



ANNUAL REPORT

FEDERAL RESERVE BANK *of* CLEVELAND

The Federal Reserve System is responsible for formulating and implementing U.S. monetary policy. It also supervises banks and bank holding companies and provides financial services to depository institutions and the federal government.

The Federal Reserve Bank of Cleveland is one of 12 regional Reserve Banks in the United States that, together with the Board of Governors in Washington DC, comprise the Federal Reserve System.

The Federal Reserve Bank of Cleveland, including its branch offices in Cincinnati and Pittsburgh, serves the Fourth Federal Reserve District (Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky).

It is the policy of the Federal Reserve Bank of Cleveland to provide equal employment opportunity for all employees and applicants without regard to race, color, religion, sex, national origin, age, or disability.



## 2009 OPERATIONAL HIGHLIGHTS

As economic conditions began to stabilize in 2009, the Federal Reserve Bank of Cleveland enhanced its approach to identifying and addressing critical issues with policy and supervisory implications for the Fourth District. The Bank also continued to provide effective supervision of the District's financial institutions and to maintain operational excellence in serving the needs of the U.S. Treasury and the public.



The Bank's "Power to the People: Regulation and Change" exhibit highlighted the origins of U.S. regulatory agencies and the public's important role in the regulatory process.

**Central Bank Operations** Although economic conditions gradually improved during the year, many banks continued to struggle. The Supervision and Regulation function responded to deteriorating banking conditions by implementing new credit programs to help support a weakened financial market and stress tests to evaluate capital adequacy at large Fourth District institutions. Under demanding conditions, our banking supervisors met their responsibilities and contributed to System initiatives that included operational, credit, and market/liquidity risk discussions.

Throughout the year, the Community Development function expanded its outreach efforts to help support access to credit and capital for low- to moderate-income communities. The group actively contributed to policy discussions about mortgage foreclosures, vacant and abandoned properties, and Community Reinvestment Act reform and provided insightful analysis on loan modification programs and Neighborhood Stabilization Program funds. In addition, the group collaborated with Research on a proposal submitted to the Board of Governors that would use the Board's existing rule-writing authority to modify the Community Reinvestment Act. The annual Community Development Policy Summit focused on community stabilization strategies in transitional times.

The Research function worked closely with Banking Supervision and Community Development colleagues to complete high-priority initiatives involving financial stability, systemic risk, and mortgage foreclosures. At industry and Federal Reserve System conferences, researchers presented the Bank's framework for assessing and identifying systemic risks. Research also expanded its outreach activities to explain economic conditions and the role of the Federal Reserve and to gain insights on emerging issues through meetings with business, government, and civic leaders across the Fourth District. Throughout the year, the staff maintained comprehensive support for the president's policy contributions to the Federal Open Market Committee.

The Bank's Learning Center and Money Museum opened a special exhibit that explored the origins of regulatory agencies in the United States, including the Federal Reserve System, and the public's important role in the regulatory process. "Power to the People: Regulation and Change" was reprised in all Fourth District offices and displayed at the Board of Governors in Washington DC.



Jeff Gatica, senior community affairs advisor, moderates a session at the 2009 Community Development Policy Summit.



Treasury Retail Securities staff earned the Chris Moore “Spirit of Innovation” Award for creativity in implementing new technology and business processes to support the U.S. Treasury.

**Core Business Operations** The Bank’s core business operations improved the efficiency and effectiveness of our nation’s payments systems. The Check function successfully consolidated five additional paper check capture operations into the Cleveland office in support of the System’s strategy of streamlining operations while maintaining strong operational performance. The function met internal targets for productivity and quality.

The Bank continued to provide critical services to the U.S. Treasury across several platforms. The eGovernment function provided strong support for the U.S. Treasury’s Collections and Cash Management Modernization initiative. The group received the highest possible rating from the U.S. Treasury and met all internal cost targets. Two applications were successfully prepared to process tenfold increases in ACH transactions for the Department of Education’s student loan buy-back program. The Treasury Retail Securities function received the highest possible rating from the Bureau of the Public Debt and met timeliness and accuracy standards. The function automated a significant portion of the savings bonds redemption process using 2D barcode technology, greatly increasing efficiency.

The Bank also worked to improve the efficiency and effectiveness of its own historic main building. The Facilities function advanced the Bank’s commitment to operational excellence by making the Bank “greener,” earning the Cleveland office an Energy Star certification.



To support all of these outcomes, the Bank continued its progress toward leadership in thought and deed by effectively responding to the aftermath of financial turmoil. Throughout the year, Federal Reserve Bank of Cleveland officers and staff met with business leaders, community groups, bankers, public officials, and educators in every major city in the District to share the Bank’s key messages about the economy and the financial crisis. The Bank expanded its outreach initiative by establishing a foundation for new business advisory councils, developing creative approaches to reach new audiences through social media outlets, and launching a new economic policy publication, *Forefront*.



The Bank launched a new publication to showcase key messages on critical economic policy issues.

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