business sentiment, and anticipate emerging trends as they prepared briefing materials to support President Yellen in monetary policy deliberations. The Federal Reserve's regional structure ensures that policymakers get input from communities across the country, which helps them understand regional economic differences while determining national policy.

San Francisco Fed directors and other Federal Reserve sources also contribute to preparation of the Beige Book, a snapshot of regional economic conditions that is an important source of information in setting monetary policy. In putting together the Beige Book, economists at each of the

Fed's 12 District Banks survey directors and contacts across a range of business sectors about prices, employment, investment, consumer and business spending, and other issues, gathering anecdotal information that supplements statistical data.

### Monetary Policy Stance and the Discount Rate Vote

At the conclusion of each Head Office board meeting, directors express their views on monetary policy and vote to recommend a discount rate to the Board of Governors.



### Directors' Assessments of Regional Conditions Help San Francisco Fed Economists Anticipate Trends and Develop Forecasts

The discount rate is the interest rate banks and other depository institutions pay when borrowing from the Federal Reserve and is an important influence on the cost of money and credit in the economy. After the federal funds rate, the discount rate is the Fed's most closely watched monetary policy tool.

Under the Federal Reserve Act, Head Office directors vote every 14 days—in person at monthly board meetings and by telephone between meetings—to recommend a discount rate to the Board of Governors. Branch directors vote on the discount rate at their monthly meetings, which are held a week prior to Head Office meetings so that their recommendations can be considered in the Head Office vote.

Inside the boardroom at the San Francisco Fed, Head Office directors, representatives from the Branch boards, and President Yellen participate in the final item on the agenda, the discount rate vote. President Yellen opens the discussion with remarks about the course of monetary policy and her discount rate recommendation. Prior to the final vote by Head Office directors, they and Branch directors offer their views on regional and national economic conditions, and on the proper direction of monetary policy, stating whether they think monetary policy is “about right,” suggesting no change to the discount rate, “too tight,” suggesting a lower rate to ease

credit in the economy, or “too easy,” suggesting a higher rate to tighten credit.

Originally, each of the 12 District Banks set its own discount rate to reflect banking and credit conditions in its territory. Over the years, credit markets became increasingly national rather than regional. For many years, the Board of Governors has set a uniform nationwide discount rate. Although directors keep the national picture in mind when recommending a discount rate, their experiences in particular regions or industries may lead to differences of perspective about the proper direction for policy. During 2009, the discount rate was steady at 0.5 percent, a historically low level set in 2008 in response to the financial crisis.

### **Educating the Public, and the Federal Reserve**

Head Office and Branch directors serve another vital function for the Fed. They are one of the central bank's most important links to the public. As local business and community leaders, directors help educate the public about the purpose and operations of the Fed, helping foster better understanding of an institution that is central to the nation's economic life. Conversely, directors also represent a voice for the public to communicate to the Fed.



“ . . . we try to give a voice to all the varied constituents in our marketplace, but it's especially important to give a voice to that segment of our community that might not ordinarily be heard, or find it difficult to be heard.”

— Arnold T. Grisham, *President and Chief Executive Officer, Alta Alliance Bank*

Through their community and business ties, directors provide an important channel for the public to express views on monetary policy and other Fed responsibilities. They also help expand the Fed’s connections in grassroots communities to enhance the Fed’s understanding of important constituencies.

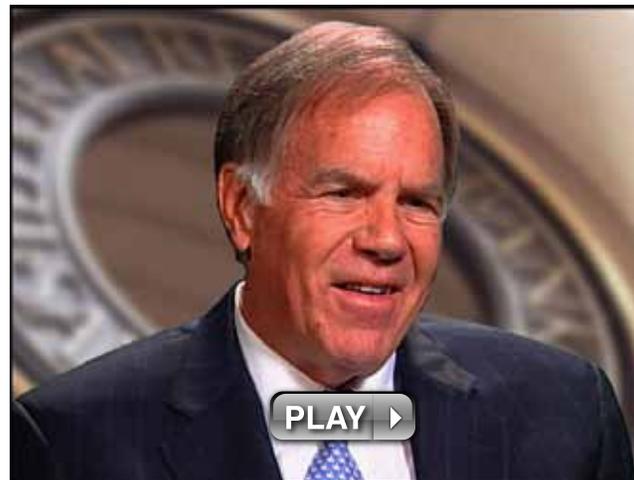
One way directors perform this role is by taking part in the Fed’s educational outreach programs. At the San Francisco Fed in 2009, for example, the board’s Community and Public Affairs Committee oversaw the launch of *The Economy: Crisis & Response*, a section of the Bank’s Internet site containing information about the causes of the financial and economic crisis and outlining the Fed’s response.

Every month, the San Francisco Federal Reserve Bank’s 37 Head Office and Branch directors discuss the nation’s economy and present their views on business conditions in their communities. They are part of the Federal Reserve’s unique structure, which establishes a degree of private governance in a public agency. At the San Francisco Fed, directors help ensure the Bank is managed competently and the public interest is served. Directors at the San Francisco Fed and the other 11 District Banks across the country see to it that the Fed has an accurate picture of the economy as it carries out its responsibilities to promote full employment and stable prices.



**Community Links**

Grace Evans Cherashore  
President and Chief Executive Officer  
Evans Hotels, San Diego, California



**Value of Independent Perspectives**

T. Gary Rogers, *Chairman of the Board*  
Federal Reserve Bank of San Francisco

**Learn More**

Find information about the San Francisco Fed boards of directors and the Twelfth District Economic Advisory Council on [frbsf.org](http://frbsf.org). Learn more about the structure of the Federal Reserve System at [federalreserve.gov](http://federalreserve.gov).

Visit *The Economy: Crisis & Response* to learn about the economy, the financial crisis, and the road ahead.

THE ECONOMY  
CRISIS & RESPONSE

Find out about what caused the financial crisis, what the Fed did in response, and what the road ahead might look like.  
[WWW.FRBSF.ORG](http://WWW.FRBSF.ORG)



## Executive Committee and Advisors

As of January 1, 2010

*(Left to Right)*

**Glenn D. Rudebusch**

Senior Vice President and  
Associate Director of Research  
Economic Research

**John C. Williams**

Executive Vice President and  
Director of Research  
Economic Research

**Stephen M. Hoffman Jr.**

Senior Vice President  
Banking Supervision &  
Regulation

**Susan A. Sutherland**

Senior Vice President  
District Business Continuity  
Human Resources  
Legal  
Equal Employment Opportunity  
Statistics  
Strategy & Communications

**Roger W. Replogle**

Senior Vice President  
District Cash  
District Check Operations and  
Administration  
Police Services  
Facilities  
Customer Support

**John F. Moore**

First Vice President and  
Chief Operating Officer

**Janet L. Yellen**

President and  
Chief Executive Officer

**Mark L. Mullinix**

Executive Vice President  
Cash Product Office  
Accounting  
Credit & Risk Management  
Enterprise Risk Management  
Los Angeles Branch Manager

**Mark A. Gould**

Senior Vice President  
Cash Product Office  
Seattle Branch Manager

**Sharon A. Ruth**

Group Vice President and  
General Counsel  
Legal  
Executive Committee Advisor

**Deborah S. Smyth**

Group Vice President  
Information &  
Technology Services  
Executive Committee Advisor

**Gerald C. Tsai**

Associate General Counsel  
and Principal  
Legal  
Executive Committee Secretary

**Lee Dwyer**

Group Vice President and  
General Auditor  
Executive Committee Advisor



## Branch Managers

*As of January 1, 2010*

**Mark L. Mullinix**

Executive Vice President  
Cash Product Office  
Accounting  
Credit and Risk Management  
Enterprise Risk Management  
Los Angeles Branch Manager

**Robin Rockwood**

Vice President  
Community Perspectives  
Salt Lake City Branch Manager

**Mark A. Gould**

Senior Vice President  
Cash Product Office  
Seattle Branch Manager

*Not pictured*

**Steven H. Walker**

Vice President  
Regional Adjustment Site and  
Customer Support  
Portland Branch Manager

# San Francisco Head Office Board of Directors

As of January 1, 2010

Boards of directors of the Reserve Banks and Branches provide the Federal Reserve System with a wealth of information on economic conditions in every corner of the nation. This information, along with other sources, is used by the Federal Open Market Committee and the Board of Governors when reaching decisions about monetary policy.

Chairman of the Board  
and Federal Reserve Agent



**T. GARY ROGERS**  
Chairman of the Board (Retired)  
Levi Strauss & Co.  
San Francisco, California

Deputy Chairman



**DOUGLAS W. SHORENSTEIN**  
Chairman and  
Chief Executive Officer  
Shorenstein Properties, LLC  
San Francisco, California



**DANN H. BOWMAN**  
President and  
Chief Executive Officer  
Chino Commercial Bank, N.A.  
Chino, California



**KARLA S. CHAMBERS**  
Vice President and Co-Owner  
Stahlbush Island Farms, Inc.  
Corvallis, Oregon



**ARNOLD T. GRISHAM**  
President and  
Chief Executive Officer  
Alta Alliance Bank  
Oakland, California



**WILLIAM D. JONES**  
President and  
Chief Executive Officer  
CityLink Investment Corporation  
San Diego, California



**BLAKE W. NORDSTROM**  
President  
Nordstrom, Inc.  
Seattle, Washington



**KENNETH P. WILCOX**  
President and  
Chief Executive Officer  
SVB Financial Group  
Santa Clara, California



**PATRICIA E. YARRINGTON**  
Vice President and  
Chief Financial Officer  
Chevron Corporation  
San Ramon, California



**RUSSELL GOLDSMITH**  
Chairman and  
Chief Executive Officer  
City National Bank  
Los Angeles, California

Federal Advisory  
Council Member

# Los Angeles Branch Board of Directors

As of January 1, 2010

## Chairman of the Board



**GRACE EVANS CHERASHORE**  
President and  
Chief Executive Officer  
Evans Hotels  
San Diego, California



**DOMINIC NG**  
Chairman and  
Chief Executive Officer  
East West Bank  
Pasadena, California



**ANDREW J. SALE**  
Partner  
Ernst & Young, LLP  
Los Angeles, California



**JAMES L. SANFORD**  
Consultant  
Northrop Grumman Corporation  
Los Angeles, California



**ANN E. SEWILL**  
President  
California Foundation Land Trust  
California Community Foundation  
Los Angeles, California



**KEITH E. SMITH**  
President and  
Chief Executive Officer  
Boyd Gaming Corporation  
Las Vegas, Nevada

# Portland Branch Board of Directors

As of January 1, 2010

## Chairman of the Board



**JAMES H. RUDD**  
Chief Executive Officer  
and Principal  
Ferguson Wellman Capital  
Management, Inc.  
Portland, Oregon



**DAVID Y. CHEN**  
Managing Director  
Equilibrium Capital Group, LLC  
Portland, Oregon



**MEGAN F. CLUBB**  
President and  
Chief Executive Officer  
Baker Boyer National Bank  
Walla Walla, Washington



**PEGGY Y. FOWLER**  
Chief Executive Officer  
and President (Retired)  
Portland General Electric  
Portland, Oregon



**ROGER W. HINSHAW**  
President, Oregon and  
SW Washington  
Bank of America Oregon, N.A.  
Portland, Oregon



**JUDITH A. JOHANSEN**  
President  
Marylhurst University  
Marylhurst, Oregon



**RODERICK C. WENDT**  
President and  
Chief Executive Officer  
JELD-WEN, inc.  
Klamath Falls, Oregon

# Salt Lake City Branch Board of Directors

As of January 1, 2010

Chairman of the Board



**SCOTT L. HYMAS**  
Chief Executive Officer  
RC Willey  
Salt Lake City, Utah



**CAROL CARTER**  
President and  
Chief Executive Officer  
Industrial Compressor  
Products, Inc.  
Park City, Utah



**EDWIN E. DAHLBERG**  
President and  
Chief Executive Officer  
St. Luke's Health System  
Boise, Idaho



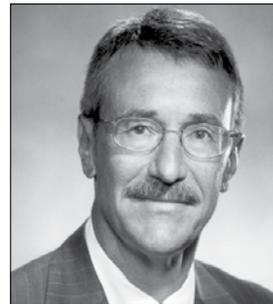
**ANNETTE HARDER**  
President  
Herman Consulting, LLC  
Park City, Utah



**ROBERT A. HATCH**  
President and  
Chief Executive Officer (Retired)  
Wells Fargo Bank Utah  
Salt Lake City, Utah



**CLARK D. IVORY**  
Chief Executive Officer  
Ivory Homes, Ltd.  
Salt Lake City, Utah



**MICHAEL M. MOONEY**  
President, Idaho Region  
Bank of the Cascades  
Boise, Idaho

# Seattle Branch Board of Directors

As of January 1, 2010

Chairman of the Board



**WILLIAM S. AYER**  
Chairman, President, and  
Chief Executive Officer  
Alaska Air Group  
Seattle, Washington



**RICHARD A. GALANTI**  
Executive Vice President and  
Chief Financial Officer  
Costco Wholesale Corporation  
Issaquah, Washington



**ADA M. HEALEY**  
Vice President, Real Estate  
Vulcan Inc.  
Seattle, Washington



**HENRY L. KOTKINS, JR.**  
Chairman and  
Chief Executive Officer  
Skyway Luggage Company  
Seattle, Washington



**MARY O. McWILLIAMS**  
Executive Director  
Puget Sound Health Alliance  
Seattle, Washington



**PATRICK G. YALUNG**  
Regional President  
Washington  
Wells Fargo Bank, N.A.  
Seattle, Washington

# Twelfth District Economic Advisory Council

As of January 1, 2010

Chairman



**STEPHEN M. BROPHY**  
President  
Page Land & Cattle Co.  
Phoenix, Arizona

Vice Chairman



**MARY F. KAISER**  
President  
California Community  
Reinvestment Corporation  
Glendale, California



**JONATHAN COSLET**  
Chief Investment Officer and  
Senior Partner  
TPG Capital, L.P.  
San Francisco, California



**TRACEY C. DOI**  
Group Vice President and  
Chief Financial Officer  
Toyota Motor Sales, USA, Inc.  
Torrance, California



**KIM ROBERTS HEDGPETH**  
National Executive Director  
American Federation of Television  
and Radio Artists  
Los Angeles, California



**SUSAN DESMOND-HELLMANN**  
M.D., M.P.H.  
Chancellor  
University of California, San Francisco  
San Francisco, California



**RICK R. HOLLEY**  
President and  
Chief Executive Officer  
Plum Creek Timber Co., Inc.  
Seattle, Washington



**CATHY LUKE**  
President  
Loyalty Enterprises, Ltd.  
Honolulu, Hawaii



**ALFRED A. PLAMANN**  
President and  
Chief Executive Officer  
Unified Grocers, Inc.  
Commerce, California



**ROY A. VALLEE**  
Chairman of the Board  
and Chief Executive Officer  
Avnet, Inc.  
Phoenix, Arizona

# Bank Officers and Principals

As of January 1, 2010

## San Francisco Head Office

**Janet L. Yellen**  
President and Chief Executive  
Officer

**John F. Moore**  
First Vice President and Chief  
Operating Officer

**John C. Williams**  
Executive Vice President

**Stephen M. Hoffman, Jr.**  
Senior Vice President

**Glenn D. Rudebusch**  
Senior Vice President

**Susan A. Sutherland**  
Senior Vice President

**Clifford N. Croxall**  
Group Vice President

**Teresa M. Curran**  
Group Vice President

**Lee C. Dwyer**  
Group Vice President and  
General Auditor

**Frederick T. Furlong**  
Group Vice President

**Reuven Glick**  
Group Vice President

**Joy K. Hoffmann**  
Group Vice President

**Richard B. Hornsby**  
Group Vice President

**Gopa Kumar**  
Group Vice President and  
Chief Information Officer

**Donald R. Lieb**  
Group Vice President and  
Chief Financial Officer

**Darren S. Post**  
Group Vice President

**Sharon Ruth**  
Group Vice President and  
General Counsel

**Deborah S. Smyth**  
Group Vice President

**David W. Walker**  
Group Vice President

**David M. Wright**  
Group Vice President

**Randall B. Balducci**  
Vice President

**Tracy A. Basinger**  
Vice President

**Barbara A. Bennett**  
Vice President

**Kenneth R. Binning**  
Vice President

**Stanley M. Crisp**  
Vice President

**Mary C. Daly**  
Vice President

**John G. Fernald**  
Vice President

**Beverley-Ann Hawkins**  
Vice President and Equal  
Employment Opportunity Officer

**Warren C. Howard**  
Vice President

**Robert E. Kellar**  
Vice President

**Ann Marie Kohlligian**  
Vice President

**Simon H. Kwan**  
Vice President

**William O. Riley**  
Vice President

**Peggy L. Speck**  
Vice President and  
Secretary of the Board

**Mark M. Spiegel**  
Vice President

**David G. Tresmontan**  
Vice President

**Scott C. Turner**  
Vice President

**Kevin E. Zerbe**  
Vice President

**Kevin C. Alecca**  
Director

**Thomas A. Ballantyne**  
Director

**Amy K. Burr**  
Director

**Richard K. Cabral**  
Director

**James J. Callahan**  
Director

**Sharon E. Chow**  
Director

**Thomas M. Cunningham III**  
Director

**Marie C. Dimapasoc**  
Director

**Dawn D. Hennings**  
Director

**Jackie C. Hicks**  
Director

**Philip D. Jasienczyk**  
Director

**Patrick J. Loncar**  
Director

**Ryan P. Lordos**  
Director

**Rick A. Miller**  
Director

**Frederic P. Minardi**  
Director

**David J. Moore**  
Director

**Matthew M. Schlereth**  
Director

**Paulette M. Wallace**  
Director

**Susan T. Wong**  
Director

**Mary Wujek**  
Director

**Eric T. Swanson**  
Senior Research Advisor

**Bart Hobijn**  
Research Advisor

**Sylvain Leduc**  
Research Advisor

**Zheng Liu**  
Research Advisor

**Jose A. Lopez**  
Research Advisor

**Bharat Trehan**  
Research Advisor

**Robert G. Valletta**  
Research Advisor

**Erik Z. Revai**  
Senior Principal

**Nancy S. Emerson**  
Principal

**Joe A. Lozano**  
Principal

**Maureen E. O'Byrne**  
Principal

**David E. Reiser**  
Principal

**Steven P. Takizawa**  
Principal

**Gerald C. Tsai**  
Principal

# Bank Officers and Principals

As of January 1, 2010

## Los Angeles Branch

**Mark L. Mullinix**  
Executive Vice President

**Rita G. Aguilar**  
Director

**Dana R. Green**  
Director

**Howard Ng**  
Director

**Dale L. Vaughan**  
Principal

**Roger W. Replogle**  
Senior Vice President

**Jose Alonso**  
Director

**Philip B. Johnson**  
Director

**Marla E. Borowski**  
Principal

**Deborah Awai**  
Group Vice President

**Anthony P. Dazzo**  
Director

**James LeVoir**  
Director

**Richard J. Shershenovich**  
Principal

## Portland Branch

**Steven H. Walker**  
Vice President

## Salt Lake City Branch

**Robin A. Rockwood**  
Vice President

## Seattle Branch

**Mark A. Gould**  
Senior Vice President

**Lynn M. Jorgensen**  
Director

**Darlene R. Wilczynski**  
Director

## Phoenix Processing Center

**Gary E. Darby**  
Vice President

# Summary of Operations

	(volume in thousands)	
	2009	2008
<b>Cash Services</b>		
Currency notes paid into circulation	5,366,360	5,704,259
Unfit currency destroyed	1,018,682	976,754
Coin bags paid into circulation (bags)	1,708	1,810
<b>Check Services</b>		
<i>Paper Checks</i>		
Commercial checks processed	34,035	268,662
Return checks processed	3,380	7,694
<i>Check 21</i>		
Commercial checks processed	1,174,307	1,117,340
Return checks processed	26,464	25,336
<b>Discounts and Advances</b>		
Total discounts and transactions*	3,993	3,190
Number of financial institutions accommodated*	249	199

\* Whole numbers (not in thousands)

# 2009 Financial Reports

## **Auditor Independence**

In 2009, the Board of Governors engaged Deloitte & Touche LLP (D&T) for the audits of the individual and combined financial statements of the Reserve Banks and the consolidated financial statements of the limited liability companies (LLCs) that are associated with Federal Reserve actions to address the financial crisis and are consolidated in the financial statements of the Federal Reserve Bank of New York. Fees for D&T's services are estimated to be \$9.6 million, of which approximately \$2.0 million were for the audits of the LLCs. To ensure auditor independence, the Board of Governors requires that D&T be independent in all matters relating to the audit. Specifically, D&T may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of Reserve Banks, or in any other way impairing its audit independence. In 2009, the Bank did not engage D&T for any non-audit services.

[View the Financial Reports](#)

# Acknowledgments

Writer: Lyndi Beale  
Production Manager: Leigh Lytle  
Production Coordinator: Ed Espiritu  
Video Production: Billy Reinschmiedt  
Designer: Steve Baxter  
Photography: Mark Compton Photography (pages 3, 14, 15)

Thank you to the following people for their contributions to the production of the 2009 annual report:

Thom Coberg, Cecilia Coronado, Robert Dawson, Olivia Leung, Kathy Lyle, Kurin Perry, Kevin Riehman, Pedro Romero, Karen Schwartz Decker, Ellen Siegel, Abigail Stavros, Janice Takiguchi, Robert Valletta, Stephanie Yue, and Sam Zuckerman

Thank you to our Head Office and Branch boards of directors who were interviewed for the 2009 annual report:

T. Gary Rogers, Arnold T. Grisham, Grace Evans Cherashore, David Y. Chen, Scott L. Hymas, and Helvi K. Sandvik

For notification of future annual report online postings, subscribe at: [www.frbsf.org/publications/federalreserve/annual/](http://www.frbsf.org/publications/federalreserve/annual/)

# Director Bios

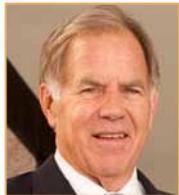
## **T. Gary Rogers, Chairman**

*Federal Reserve Bank of San Francisco*

*Chairman of the Board (Retired)*

*Levi Strauss & Co.*

*San Francisco, California*



Mr. Rogers is the recently retired chairman of Levi Strauss & Co., headquartered in San Francisco, California, a position he assumed in early 2008. Mr. Rogers is also the immediate past chairman and

chief executive officer of Dreyer's Grand Ice Cream, Inc. He purchased Dreyer's in 1977 with his partner William F. Cronk and a financial investor. The company went public in 1981, and in 2003 was acquired by Nestlé. The merger combined Dreyer's and Edy's brands with Häagen-Dazs and Nestlé Ice Cream frozen snacks brands to create the world's largest ice cream company. Mr. Rogers also sits on the boards of Shorenstein Properties, LLC and Stanislaus Food Products, and is a member and former chairman of the Bay Area Council.

Mr. Rogers joined the San Francisco Fed board of directors at the beginning of 2005, served as deputy chairman from 2006 through 2008, and was first appointed chairman in 2009. He has a B.A. from the University of California, Berkeley, and an M.B.A. from Harvard Business School.

## **Arnold T. Grisham, Board Member**

*Federal Reserve Bank of San Francisco*

*Director*

*Alta Alliance Bank*

*Oakland, California*



Mr. Grisham is a director and the former president and chief executive officer of Alta Alliance Bank in Oakland, California. Mr. Grisham has over 28 years of banking experience, including 18 years at Wells Fargo & Company. His banking background also includes positions as president, chief operating officer, and chief lending officer of Civic Bank of Commerce, where he was a board member of the bank and the holding company, Civic BanCorp. He is a director on the board of Children's Hospital of Oakland and an advisory board member for the United Negro College Fund of Northern California.

Mr. Grisham was elected to the San Francisco Fed board beginning January 2008. He is a graduate of DePaul University in Chicago where he also earned an M.B.A. in Finance.

## **Grace Evans Cherashore, Chairman**

*Los Angeles Branch,*

*Federal Reserve Bank of San Francisco*

*President and Chief Executive Officer*

*Evans Hotels*

*San Diego, California*



Ms. Cherashore is president and chief executive officer of Evans Hotels, as well as an active member of the San Diego community, particularly in areas concerning job training, education, and

economic development. Among her numerous professional and civic affiliations, she is a board member for the San Diego Regional Economic Development Corporation, and trustee for the Bishop's School. She has held board positions with the San Diego Regional Chamber of Commerce, San Diego State University School of Business, and the University of California, San Diego, Economics Roundtable. Ms. Cherashore began her career in the Real Estate Industries Group of Wells Fargo Bank.

Ms. Cherashore joined the Los Angeles Branch board in January 2008 and was designated chairman effective January 2010. She previously served on the Twelfth District's Economic Advisory Council (2006 through 2007) and served as vice chairman in 2007. Ms. Cherashore is a graduate of the University of Colorado and holds an M.B.A. from Amos Tuck School, Dartmouth College.

# Director Bios

## **Scott L. Hymas, Chairman**

*Salt Lake City Branch,  
Federal Reserve Bank of San Francisco*

*Chief Executive Officer  
RC Willey  
Salt Lake City, Utah*



Mr. Hymas is chief executive officer of RC Willey, a home furnishings and electronics retail company headquartered in Salt Lake City, Utah. RC Willey

operates stores in Utah, Idaho, Nevada, and California and is owned by Berkshire Hathaway, a conglomerate holding company. Mr. Hymas serves on the board of directors of the Utah Retail Merchants Association and on the board of governors of the Salt Lake Chamber of Commerce.

Mr. Hymas joined the Salt Lake City Branch board of directors in January 2007 and was designated chairman effective January 2010. He holds a B.S. in Accounting from Brigham Young University and an M.B.A. from the University of Utah.

## **Ms. Helvi Sandvik, Chairman (Former)**

*Seattle Branch,  
Federal Reserve Bank of San Francisco*

*President and Chief Executive Officer  
NANA Development Corporation  
Anchorage, Alaska*



Ms. Sandvik is president and chief executive officer of NANA Development Corporation, a \$1.3 billion diversified business involved in engineering and construction, resource de-

velopment, facilities management and logistics, real estate and hotel development, and information technology and telecommunications industries based in Anchorage, Alaska. Prior to working for NANA, she spent twelve years with the State of Alaska Department of Transportation and Public Facilities. She has been active in a number of community and industry organizations including United Way, the Alaska State Chamber of Commerce, and the National Association of State Aviation Officials, Aviation Funding Reauthorization Committee. She is a trustee of the Aqqaluk Trust, a nonprofit foundation established to provide scholarship and grant funds for the Alaska-native shareholders of the NANA region. She also serves as a Commissioner of the U.S. Arctic Research Commission.

Ms. Sandvik joined the Seattle Branch board of directors in 2004, and served as chairman from 2008 through 2009, when she retired from the board. She received her bachelor's degree in Economics from Kalamazoo College in Michigan and her M.B.A. from the University of Alaska, Fairbanks.

## **Mr. David Y. Chen, Board Member**

*Portland Branch,  
Federal Reserve Bank of San Francisco*

*Founder and Managing Director, Equilibrium Capital  
Group LLC, Portland, Oregon*



Mr. Chen is founder and managing director of Equilibrium Capital Group LLC, an investment firm focused in the area of sustainability. Mr. Chen's focus on sustainability is a result of his work in venture capital, regional

economic development, and energy policy. In 2007, as a visiting executive at the Meyer Memorial Trust, he developed an investing thesis on mission-related investing; this tool has since been adopted by several institutions.

Mr. Chen serves as governor-appointed chairman of the Oregon Innovation Council. He also serves on the advisory boards of the Oregon Investment Fund and the X Prize for Energy & Environment. Mr. Chen is on the boards for the National Collegiate Inventors and Innovators Alliance, the Freshwater Trust, and B Corp. He serves on the faculty at Northwestern University's Kellogg School of Management and the Prince of Wales Cambridge University Business and Environment Program. From 2003 through 2009, Mr. Chen served as chairman of the Oregon Nanoscience and Microtechnologies Institute. In 2006, he served as chairman of the Oregon Entrepreneurs Forum.

Mr. Chen is a graduate of University of California, Berkeley, and Northwestern University's Kellogg School of Management. He joined the Portland Branch board of directors in January 2006.