

Year in Review

The Federal Reserve Bank of Dallas balanced myriad roles in 2012, stepping up outreach efforts, banking supervision responsibilities, research production and educational programs during a challenging period for the economy.

Through speeches, webcasts, conferences, educational events, publications and other communication tools, the Bank sought to reinforce public understanding about the Federal Reserve and the economy and to broaden the conversation about economic policy. Staff reached out to audiences across the Eleventh Federal Reserve District, sharing information and receiving feedback from financial institutions, businesses, nonprofit organizations, educators, civic and community leaders, consumers and many others.

By enhancing communication efforts, implementing financial reform regulations, deepening research and expanding public programs, the Bank rose to meet an extraordinarily complex set of challenges in 2012 and do its part to help the nation recover in the difficult aftermath of the financial collapse and recession of 2007–09.

Communication Efforts

President Richard Fisher gave a series of speeches and met with community leaders around the district during the year to share his views on issues affecting the regional and national economy—notably the issue of “too big to fail,” a reference to those institutions deemed so large, interconnected and/or complex that their failure could substantially damage the financial system. “Choosing the Road to Prosperity: Why We Must End Too Big to Fail—Now,” the 2011 Annual Report essay by Harvey Rosenblum, executive vice president and director of research, brought nationwide attention to the subject.

As the economy found its footing, the Bank hosted 28 industry-specific roundtables for staff to learn from business leaders “on the ground” about economic conditions in their sectors. These efforts have been increasingly important to the Bank as the regional economy has continued to diversify. The Bank held roundtable events throughout the district that drew more than 400 community bankers and credit union representatives, a key audience in a region dominated by small and mid-sized institutions.

To further strengthen its coverage and access to economic intelligence, the Bank established the Business and Community Advisory Council—a leadership group that meets with Bank officials to discuss issues affecting the economy. Also new in 2012 was the Emerging Leaders Council—a group of young professionals who offer Bank staff their unique perspectives on economic and other matters.

The Community Depository Institution Advisory Council, composed of community bankers and a credit union representative, continued to serve as a valuable source of both information on the state of banking in the region and perspective on the regional economy.

The Financial Institution Relationship Management Department reached out through a series of webcasts on the state of the economy, “Economic Insights: Conversations with the Dallas Fed.” The department also launched an electronic publication for the district’s financial services providers called *Financial Insights*, which had over 1,800 downloads. With these and other programs, the Bank connected with about 4,000 leaders of district banks and credit unions in 2012.



Banking Supervision's New Responsibilities

Due to both the greater complexity of financial institutions and new requirements under the Dodd–Frank Wall Street Reform and Consumer Protection Act, the responsibilities of the Dallas Fed's Banking Supervision staff have increased, requiring examiners to have or develop new skills.

The act established new regulatory rules that apply to financial institutions but also restructured some financial regulators. Significantly, the Bank's examination teams took on the task of supervising 23 savings-and-loan holding companies (SLHCs) with a total of \$125 billion in assets. These entities operate under different regulations than bank holding companies, and some control securities, real estate and insurance operations.

Beyond the SLHCs, five state-member banks—representing \$25 billion in new assets—were added to the Bank's supervision authority.

Research Reports: Regional and Beyond

Monetary policymakers relied heavily on research in 2012 as the Federal Reserve was asked to react quickly to ever-changing economic developments. The Bank intensified its research focus, both regionally and globally, building on efforts to bring relevant and timely data to policymakers and the public through geographic and industry-specific economic updates, indicators and surveys that are published on the Bank's website.

In particular, the economic outlook surveys on the Texas manufacturing, retail and services sectors were frequently cited in news stories about the expansion of the Texas economy.

Staff of the Bank's Globalization and Monetary Policy Institute circulated 31 working papers, including "IKEA: Product, Pricing and Pass-Through," looking at the Swedish company's catalog prices around the world. The prestigious *Journal of Economic Perspectives* highlighted an essay by one of the Bank's assistant economists on Zimbabwean hyperinflation that was originally published in the institute's 2011 Annual Report .

Five institute papers were accepted for publication during the year by major professional journals. Other Bank research economists had 11 submissions accepted, and one, "Shifting Credit Standards and the Boom and Bust in U.S. House Prices: Time Series Evidence from the Past Three Decades," received a Best Paper Award at the Financial Management Association Asian Conference.

The Bank continued to produce its own in-depth reports that included its working papers series, *Staff Papers*, *Economic Letters* and quarterly *Southwest Economy* publication.

Staff economists contributed to several major research conferences. The institute organized two conferences: "Financial Frictions and Monetary Policy in an Open Economy" and "International Linkages in a Globalized World and Implications for Monetary Policy."

The Bank's continuing relationship with Banco de México included a visit by President Fisher and several research economists to Mexico City in February. Manuel Sánchez, deputy governor of Banco de México, appeared at the Bank's "Mexico: How to Tap Progress" conference. As part of a periodic exchange, the El Paso Branch board of directors met with directors of the Juárez office of Banco de México, and the Houston Branch board met with directors of the Veracruz office of the Mexican central bank to share perspectives on the regional economies. Deputy Governor José Sidaoui and other Banco de México officials participated in the program. The former president of Mexico, Felipe Calderón Hinojosa, participated in a meeting hosted by the Bank and sponsored by the Greater Houston Partnership and consul general of Mexico.

Educational Initiatives

Many opportunities surfaced in 2012 for the Bank to share its educational resources with the public.

In the fall, the Bank opened *The Economy in Action: An Exhibit on the Federal Reserve, Money and the Regional Economy*. The state-of-the-art exhibit brings the history of central banking in the U.S. to life. The structure, purposes and functions of the contemporary Federal Reserve System are illustrated by video and interactive displays and quizzes. A historical currency exhibit displays actual notes from Colonial times to the present.

The exhibit attracted hundreds of visitors and is open to schools and organizations for scheduled tours.

The Bank's flagship financial literacy program, *Building Wealth*, continued to be a popular guide for educators and community organizations alike. The program was updated for SMART Board technology and had 2,800 downloads. The Bank also introduced the first *Building Wealth* mobile app.

Community Development staff traveled throughout the district, conducting programs on topics such as workforce development, employment for veterans and Texas colonias. The department also launched the Community Outlook Survey to collect timely feedback to assess community and economic development in the district. The survey gathers information about changes in financial well-being for low- and moderate-income populations as well as service providers' ability to serve the needs of these communities.

The Bank's Economic Education program provided in-person training, curriculum guides and publications to over 2,800 educators across the district. The staff developed curriculum for educators and students to use on multiple platforms—print, online and SMART Board. They also developed curriculum for use with *The Economy in Action* exhibit and for "U.S. History Through an Economic Lens" that meets state of Texas requirements for U.S. history in eighth and 11th grades.

In addition, more than 2,000 teachers participated in "Conversation with the Chairman," a videoconference with Fed Chairman Ben Bernanke.

Other Achievements

In response to the declining use of paper checks and adoption of electronic payment options, the Federal Reserve centralized the infrastructure for check processing operations. The Bank hosted meetings of the Corporate Payments Council, a group it organized in 2012 to exchange information about the changing environment with representatives of businesses that rely heavily on the payments system. Further, the Bank conducted a survey on payments-related fraud in the Eleventh District to gain a better understanding of controls and procedures for mitigating risk.

The Dallas Fed led the System consolidation of the accounts payable function, assuming processing for nine Reserve Banks. The restructuring is expected to save the System several million dollars over the next couple of years.

Also in 2012, activity in the Bank's Go Direct call center accelerated in anticipation of the March 2013 deadline for all federal benefit check recipients to receive payment electronically. The call center, operated on behalf of the U.S. Treasury, processed over 1.2 million enrollments in 2012 and, in October, celebrated the 6 millionth enrollment since the program began. The changeover is expected to save the Treasury \$1 billion within 10 years.

A Dynamic Year

The Federal Reserve Bank of Dallas placed emphasis on outreach in 2012, enhancing its contribution to the nation's monetary policy discussions by sharing and receiving relevant feedback about economic matters. Moreover, the Bank adopted new communications tools to enable quicker, more efficient communication with Eleventh District audiences.

The year also proved to be one of the Bank's most dynamic for its study of the global economy and educational programs and for activities and involvement with major Federal Reserve System technological and operational initiatives.