

1996 ANNUAL REPORT



FEDERAL RESERVE BANK OF KANSAS CITY

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T*he Federal Reserve Bank of Kansas City is one of 12 regional Reserve Banks which, together with the Board of Governors in Washington, D.C., comprise the nation's central bank.*

The Federal Reserve is responsible for formulating and conducting monetary policy, supervising banks and bank holding companies, and providing financial services to depository institutions, the federal government, and the public.

The Kansas City Bank has served the Tenth Federal Reserve District since 1914. The district includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri. Branches operate in Denver, Oklahoma City, and Omaha.

PRESIDENT'S STATEMENT



Public confidence in the institutions that undergird our nation's economy is essential if society is to achieve its broad economic goals. As one of the institutions whose effective performance is important to the economic well-being of the nation, we at the Federal Reserve Bank of Kansas City are committed to earning and maintaining public confidence by effectively meeting the challenges of a continuously evolving economy and its rapidly changing financial system.

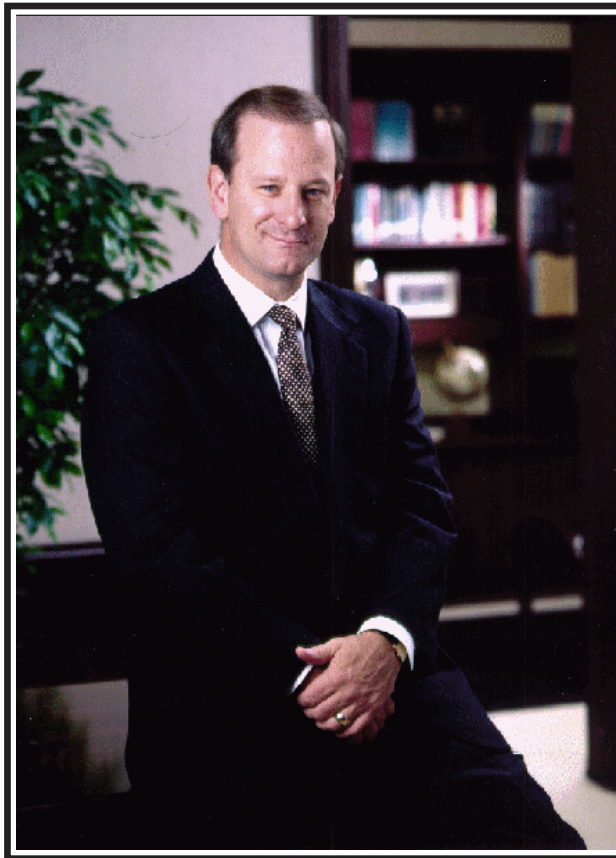
Over the past year, I believe that the people of the Kansas City Fed have done an exceptional job in meeting today's demands while anticipating and preparing to meet tomorrow's challenges. This report describes the Bank's accomplishments during 1996, noting both the day-to-day work we do to meet our objectives and describing some of the broader evolving issues that command our attention in monetary policy, banking supervision, and financial services.

As for monetary policy, the Bank contributed in 1996 to the formulation and implementation of Federal Reserve policies that were successful in helping restrain inflationary

pressures in the nation's economy while at the same time promoting sustainable economic growth. To develop our policy recommendations, we analyzed the regional, national, and international economies and produced research that offered insights into macroeconomic issues. Importantly, we facilitated greater worldwide understanding of the importance of price stability to economic progress and the associated responsibility of central banks by hosting our twentieth

economic policy symposium at Jackson Hole, Wyoming. A special section in this report describes the symposium and its findings.

In the area of banking supervision, the Bank provided strong leadership by implementing approaches in both safety and soundness and community reinvestment examinations that strengthened the quality of oversight while reducing burdens on banks. Other regulatory burdens were lightened as the Bank developed cooperative agreements among supervisors of state-chartered banks to



THOMAS M. HOENIG,
President,
Federal Reserve Bank of Kansas City



lessen complications for such banks expanding across state lines. To ensure that we understood banking conditions and that our regulatory approaches were grounded in reality, Bank staff devoted considerable time in the field interacting with bankers, business persons, and community representatives.

With regard to its financial services, the Bank continued to provide active leadership in promoting paperless payments methods through electronic check presentment and adjustments, check imaging products, and increased use of the Automated Clearing House (ACH) for consumer, commercial, and government payments. In its day-to-day relationships with customers, the Bank strengthened its commitment to customer service through improved communications and new customer support systems, as detailed later in this report. To underline our customer commitment and to ensure that depository institutions were well informed about new service requirements and opportunities, Bank staff conducted a variety of field programs across the region for hundreds of attendees.

In all of these areas of the Bank's responsibility—monetary policy, banking supervision, and financial services—we know very well that the pace of change is likely to accelerate and that the requirements

for effective and innovative performance will persist. In such an environment, we recognize that the Bank is strengthened importantly by the oversight, advice, and practical experience of the directors who serve the Bank and its Denver, Oklahoma City, and Omaha Branches. These 30 men and women from all over the region bring us perspectives that bolster our understanding and help us seek real-world responses and innovations in all our responsibilities. They deserve the thanks of everyone in the region.

At the beginning, I commented on the importance of public confidence in society's major institutions. At the Federal Reserve Bank of Kansas City, we acknowledge the public's and the banking industry's high expectations for our performance and the related scrutiny.

Because of the outstanding commitment to service that characterizes our employees, I am certain that we will continue to demonstrate the leadership that will maintain your confidence in us.

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President