Responding to the Financial Crisis

The Future of Supervision and Regulation

Federal Reserve Bank of San Francisco Annual Report 2010

In the 2010 report, learn how the Federal Reserve's responsibility for supervising and regulating financial institutions and the financial system as a whole is changing with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010.

The report outlines how the Act's provisions address the vulnerabilities in the financial system that the financial crisis revealed and discusses the Federal Reserve's expanded responsibilities for promoting financial stability within the new regulatory framework. Additionally, the report explains how San Francisco Fed staff members are involved in implementing these changes and how the Bank is mobilizing resources to help ensure a successful transition to this new framework for financial supervision and regulation.

2010 Letter from the President

It's a privilege for me to write this letter introducing our annual report, my first as president and chief executive officer of the Federal Reserve Bank of San Francisco. As I take on this new role, I feel a keen sense of responsibility both to the Federal Reserve System and to the communities of the Twelfth Federal Reserve District, who rely on us to safeguard the financial system and set a prudent course on monetary policy. I want to express my gratitude to the Bank's board of directors and employees who make the San Francisco Fed the superb institution that it is. And I want to honor my predecessor, Janet Yellen, whose wisdom and exemplary stewardship made this Bank a leader not only in the Federal Reserve System, but also in the wider world of global central banking.

This annual report comes at a time of transition for the economy, for the financial system, and for the Federal Reserve as a financial regulator. On the economic front, an acute financial crisis and a severe recession are now in the rear view mirror, but the scars of those events remain. The economy is growing respectably, and we are finally adding jobs at a decent pace. But so far we have recovered only a small fraction of the jobs we lost from 2007 to 2009, and we still have too many idle production lines, empty offices, and financial institutions at risk of failure. We avoided deflation, and prices overall have been rising at a very slow pace. Yet recently we've seen the cost of foodstuffs, energy, and other commodities soar, which poses potential risk to the economy.

This combination of circumstances calls for the utmost care in setting monetary policy. In the face of an extraordinarily severe downturn and slow recovery, Federal Reserve policymakers pushed short-term interest rates close to zero in 2008, and we have stated that we expect to keep them there for an extended period. As an additional stimulus to the economy, the Federal Reserve has been buying sizable quantities of U.S. Treasury and other securities. These measures have been essential to restoring economic growth. They are under constant review, and the Federal Reserve is prepared to adjust policy in light of changing economic circumstances.

I got to know the Twelfth District in my previous capacity as director of research at the San Francisco Fed. More than 20 percent of the U.S. population lives in our sprawling nine-state region, and its economy is the largest of any Federal Reserve District. This District is the nation's leader in such dynamic industrial sectors as agriculture, information technology, aerospace, and biotechnology. At the same time, the blows from the financial crisis and recession were felt with special force in this District in the form of high unemployment and the nation's worst housing crash since World War II, as measured by price depreciation and foreclosure rates. Recovery is under way, but its pace will be restrained by several factors, including the severe fiscal challenges of many state and local governments.

At the San Francisco Fed, our responsibilities extend beyond monitoring the economy and participating in monetary policy decisions. Among the most important of our duties is supervision and regulation of the financial system in the Twelfth District, a role that was significantly expanded under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, also known as the Dodd-Frank Act. This annual report explains the provisions of the Act and outlines what they mean for the Federal Reserve as a financial regulator. It also includes a Twelfth District banker's perspective on the Act. In the Twelfth District, we are mobilizing to take on these expanded responsibilities and ensure that this new era in financial regulation is successful.

We are also responding to provisions of the Dodd-Frank Act in other areas. During 2010, we established the Office of Minority Women and Inclusion, in keeping with the Act's requirement that all Reserve Banks set up diversity and inclusion offices by January 21, 2011. Among its functions, the new office will oversee the Bank's existing diversity and inclusion practices in management, employment, and business activities.

I am fortunate to work with extraordinary employees who have consistently demonstrated their commitment in the face of significant challenges. On the supervisory front in 2010, San Francisco Fed staff members contended with a bank operating environment still feeling the aftereffects of the financial crisis and recession. At the same time, Bank Supervision and Regulation staff members began taking on their new responsibilities under the Dodd-Frank Act. On the operations side, the Bank's check operations staff members met every target as they successfully transferred the Twelfth District's last check processing facility to the Fed's national consolidation site.

Many other Bank departments registered notable achievements in 2010. Community Development staff launched the Healthy Communities Initiative, a new research area examining the connections between community health and community development. Public Information began using social media such as Twitter and Facebook to deliver timely news and information. Staff members in our Economic Research Department made important contributions to understanding current policy issues and the dynamics of such macro variables as unemployment and inflation. Their work drew significant attention, both in professional circles and business news media.

I would like to take this opportunity to thank all of our employees for their outstanding efforts and public service during the past year. I also would like to thank our Twelfth District directors and Economic Advisory Council members for their invaluable service and counsel.

In particular, I would like to acknowledge the many contributions of retiring Chairman of the Board T. Gary Rogers, former chairman of the board, Levi Strauss & Co., San Francisco, California. Mr. Rogers completed six years of service to this Reserve Bank, the last two years serving as its chairman, preceded by three years as its deputy chairman. I also would like to acknowledge Arnold T. Grisham, former president, chief executive officer and director, Alta Alliance Bank, Oakland, California, who completed his service on the Head Office Board at the end of 2010, after serving three years as a director.

In addition, I would like to express my sincere thanks and appreciation to the other directors and Economic Advisory Council members who concluded their terms of service during 2010:

- **on the Los Angeles Branch Board:** Dominic Ng, chairman and chief executive officer, East West Bank, Pasadena, California; and James L. Sanford, consultant, Northrup Grumman Corporation, Los Angeles, California, who served as chairman of the Los Angeles Branch Board for three years;
- **on the Portland Branch Board:** Judith A. Johansen, president, Marylhurst University, Marylhurst, Oregon; and James H. Rudd, chief executive officer and principal, Ferguson Wellman Capital Management Inc., Portland, Oregon, who served as chairman of the Portland Branch Board for the past six years;
- **on the Salt Lake City Branch Board:** Edwin E. Dahlberg, retired president and chief executive officer, St. Luke's Health System, Boise, Idaho; Annette Harder, president, Herman Consulting LLC, Park City, Utah; and Michael M. Mooney, president, Idaho Region, Bank of the Cascades, Boise, Idaho; and
- **on the Twelfth District Economic Advisory Council:** Stephen M. Brophy, president, Page Land & Cattle Co., Phoenix, Arizona, who served as chairman of the council for the past three years and as its vice chairman for one year.

John C. Williams

John C. Williams
President and Chief Executive Officer

Responding to the Financial Crisis
The Future of Supervision and Regulation

The recent financial crisis has prompted a fundamental rethinking of the supervision and regulation of banks and other institutions and markets that make up our financial system. After two decades of relatively stable economic and financial market conditions, the events of 2007–2009 painfully revealed several critical vulnerabilities lying within our financial system. Numerous studies analyzing the crisis have concluded that the vulnerabilities stemmed not only from problems in the private-sector, but also from shortfalls and gaps in our regulatory framework and supervisory oversight.[1] As the crisis unfolded, the Federal Reserve and other agencies moved to bolster regulation and supervision within the scope of their existing authority. However, a consensus emerged on the need for more comprehensive reforms and an expansion of the scope of financial oversight.

The U.S. Congress enacted numerous changes in the Dodd-Frank Wall Street Reform and Consumer Protection Act, also known as the Dodd-Frank Act, which the President signed into law on July 21, 2010. The new law will have a profound impact on regulation and supervision of our financial system. Among the most significant changes is a major increase in the Federal Reserve's responsibilities in this area. The Federal Reserve System has been actively modifying its supervisory programs in response to the Dodd-Frank Act requirements and to its own post-crisis assessment of financial regulation and supervision. The overall objective is to put in place a more robust supervisory framework that can effectively address both risks at individual institutions and vulnerabilities in the financial system as a whole.

The Federal Reserve and other authorities are aware that implementing more effective regulations and stronger supervision entails costs. These costs are tangible and can be significant for individual financial market participants who must comply with new rules as well as for their customers. Moreover, there is often a tradeoff between stronger regulation and financial innovation and efficiency which can be important contributors to economic growth. It is important to consider carefully all the costs and benefits of enhanced regulation and to find an appropriate balance. Clearly, the experience of the recent financial crisis and the related costs borne by the broader economy suggest a need to rebalance the system to incorporate more focused supervision and regulation. The Dodd-Frank Act attempts to find this balance and to strengthen the resiliency of the financial sector so that it will be less vulnerable to crises in the future.

1. See, for example, studies and reports by the Basel Committee , Senior Supervisors Group , and the Financial Crisis Inquiry Commission .

Framework for Regulatory Reform

The Dodd-Frank Act represents the most far-reaching reform of financial regulation in the post-World War II era. Its provisions address a number of the most critical sources of vulnerability in the financial system.

First, the Act expands on the traditional view that a principal source of fragility in the financial system is highly leveraged institutions borrowing short-term to fund investments in risky term loans and securities. Before the crisis, regulation focused on addressing these risks in banks and other depository institutions. However, the financial crisis demonstrated that these vulnerabilities were present in a wide range of financial instruments, structures, institutions, and markets. The Act enlarged the umbrella for rigorous prudential oversight well beyond depository institutions to include all financial sector segments that pose systemic risks.

> *"Systemic risks are developments that threaten the stability of the financial system as a whole and consequently the broader economy, not just that of one or two institutions."*
> *Ben Bernanke, Chairman of the Federal Reserve Board*

Second, the Act calls for what is known as a macroprudential supervisory framework. The more traditional microprudential approach to supervision focuses on ensuring the financial soundness of individual institutions. In contrast, macroprudential supervision takes into account risks to the financial system as a whole. These risks arise from the direct interconnections among large financial institutions, as well as similarities in their investments and sources of funding. The other dimension of macroprudential policy involves monitoring and responding to market-wide developments to guard against excesses and stresses that threaten the stability of the financial system.

Third, the Act closes a gap in financial supervision uncovered by the financial crisis—the limited scope that authorities had for dealing promptly with certain types of institutions under stress, such as large investment banks and insurance companies that play significant roles in the financial system. The new law fills this gap by giving federal agencies expanded resolution authority, which allows them to exert control over systemically important financial institutions that are in danger of failing.

Fourth, the Act addresses the need to better protect borrowers, a need underscored by the extremely high mortgage delinquency and foreclosure rates of recent years. To accomplish this, the Act created the Consumer Financial Protection Bureau.

Implementing the Dodd-Frank Act

The Dodd-Frank Act contains hundreds of provisions designed to strengthen the nation's financial system in three key areas: financial stability, prudential supervision, and consumer protection. The Federal Reserve has significant responsibility for implementing many of these provisions, particularly in its banking supervision and economic research functions. In addition, the Dodd-Frank Act expands the Federal Reserve's supervisory authority to include all savings and loan holding companies and nonbank financial institutions designated as systemically important.

These developments reinforce the longstanding mission of the Federal Reserve's banking supervision and regulation function to promote a safe, sound, and stable banking and financial system that supports the growth of the U.S. economy.

Strengthening financial stability

During the financial crisis, the financial institution failures and breakdowns in several key financial markets caused devastating damage to the economy. For that reason, many Dodd-Frank Act provisions focus on promoting financial stability.

The Act established the Financial Stability Oversight Council, which is chaired by the Secretary of the Treasury and includes the heads of the other federal financial regulatory agencies including the Chairman of the Federal Reserve. As part of the new macroprudential policy framework, the Council is charged with identifying threats to the nation's financial stability, promoting market discipline, and responding to emerging risks to the stability of the financial system. One aspect of this approach includes recommending enhancements to supervisory standards for large, interconnected companies.

A critical component of the Council's responsibility to promote financial stability is identifying systemically important financial institutions and financial market utilities that could potentially have a significant impact on the overall financial system.[2] Utilities include institutions engaged in payment, clearing, or settlement. The Dodd-Frank Act defines systemically important entities as all bank holding companies with over $50 billion in assets and all nonbank financial companies that the Council designates as such. The Federal Reserve already supervises all bank holding companies. The Act adds to the Federal Reserve authority by giving it responsibility to supervise systemically important nonbank financial companies.

As a Council member, the Federal Reserve is helping develop the procedures for identifying and monitoring systemically important financial institutions and utilities. The Federal Reserve is also working with other regulatory agencies on rules affecting certain financial markets. For example, it is consulting with the Securities and Exchange Commission and the Commodity Futures Trading Commission on rules to enhance the safety and efficiency of derivatives markets through such measures as improved transactions reporting and requiring standardized derivatives contracts to be centrally traded and cleared.

In response to these expanded responsibilities, the Federal Reserve Board recently created a new Office of Financial Stability Policy and Research, which will monitor financial developments across a range of markets and institutions, and coordinate with the Council and other agencies to strengthen systemic oversight. This office brings together economists, banking supervisors, market experts, and others across the Federal Reserve System to support the Board's financial stability responsibilities.

Implementing more robust prudential supervision

The Dodd-Frank Act also requires tougher prudential standards for financial institutions. These standards are designed to reduce the risks encountered by financial institutions and improve risk management practices. The Act places special emphasis on more rigorous standards for systemically important financial institutions as defined by the Financial Stability Oversight Council. For these institutions, the Federal Reserve is establishing new rules in such areas as capital, leverage, liquidity, resolution plans, and credit concentration limits. In addition, as part of macroprudential supervision, supervisors will place greater emphasis on monitoring the interconnections among large financial institutions. They will also monitor market developments that pose common risks for these institutions.

> *The Dodd-Frank Act defines systemically important institutions as all bank holding companies with more than $50 billion in assets, and any nonbank financial institution that could pose a threat to the financial stability of the United States if faced with material financial distress, or based on its nature, scope, size, scale, concentration, interconnectedness, or mix of activities. The Financial Stability Oversight Council has authority to designate these nonbank financial institutions, and has proposed an analytical framework to do so. Systemically important financial institutions are subject to heightened prudential and supervisory standards.*

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2. On January 18, 2011, the FSOC proposed the criteria and framework (with a 30-day comment period). On February 8, 2011, the Federal Reserve proposed a rule related to the FSOC's designation of systemically important nonbank financial companies for consolidated supervision by the Board (which was sent out for comments through March 30, 2011).

During the financial crisis, the Federal Reserve and other federal banking agencies conducted a stress test of the largest banking organizations. The Supervisory Capital Assessment Program, or SCAP, assessed the ability of these institutions to weather an economic downturn of unexpected severity. It helped supervisors determine how much additional capital some of these institutions needed and provided useful information to financial markets. Under the Dodd-Frank Act, the Federal Reserve will continue to conduct supervisory stress tests annually as an integrated part of the standard supervisory process. The Act also requires certain designated financial institutions to conduct their own tests semiannually. Large regional financial institutions with assets between $10 billion and $50 billion will have to conduct annual stress tests and maintain a risk committee of their boards of directors.

The Federal Reserve's supervision of the country's largest banking companies has been intensifying for several years, and the Dodd-Frank Act has helped to reinforce the enhancements already implemented and planned. For example, the Federal Reserve commonly deploys bank supervisors from several Reserve Banks to conduct simultaneous examinations of similar business lines across large institutions operating in different parts of the country, a process known as a horizontal review. The 2009 stress test expanded on this by employing a multidisciplinary perspective that took advantage of a broad range of skills within the Federal Reserve, an approach that generated improved potential loss estimates and capital calculations. Publication of the results and subsequent moves by the financial institutions to raise capital reduced uncertainty within the banking system.

The Federal Reserve will continue to take this multidisciplinary approach to supervision, both for horizontal reviews and to carry out the stress tests mandated by the Dodd-Frank Act. In addition to these macroprudential supervisory efforts, more resources are being applied to supervision of individual institutions. For example, economists and quantitative analysts are participating more in examinations. The Federal Reserve has also put in place additional data resources that can be used to analyze institution-specific and market-specific areas of concern. Further regulatory reforms, such as the enhanced capital and liquidity requirements of the new multilateral Basel III regulatory framework, will create additional opportunities for collaboration across disciplines.

The Dodd-Frank Act fundamentally changed the Federal Reserve's approach to its consolidated supervision responsibilities. Consolidated supervision focuses on protecting insured depository institutions from the risks associated with the operations of affiliated nonbanking units within a bank holding company structure.

The Act expanded the Federal Reserve's consolidated supervision mandate to include protecting the overall financial system from threats. It also clarified the existing mandate for supervising the nonbank subsidiaries of holding companies to focus on the safety and soundness of the holding company. In addition, the Act eliminated the so-called "Fed-lite" provisions that were established with the Gramm-Leach-Bliley Act of 1999. These provisions limited the Federal Reserve's direct supervision of holding company nonbank subsidiaries that are regulated by other agencies, such as broker-dealers examined by the Securities and Exchange Commission.

The Federal Reserve will continue to rely on the work of other agencies to the fullest extent possible. The Dodd-Frank Act eliminates prior limitations on authority to examine, obtain reports from, or take enforcement actions against such functionally regulated subsidiaries.

Strengthening consumer protection

The Dodd-Frank Act created the Consumer Financial Protection Bureau, a new agency dedicated to ensuring competitive access to financial services and shielding consumers from unfair practices. The Bureau is an independent agency funded by the Federal Reserve.

In 2011[3], it will assume some of the consumer protection authority now spread across seven federal agencies and will begin examining nonbank financial services providers currently not subject to bank supervision and regulation. The Bureau has broad authority to establish rules and policies to protect consumers, conduct research, provide financial education, and maintain a nationwide consumer complaint response unit.

Creation of the Bureau should benefit consumers by leveling the playing field in oversight and enforcement of consumer protection laws governing all organizations that provide consumer financial services. The Bureau is charged with ensuring clearer disclosure and prohibiting unfair practices. Its goal is to better protect borrowers from abuses and allow them to understand loan terms more fully before taking on debt, including credit cards, student loans, and mortgages. Residential mortgage lending is a particular area of focus, given the scale of poor practices that have developed in recent years. The Dodd-Frank Act creates regulatory standards for underwriting, pricing, servicing, setting up escrow accounts, and carrying out property appraisals for residential mortgages.

Most of the Federal Reserve's existing consumer protection rule-writing authority will transfer to the Bureau. In addition, consumer compliance supervision of all banks with more than $10 billion in assets will transfer from the existing federal banking regulatory agencies to the Bureau.[4] Nevertheless, the Federal Reserve will continue to play an important role in consumer protection. It will retain supervisory responsibility for the Community Reinvestment Act and a handful of other consumer protection rules not enumerated in the Dodd-Frank Act, regardless of the size of the institution. In addition, the Federal Reserve will keep consumer compliance supervision responsibility for holding companies, including savings and loan holding companies, beginning in July 2011 (see further discussion below).

The Bureau will work closely with other federal bank regulatory agencies. Monitoring compliance with consumer protection rules is a critical part of the overall supervision of financial institutions. Supervisors responsible for financial institution safety and soundness will continue to take consumer compliance into account. In addition, federal bank regulatory agencies will still be responsible for determining whether certain institutions are complying with existing consumer regulations and new rules written by the Bureau.

Transferring the supervision of savings and loan holding companies to the Federal Reserve

The Office of Thrift Supervision (OTS) currently supervises savings institutions and their holding companies. The Dodd-Frank Act transfers responsibility for supervising these institutions to the other bank regulatory agencies. The Federal Reserve will have supervisory and rule-writing authority for savings and loan holding companies (SLHCs). To ensure a smooth transition, the OTS and bank regulatory agencies including the Federal Reserve have been working closely together to plan for this transfer and educate the thrift industry about their supervisory frameworks.[5] The Federal Reserve will assume supervisory authority for over 400 SLHCs on the July 21, 2011, transfer date.

3. Planned implementation is July 21, 2011 (could be extended to January 21, 2012).
4. For the Twelfth District, this covers only three of over forty state chartered banks that are members of the Federal Reserve System.
5. See Joint Implementation Plan regarding sections 301-326 of the Dodd-Frank Act.

Most of these companies are traditional “shell” holding companies that conduct little activity outside the savings institution subsidiary. Others are commercial enterprises or insurance companies. The Federal Reserve believes that companies controlling depository institutions should be held to appropriate prudential standards and intends to create an oversight regime for SLHCs that is consistent with what is applied to bank holding companies. These companies differ in important ways, and will remain governed by different statutes. The Federal Reserve will be mindful of these differences and of the unique characteristics of the thrift industry at it develops a supervisory approach for SLHCs.

Staff members are reviewing all elements of this supervisory program to determine whether and how to incorporate SLHCs into the framework in a manner consistent with the Home Owner’s Loan Act of 1933. This law governs the conduct and supervision of thrift activities and was preserved by the Dodd-Frank Act.[6]

The Federal Reserve Bank of San Francisco is making a unique contribution to the transition of supervisory authority for SLHCs by temporarily assigning a senior officer to the Federal Reserve Board to coordinate the transition of supervisory authority for SLHCs within the Federal Reserve System. This officer is responsible for managing a range of policy, supervisory, and operational issues leading up to the July 2011 transfer date, including establishing supervisory standards for SLHCs, incorporating SLHCs into holding company programs, communicating with the savings and loan industry, and addressing issues related to reporting and data access.

The Twelfth Federal Reserve District is home to about three dozen SLHCs with total assets ranging from about $100 million to over $100 billion. Most of these companies mainly carry out traditional thrift or bank activities. However, several have substantial business lines outside the thrift subsidiary, including insurance underwriting and securities brokerage.

What’s Ahead

The Dodd-Frank Act calls for a large number of studies, rulemaking procedures, and policy decisions over the next several years. This is a vast effort that requires close collaboration among U.S. financial regulatory agencies.[7]

The Federal Reserve is committed to working with other financial regulatory agencies in the United States and abroad to ensure effective implementation of the Dodd-Frank Act. The Federal Reserve is also determined to improve regulations and supervisory programs by incorporating lessons learned from the financial crisis. This must be a transparent process that encourages all interested parties to take part in rulemaking. Input from a wide variety of industry participants will help regulators develop stronger rules that avoid creating unnecessary burden on supervised institutions. To promote participation, the Federal Reserve Board has created a comprehensive website covering regulatory reform developments. In addition, the Federal Reserve’s recently established Community Depository Institutions Advisory Council should provide useful input for supervisory and regulatory policy decisions.[8]

At the Federal Reserve Bank of San Francisco, many employees, particularly in the Banking Supervision and Regulation, and Economic Research Departments, are deeply involved in implementing these changes. These departments are mobilizing resources and cultivating expertise as we assume our expanded responsibilities. The Banking Supervision and Regulation Department expects to increase staffing levels about 20 percent by mid-2012. And the Economic Research Department has created a team of risk modeling experts to support the new supervisory initiatives. Throughout this transition, the Federal Reserve will remain dedicated to promoting a strong financial system that supports a healthy and stable economy.

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6. On February 3, 2011, the federal banking agencies proposed changes to the reporting requirements for entities regulated by the OTS.
7. See, for example, the Financial Stability Oversight Council’s Integrated Implementation Roadmap .
8. See the Federal Reserve Board’s October 1, 2010 press release about the formation of the Community Depository Institutions Advisory Council (CDIAC).

Executive and Board Leadership

As of January 1, 2011

Janet L. Yellen
President and Chief Executive Officer (January - September 2010)

John F. Moore
First Vice President and Chief Operating Officer and Interim President (October 2010 - February 2011)

T. Gary Rogers
Chairman (2010)

Douglas W. Shorenstein
Deputy Chairman (2010) and Chairman (2011)

Photography: Mark Compton Photography

Executive Committee and Advisors

As of January 1, 2011

(left to right)

Gopa Kumar
Senior Vice President and Chief Information Officer Information & Technology Services

Mark L. Mullinix
Executive Vice President Cash Product Office, Accounting, Credit & Risk Management, Enterprise Risk Management, and Los Angeles Branch Manager

Susan A. Sutherland
Senior Vice President Equal Employment Opportunity, Human Resources, Statistics, and Strategy & Communications Director, Office of Minority and Women Inclusion

Mark A. Gould
Senior Vice President Cash Product Office and Seattle Branch Manager

John F. Moore
First Vice President and Chief Operating Officer and Interim President (October 2010 - February 2011)

John C. Williams
Executive Vice President and Director of Research

Roger W. Replogle
Senior Vice President District Cash, Business Development, Customer Support, Business Continuity, Facilities, Administrative Services, and Police Services

Stephen M. Hoffman, Jr.
Senior Vice President Banking Supervision & Regulation

Erik Z. Revai
Group Vice President and General Counsel, Legal

Lee C. Dwyer
Group Vice President and General Auditor

Chirmere M. Harris
Secretariat

Deborah S. Smyth
Group Vice President Information & Technology Services

Not pictured

Glenn D. Rudebusch
Senior Vice President and Associate Director of Research, Economic Research

Janet L. Yellen
President and Chief Executive Officer (January - September 2010)

Photography: Mark Compton Photography

Branch Managers

As of January 1, 2011

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

Robin A. Rockwood
Vice President
Community Perspectives
Salt Lake City Branch Manager

Steven H. Walker
Vice President
Community Perspectives and District Customer Support
Portland Branch Manager

Photography: Mark Compton Photography

San Francisco Branch Board of Directors

As of January 1, 2011

Chairman of the Board and Federal Reserve Agent

Douglas W. Shorenstein
Chairman and
Chief Executive Officer
Shorenstein Properties LLC
San Francisco, California

Deputy Chairman

Patricia E. Yarrington
Vice President and
Chief Financial Officer
Chevron Corporation
San Ramon, California

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President and Chief Executive Officer
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Chino, California

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Vice President and Co-Owner
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Corvallis, Oregon

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Oakland, California

Kenneth P. Wilcox
Chief Executive Officer
SVB Financial Group
Santa Clara, California

Member of the Federal Advisory Council Appointed by San Francisco Board of Directors

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

Los Angeles Branch Board of Directors

As of January 1, 2011

Chairman

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San Diego, California

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Chairman of the Board
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Chief Financial Officer
Molina Healthcare, Inc.
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California United Bank
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Andrew J. Sale
Partner, Retail, Consumer Products and Media & Entertainment Leader - West Region
Ernst & Young LLP
Los Angeles, California

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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, 2011*

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Portland, Oregon

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Klamath Falls, Oregon

*Reflects one vacant seat.

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As of January 1, 2011

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RC Willey
Salt Lake City, Utah

Carol Carter
President and Chief Executive Officer
Industrial Compressor Products, Inc.
Park City, Utah

Robert A. Hatch
President
Regence BlueCross BlueShield of Utah
Salt Lake City, Utah

Clark D. Ivory
Chief Executive Officer
Ivory Homes, Ltd.
Salt Lake City, Utah

Damon G. Miller
Utah Market President
U.S. Bank
Salt Lake City, Utah

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Pingree, Idaho

Bradley J. Wiskirchen
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Boise, Idaho

Seattle Branch Board of Directors

As of January 1, 2011*

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Seattle, Washington

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Chief Financial Officer
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Issaquah, Washington

Ada M. Healey
Vice President, Real Estate
Vulcan Inc.
Seattle, Washington

Henry L. (Skip) Kotkins, Jr.
Chairman and
Chief Executive Officer
Skyway Luggage Company
Seattle, Washington

Scott L. Morris
Chairman, President and
Chief Executive Officer
Avista Corporation
Spokane, Washington

Patrick G. Yalung
Regional President, Washington
Wells Fargo Bank, N.A.
Seattle, Washington

*Reflects one vacant seat.

Twelfth District Economic Advisory Council

Established May 8, 1985

The Twelfth District Economic Advisory Council is a source of information on current and pending economic developments in the Twelfth District. The members provide observations, opinions, and advice to members of the boards of directors and management of the Federal Reserve Bank of San Francisco. The Twelfth District Economic Advisory Council members reside within the nine-state District of this Reserve Bank.

Chairman

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President
California Community Reinvestment Corporation
Glendale, California

Vice Chairman

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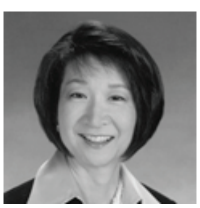
President and Chief Executive Officer
Unified Grocers, Inc.
Commerce, California

Richard C. Blum
Chairman and Founder
Blum Capital Partners
San Francisco, California

Jonathan Coslet
Chief Investment Officer and Senior Partner
TPG Capital, L.P.
San Francisco, California

Susan Desmond-Hellmann, M.D., M.P.H.
Chancellor
University of California, San Francisco
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

Sandra R. Hernandez, M.D.
Chief Executive Officer
The San Francisco Foundation
San Francisco, California

Rick R. Holley
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Plum Creek Timber Co., Inc.
Seattle, Washington

Cathy Luke
President
Loyalty Enterprises, Ltd.
Honolulu, Hawaii

Roy A. Vallee
Chairman of the Board and Chief Executive Officer
Avnet, Inc.
Phoenix, Arizona

Bank Officers and Principals

As of January 1, 2011

San Francisco Head Office

John F. Moore
First Vice President and Chief Operating Officer and Interim President (Oct. 2010 – Feb. 2011)

John C. Williams
Executive Vice President and Director of Research Economic Research

Stephen M. Hoffman, Jr.
Executive Vice President

Gopa Kumar
Senior Vice President and Chief Information Officer

Glenn Rudebusch
Senior Vice President

Susan A. Sutherland
Senior Vice President and Office of Minority and Women Inclusion Director

Clifford N. Croxall
Group Vice President

Teresa M. Curran
Group Vice President

Lee C. Dwyer
Group Vice President and General Auditor

Fred T. Furlong
Group Vice President

Reuven Glick
Group Vice President

Joy K. Hoffmann
Group Vice President

Robert E. Kellar
Group Vice President

Donald R. Lieb
Group Vice President and Chief Financial Officer

Darren S. Post
Group Vice President

Erik Z. Revai
Group Vice President and General Counsel

Deborah S. Smyth
Group Vice President and Information Security Officer

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

Thomas M. Cunningham III
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

Ann Marie Kohlligian
Vice President

Simon H. Kwan
Vice President

Jose A. Lopez
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

Marie C. Dimapasoc
Director

Michael J. Fernandez
Director

Dawn D. Hennings
Director

Jackie C. Hicks
Director

Philip D. Jasienczyk
Director

Patrick J. Loncar
Director

Rick A. Miller
Director

David J. Moore
Director

David E. Reiser
Director

Matthew M. Schlereth
Director

Paulette M. Wallace
Director

Susan T. Wong
Director

Mary Wujek
Director

Bart Hobijn
Senior Research Advisor

Eric T. Swanson
Senior Research Advisor

Sylvain Leduc
Research Advisor

Zheng Liu
Research Advisor

Bharat Trehan
Research Advisor

Robert G. Valletta
Research Advisor

Nancy S. Emerson
Principal

Joe A. Lozano
Principal

Maureen E. O'Byrne
Principal

Millen L. Simpson
Principal

Steven P. Takizawa
Principal

Gerald C. Tsai
Principal

Bank Officers and Principals

As of January 1, 2011

Los Angeles Branch

Mark L. Mullinix
Executive Vice President

Roger W. Replogle
Senior Vice President

Deborah Awai
Group Vice President

Rita G. Aguilar
Director

Jose Alonso
Director

Anthony P. Dazzo
Director

Philip Bernard Johnson
Director

James LeVoir
Director

Marla E. Borowski
Principal

Richard J. Shershenovich
Principal

Dale L. Vaughan
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)

Cash Services	2010	2009
Currency notes paid into circulation	5,455,608	5,366,360
Unfit currency destroyed	972,076	1,018,682
Coin bags paid into circulation (bags)	1,590	1,708
Check Services		
Paper Checks		
Commercial checks processed	----	34,035
Return checks processed	----	3,380
Check 21		
Commercial checks processed	1,095,997	1,174,307
Return checks processed	21,613	26,464
Discounts and Advances		
Total discounts and transactions*	563	3,993
Number of financial institutions accommodated*	145	249

*Whole numbers (not in thousands)