Annual Report 1980

FEDERAL RESERVE BANK OF DALLAS

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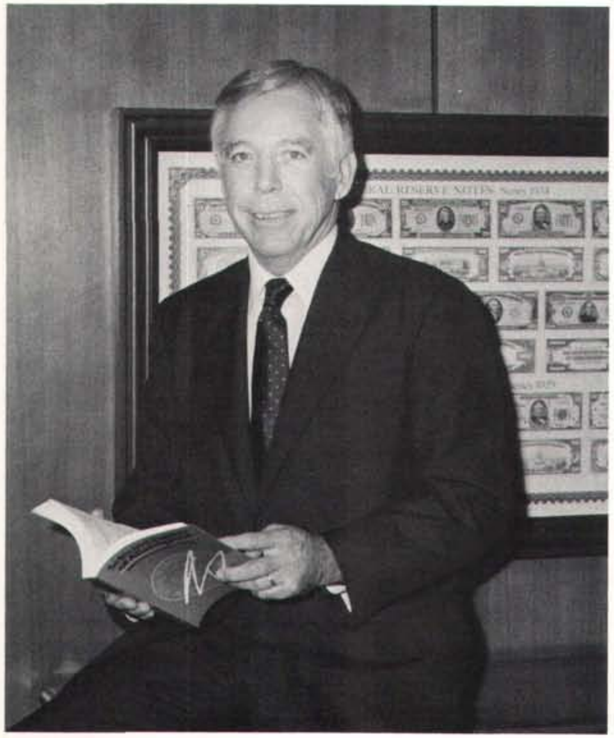


Message from the President:

The year 1980 was characterized by a great number of changes for the Federal Reserve Bank of Dallas and for banking in general. The passage of the Depository Institutions Deregulation and Monetary Control Act of 1980 has embarked the financial community upon a course toward a new regulatory and structural environment. We found ourselves with a new constituency which included savings and loan associations, credit unions, and nonmember commercial banks. Many of these institutions began reporting and holding reserves with the Federal Reserve for the first time.

I look forward to a fruitful and responsive relationship with the expanded constituency, and I am confident that the broader base of reserve requirements will be supportive to the Federal Reserve effort of slowing inflation and achieving real economic growth.

In 1980, the financial system experienced the first full year under a new monetary policy environment. Growth in the money supply was closely monitored, while short-term interest rates were allowed to fluctuate and respond to market forces more than in the past. Interest rates reached high levels in the spring and again at year-end, with the discount rate at a record 13 percent in both instances. Looking ahead, an opportunity exists—one which may come along very infrequently—to develop policies to bring inflation under control and provide for long-term and sustained economic stability. With your support and understanding, I am reassured that the appropriate policy initiatives will develop a consensus and a resolve by the nation to bring inflation under control.

As President of the Bank, this is my first report to you. On January 1, Ernest T. Baughman, President of the Bank for the past six years, retired following a distinguished career with the Federal Reserve. His insights and knowledgeable observations concerning the business of banking and his keen interest in economic and public policy were impressive to all of us. I will not attempt to fill his shoes, but will assure you of total commitment to serve this office in the public interest and, hopefully, contribute to effective and sound central banking principles.

Also, I would be remiss if I did not express my deep gratitude to the Chairman of the Board of this Bank for the past four years, Irving A. Mathews, and to Frank Junell, a member of this Bank's Board of Directors, both of whom completed their service to the Federal Reserve in 1980. Their sense of responsibility, integrity, and friendship stimulated our efforts and inspired us in the performance of our responsibilities.

The challenges and opportunities that lie ahead are many and varied, but I am comforted by the belief that this organization has an effective staff of officers and employees that is willing to meet these challenges in the spirit of public service and professionalism. Moreover, your continued goodwill and counsel will be sought, and I look forward to seeing all of you in the coming months. I hope that you will not hesitate to inform me of your views and concerns.

Sincerely,

Robert H. Boykin

Robert H. Boykin

1980—
Legislative Landmark Year

During 1980 the Federal Reserve System experienced innovations that had a great impact on the Federal Reserve Bank of Dallas. These changes not only set in motion substantial operational modifications but also established a demarcation point for the Federal Reserve and its relationship with depository financial institutions. Much of 1980 was devoted to adapting the Bank's resources to changes necessitated by the Depository Institutions Deregulation and Monetary Control Act of 1980. In addition, the Bank implemented the provisions of the Credit Restraint Program announced by President Carter on March 14, 1980.

Impact of the Monetary Control Act

The Depository Institutions Deregulation and Monetary Control Act of 1980, signed into law on March 31, may well be the most significant banking legislation since the 1930's. The legislation immediately created a new regulatory environment for all depository institutions and paved the way for a restructuring of the financial industry over coming years.

The effects of inflation and high interest rates, along with the desire to increase competition in the financial industry and improve monetary control, were the driving forces behind passage of the Deregulation and Monetary Control Act. The Federal Reserve System had been losing some of its member banks as these institutions found it costly, in terms of interest income lost, to hold non-interest-bearing reserves at Federal Reserve banks. With Federal Reserve membership declining, the Federal Reserve Board of Governors was concerned that the effectiveness of monetary policy was diminishing.

The Monetary Control Act, however, allows the Federal Reserve, for the first time, to require uniform reserves against transaction accounts at all depository institutions, thereby distributing more equally the burden of holding reserves. The Federal Reserve's base for implementing monetary policy has been strengthened by an increase in the number of institutions holding reserves.

The inflation and attendant high interest rates that characterized the late 1970's caused many consumers to move deposits out of commercial banks and savings and loan associations and invest instead in alternatives offering higher rates of interest, such as money market funds. The Deregulation and Monetary Control Act provides for the phaseout of Regulation Q interest rate ceilings, which limit the amount of interest institutions can pay on certain types of deposits. These institutions have also been given the opportunity to offer interest-bearing checking-type accounts—NOW accounts—to their customers.

The availability of NOW accounts and the phaseout of Regulation Q interest rate ceilings have important implications for consumers as well. The Congress believes that consumers are entitled to receive not only interest on their demand deposits but also interest on time and savings accounts at rates more in line with market rates. These provisions have opened up new alternatives to consumers and potentially could help encourage savings in financial institutions.

The promotion of greater competition among various types of financial institutions and between the Federal Reserve and the private sector accounts for other provisions of the Deregulation and Monetary Control Act. The Federal Reserve is required to make its services available to all institutions on a fee basis. Thrift institutions have been given increased powers, including new investment opportunities. And along with the introduction of NOW accounts and the phaseout of Regulation Q, the different types of financial institutions have been made more equal and potentially more competitive

Monetary Control Act Implementation Schedule

March 31, 1980—Depository Institutions Deregulation and Monetary Control Act signed into law

March 31, 1980—Access to discount window by nonmember institutions under exceptional circumstances

September 1980—Routine access to discount window by nonmember institutions

September 1980—Phasedown of reserves begun for member banks

November 1980—Posting of reserves begun by large nonmember institutions

December 1980—Nonmember access to check deposit in Federal Regional Check Processing Centers

December 31, 1980—NOW accounts authorized for all depository institutions

January 1981—Access and pricing of wire transfer of funds services

January 1981—Access and pricing of net settlement services

March 1981—Posting of reserves begun by medium-size nonmember institutions

August 1981—Access and pricing of check clearing and collection services

August 1981—Access and pricing of automated clearing house services

September 1981—Phaseout of Regulation Q interest rate ceilings scheduled to begin

October 1981—Access and pricing of securities purchase, sale, safekeeping, and transfer services

October 1981—Access and pricing of noncash collection services

January 1982—Access and pricing of currency and coin transportation services

March 1982—Simplified Truth-in-Lending regulations in effect

March 1986—All deposit interest rate ceilings and differential to be eliminated than before.

Once the Monetary Control Act was passed, the Federal Reserve Bank of Dallas was immediately faced with the task of implementing it. The aspects of the act that had the greatest impact in 1980 involved uniform reserve requirements, access to and pricing of Federal Reserve services, and broadened access to the discount window.

The application of uniform reserve requirements increased the number of institutions holding reserves or filing some type of report with the Dallas Fed from 750 to 3,475. The Monetary Control Act also increased the amount of detailed information financial institutions must compile for reserve reporting. The Statistical Department, which processes this information, has estimated that the new reporting requirements will increase its total work load by about 285 percent.

The increased number of institutions holding reserves with the Federal Reserve Bank of Dallas also significantly affected the reserve maintenance area of the Accounting Department. This area is responsible for guiding depository institutions in proper maintenance of their reserves and for providing appropriate statements to the institutions.

All of the Bank's computer programs involved in the collection and reporting of statistical information and in reserve account maintenance and reporting were either rewritten or substantially modified. The work load of the entire Data Services Department increased during 1980, with these changes in existing systems and the development of several new systems to increase automation throughout the Bank.

The Monetary Control Act requires the Federal Reserve to price its services and make them equally available to all depository institutions. Consequently, the Dallas Fed spent much of 1980 considering pricing and billing procedures and preparing for an increase in the number of financial institutions served and a possible increase in the volume of operations when its services are offered to all depository institutions. The Operations Analysis Department developed a survey to assess the demand for Federal Reserve services by nonmember banks, savings and loan associations, and credit unions after pricing is implemented.

The departments at the Federal Reserve Bank of Dallas that are most affected by the implementation of pricing are Cash (currency and coin services), Payments Mechanism (check collection, settlement and float, and automated clearinghouse services), Accounting (wire transfers of funds and net settlement services), and Securities (securities safekeeping, purchases and sales, and noncash collection services). These departments spent a substantial amount of time in 1980 estimating costs for consideration in the proposed pricing schedule and developing operational plans for extended access to the services.

The implementation of pricing also affected areas of the Accounting Department that are responsible for monitoring costs associated with use of the priced services and for maintaining clearing accounts for institutions that do not have accounts with the Federal Reserve. Moreover, the Data Services Department was involved in implementing pricing and billing procedures and integrating them into the Bank's existing accounting system.

In addition to the pricing schedule for check processing services, the Monetary Control Act requires the Federal Reserve to reduce and, if possible, eliminate Federal Reserve float. Check float is created when credit for checks deposited with a Reserve Bank is given to the depositing institution before collection is made from the payor institution. The Board of Governors has proposed a three-phase program to accomplish the task of reducing float. The first phase calls for improvements in Federal Reserve operations involving check clearing and collection and is already under way with measures to improve the Fed's Interdistrict Transportation System. The second phase of the program will involve modification of the credit availability schedules, and the third phase will involve explicit pricing of any remaining float beginning in 1982. Due to the efforts of the float control program, float in the Eleventh District remained within the defined Federal Reserve System target during most of 1980.

As a result of the Monetary Control Act, the Loan Department made use of its discount window equally available in 1980 to all depository institutions subject to reserve requirements. Further actions implementing the new legislation included revisions of the Bank's Borrowing Resolution, Continuing Lending Agreement, and other documents related to the borrowing process. These documents were furnished and credit files were set up for all depository institutions expressing interest in having the required legal documents on file in the event they need discount window accommodation. Actual nonmember activity as of the end of the year included credit extended to one nonmember bank.

In addition to the departments and areas affected by the three major sources of impact—reserve reporting, pricing of services, and loan activity—the Deregulation and Monetary

Control Act caused an increased work load for several others in the Dallas Bank. Provisions of the act dealing with the establishment of NOW accounts, Regulation Q phaseout, and truth-in-lending simplification directly affected the work of the Consumer Affairs Division of the Bank Supervision and Regulations Department in 1980. The Consumer Affairs Division is responsible for interpreting consumer laws and regulations. Interest rate fluctuations and actions of the Depository Institutions Deregulation Committee to amend Regulation Q accounted for an increasing volume of written and telephone interpretation requests from bankers and consumers concerning these aspects of the new legislation.

The principal effect of the Monetary Control Act on bank examinations has been a reduction in the number of state member banks withdrawing from the Federal Reserve System. In the Eleventh District, only one such bank withdrew from membership in 1980, resulting in a net increase of three in the number of state member banks to be examined. Because of the act's broad impact on the general structure of the banking system, examiners have had to become familiar with the law and changes in affected regulations in order to discuss them with bankers. Examiners have also needed this information to carry out certain examination functions, such as checking reports prepared for reserve computations.

The Bank and Public Information Department planned a series of educational seminars to familiarize the new constituency with major aspects of the Monetary Control Act. This department also handled a large number of requests for information about the new legislation. Because several of the departments in the Bank required additional personnel, space, and equipment, the Facilities Management and Services Departments revised the ongoing refurbishment program to conform to increased departmental needs and investigated the availability of rental space for expansion to off-site premises.

The Monetary Control Act of 1980 has had a greater effect on the operations of the Federal Reserve Bank of Dallas than any other event in many years. The new legislation has directly affected the work of many departments and areas in the Bank and indirectly affected activities in most of the others. Much time has been spent carrying out its provisions. A total of $1.6 million was spent in 1980 toward efforts to implement the Deregulation and Monetary Control Act.

Impact of the Credit Restraint Program

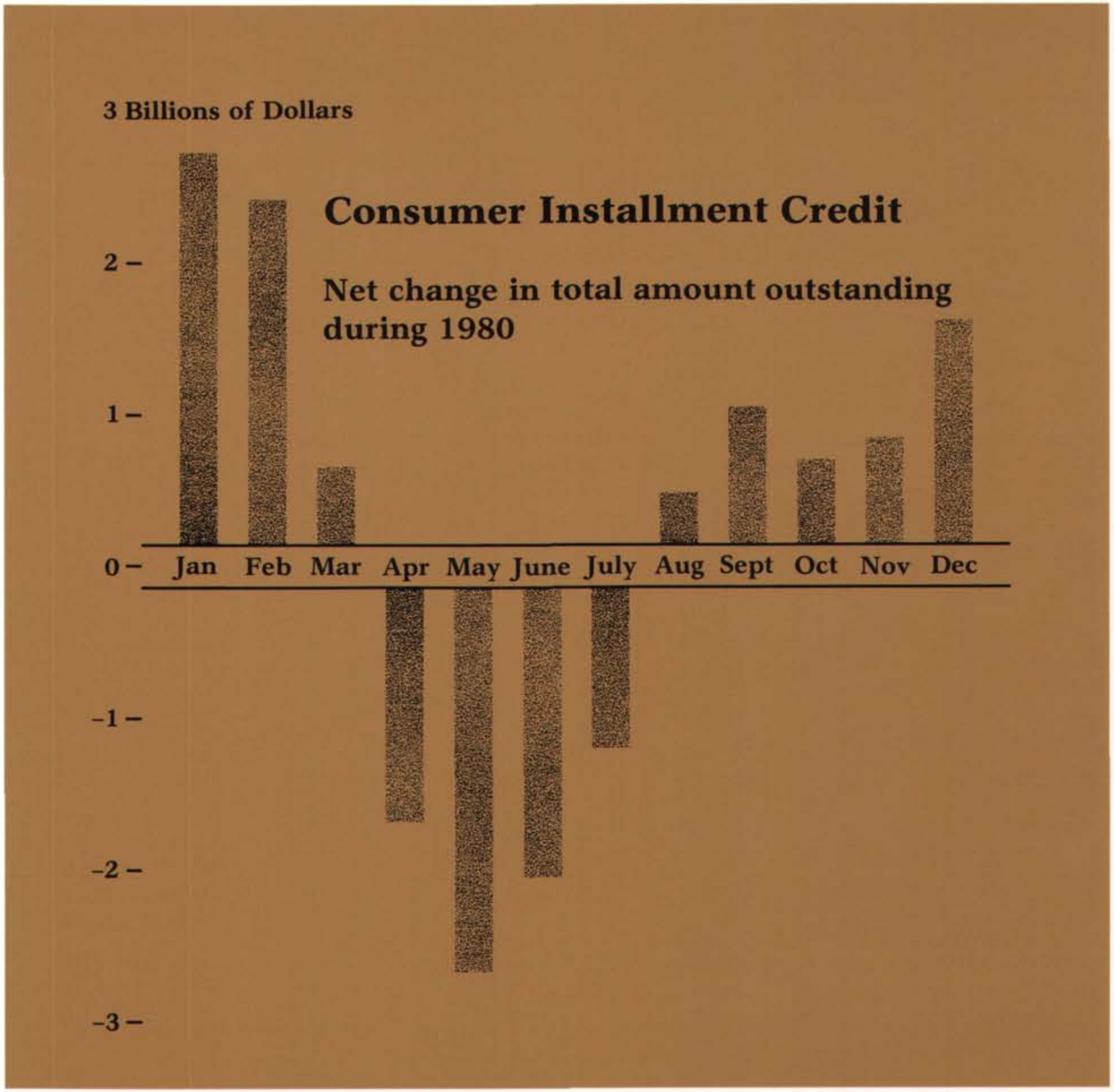
On March 14, 1980, the Federal Reserve imposed a series of special measures designed to limit the growth of credit and to help President Carter with his anti-inflation program. These measures, commonly referred to as the Credit Restraint Program, were authorized by Carter under the Credit Control Act of 1969.

Under the program, consumer credit lenders were required to deposit, in special non-interest-bearing accounts with the Federal Reserve, reserves equal to 15 percent of any increase in certain types of consumer credit from the lender's March 14 base. This 15-percent reserve requirement applied to extensions of new credit through credit cards, overdrafts, unsecured personal loans, and certain secured credit. The lenders included commercial banks, finance companies, credit unions, savings and loan associations, mutual savings banks, retailers, gasoline companies and travel and entertainment companies. Companies whose total credit outstanding on March 14 did not exceed $2 million were not covered. In other measures of the Credit Restraint Program, banks were asked to restrain the growth in their total loans to a range of 6 to 9 percent. Reserve requirements were also imposed on growth in money market mutual funds, and additional reserves were imposed on increases in managed liabilities.

All measures of the Credit Restraint Program were designed to increase lenders' operating costs and discourage any new lending. Specific credit restraint methods, however, were left up to the lender. Steps commonly taken by creditors to comply with the program included raising minimum monthly payments, eliminating the period after a purchase when no interest is charged, and curtailing the issuance of new credit cards. Repayment of already existing balances was allowed under previous credit terms as long as new purchases were not added to the account.

On May 22, 1980, the Federal Reserve Board announced that it believed the trends in consumer credit were within the framework of basic monetary policy and credit objectives. The Credit Restraint Program was modified at that time, with the required reserve percentages decreased by half. Finally, on July 3, 1980, the Board announced plans to complete the phaseout of the Credit Restraint Program and eliminate the special reserve requirements, noting that recent evidence indicated the need for the extraordinary measures had ended.

The Credit Restraint Program significantly affected the Statistical Department of the Federal Reserve Bank of Dallas by requiring reports from consumer credit lenders. Nearly 200 retailers in the Eleventh District began filing



reports with the Dallas Fed, and the Statistical Department was responsible for processing them. In addition, the Accounting Department was responsible for setting up reserve accounts and for the reserve maintenance procedures relating to the additional reserves imposed on increases in managed liabilities and the reserves imposed on increases in money market mutual funds.

The Loan Department experienced a substantial decrease in loan activity from 1979 to 1980, and at least part of this decrease can be attributed to the Credit Restraint Program. Under this program, commercial banks were asked to restrict their lending to consumers, so they had less need for additional funds from the Fed's discount window. Daily average borrowings in the District were $97.1 million in 1980, down 24 percent from 1979. Total borrowings amounted to $9.5 billion, down 16 percent from 1979, and the number of loans made totaled 933, down 28 percent from 1979.

In addition to increasing operational activity, the Credit Restraint Program created a need for information about the program on the part of the affected institutions and retailers and the public in general. Meetings were held for retailers, large bank holding companies, and large banks to explain the new reporting procedures. Moreover, a series of questions and answers on the Credit Restraint Program was generated. The Bank and Public Information Department and the Consumer Affairs Division handled a substantial number of the increased outside requests for information due to the program.

1980 Earnings

Gross current earnings of the Federal Reserve Bank of Dallas were $736.3 million in 1980, current expenses were $45.9 million, leaving current net earnings of $690.4 million.

Net earnings, after additions, deductions and assessments, and before payments to the Treasury, totaled $679.5 million. Of this, $669.1 million was paid to the U.S. Treasury as interest on Federal Reserve notes. Statutory dividends of $4.3 million were paid to member banks and $6.1 million was added to surplus. The Federal Reserve pays to the Treasury all net earnings in excess of the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital.

Assessment for expenditures of the Board of Governors amounted to $3.7 million. There was a net deduction of $7.3 million in the profit and loss account mainly because of a net loss of $11.3 million on transactions in U.S. Government securities. The Federal Reserve buys and sells Government securities and foreign exchange for the purpose of implementing national monetary policy. The transactions are not designed to earn a profit; however, earnings of the Federal Reserve System are derived primarily from U.S. Government securities acquired through open market purchases.

Directors

Federal Reserve Bank of Dallas

Irving A. Mathews
(Chairman and Federal Reserve Agent),
Chairman of the Board and Chief Executive Officer,
Frost Bros., Inc., San Antonio, Texas

Gerald D. Hines
(Deputy Chairman), Owner, Gerald D. Hines Interests,
Houston, Texas

J. Wayland Bennett
Charles C. Thompson Professor of Agricultural Finance
and Associate Dean, College of Agricultural Sciences,
Texas Tech University, Lubbock, Texas

Lewis H. Bond
Chairman of the Board and Chief Executive Officer,
Texas American Bancshares Inc., Fort Worth, Texas

Kent Gilbreath
Professor of Economics,
Department of Economics and Finance,
Baylor University, Waco, Texas

John P. Gilliam
President and Chief Executive Officer,
First National Bank in Valley Mills,
Valley Mills, Texas

Frank Junell
Chairman of the Board,
The Central National Bank of San Angelo,
San Angelo, Texas

Robert D. Rogers
President, Texas Industries, Inc.,
Dallas, Texas

Margaret S. Wilson
Chairman of the Board and Chief Executive Officer,
Scarbroughs Stores, Austin, Texas

Seated left to right: Gerald D. Hines, Irving A. Mathews, Paul A. Volcker (Chairman of the Board of Governors), Margaret S. Wilson. Standing left to right: J. Wayland Bennett, Robert H. Boykin (First Vice President of the Federal Reserve Bank of Dallas), Kent Gilbreath, Lewis H. Bond, John P. Gilliam, Robert D. Rogers, Frank Junell, Ernest T. Baughman (President of the Federal Reserve Bank of Dallas).

El Paso Branch

Seated left to right: Chester J. Kesey, Paul A. Volcker (Chairman of the Board of Governors), A. J. Losee.
Standing left to right: Joel L. Koonce, Jr. (Vice President in Charge of the El Paso Branch), Robert H. Boykin (First Vice President of the Federal Reserve Bank of Dallas), Arnold B. Peinado, Jr., Arthur L. Gonzales, Claude E. Leyendecker, Ernest M. Schur, Ernest T. Baughman (President of the Federal Reserve Bank of Dallas).

Chester J. Kesey
(Chairman), C. J. Kesey Enterprises,
Pecos, Texas

Josefina A. Salas-Porras
(Chairman Pro Tem), Executive Director,
BI Language Services, El Paso, Texas

Arthur L. Gonzales
Chairman of the Board and Chief Executive Officer,
First City National Bank of El Paso,
El Paso, Texas

Claude E. Leyendecker
President, Mimbres Valley Bank, Deming, New Mexico

A. J. Losee
Shareholder, Losee, Carson, & Dickerson,
P. A. (a lawyers' professional corporation),
Artesia, New Mexico

Arnold B. Peinado, Jr.
Executive Vice President, AVC Development
Corporation, El Paso, Texas

Ernest M. Schur
Chairman of the Executive Committee,
The First National Bank of Odessa,
Odessa, Texas

Houston Branch

Gene M. Woodfin
(Chairman), Chairman of the Board and Chief Executive Officer, Marathon Manufacturing Company, Houston, Texas

Jerome L. Howard
(Chairman Pro Tem), Chairman of the Board and Chief Executive Officer, Mortgage and Trust, Inc., Houston, Texas

Raymond L. Britton
Labor Arbitrator and Professor of Law, University of Houston, Houston, Texas

John T. Cater
President, Bank of the Southwest National Association, Houston, Texas

Ralph E. David
President, First Freeport National Bank, Freeport, Texas

George V. Smith, Sr.
President, Smith Pipe & Supply, Inc., Houston, Texas

Will E. Wilson
President and Chief Executive Officer, First Security Bank of Beaumont, N.A., Beaumont, Texas

Seated left to right: Will E. Wilson, Paul A. Volcker (Chairman of the Board of Governors), Raymond L. Britton. Standing left to right: Ralph E. David, Robert H. Boykin (First Vice President of the Federal Reserve Bank of Dallas), J. Z. Rowe (Vice President in Charge of the Houston Branch), John T. Cater, Ernest T. Baughman (President of the Federal Reserve Bank of Dallas).

San Antonio Branch

Seated left to right: Lawrence L. Crum, Paul A. Volcker (Chairman of the Board of Governors), Carlos A. Zuniga. Standing left to right: George Brannies, Robert H. Boykin (First Vice President of the Federal Reserve Bank of Dallas), John H. Holcomb, Carl H. Moore (Vice President in Charge of the San Antonio Branch), John H. Garner, Pat Legan, Ernest T. Baughman (President of the Federal Reserve Bank of Dallas).

Carlos A. Zuniga
(Chairman), Zuniga Freight Services, Inc.,
Laredo, Texas

Lawrence L. Crum
(Chairman Pro Tem), Professor of Banking and Finance,
The University of Texas at Austin, Austin, Texas

George Brannies
Chairman of the Board and President,
The Mason National Bank, Mason, Texas

Charles E. Cheever, Jr.
President, Broadway National Bank, San Antonio, Texas

John H. Garner
President and Chief Executive Officer, Corpus Christi
National Bank, Corpus Christi, Texas

John H. Holcomb
Owner-Manager, Progreso Haciendas Company,
Progreso, Texas

Pat Legan
Owner, Legan Properties, San Antonio, Texas

Changes in Directors and Officers

Directors and Council Member

Head Office Board Gerald D. Hines, Owner of Gerald D. Hines Interests, Houston, Texas, was designated Chairman of the Board for 1981 by the Board of Governors, succeeding Irving A. Mathews, Chairman of the Board and Chief Executive Officer of Frost Bros., Inc., San Antonio, Texas, whose term as Chairman of the Board expired December 31, 1980. John V. James, Chairman of the Board of Dresser Industries, Inc., Dallas, Texas, was appointed a Class C Director by the Board of Governors for a three-year term beginning January 1, 1981, succeeding Mathews whose term as a Class C Director expired December 31, 1980. James was designated Deputy Chairman for 1981, succeeding Hines.

Member banks in the Eleventh District elected two directors to begin three-year terms effective January 1, 1981. Miles D. Wilson, Chairman of the Board and President of The First National Bank of Bellville, Bellville, Texas, succeeded Frank Junell, Chairman of the Board of The Central National Bank of San Angelo, San Angelo, Texas. Kent Gilbreath, Professor in the Department of Economics and Finance at Baylor University, Waco, Texas, was reelected.

El Paso Branch Board Chester J. Kesey of C. J. Kesey Enterprises, Pecos, Texas, was reappointed to the El Paso Branch Board by the Board of Governors for a three-year term beginning January 1, 1981.

Claude E. Leyendecker, President of the Mimbres Valley Bank, Deming, New Mexico, was reappointed by the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1981.

During the year, Ernest M. Schur, Chairman of the Executive Committee of The First National Bank of Odessa, Odessa, Texas, was appointed by the Federal Reserve Bank of Dallas to fill a vacancy created by the resignation of Charles A. Joplin, who resigned to accept a position as Vice President of the Albuquerque National Bank, Albuquerque, New Mexico, which is located outside the territory served by the El Paso Branch.

Houston Branch Board Paul N. Howell, Chairman of the Board and President of Howell Corporation, Houston, Texas, was appointed to the Houston Branch Board by the Board of

Governors for a three-year term beginning January 1, 1981, succeeding Gene M. Woodfin, Chairman of the Board and Chief Executive Officer of Marathon Manufacturing Company, Houston, Texas.

Raymond L. Britton, Labor Arbitrator and Professor of Law at the University of Houston, Houston, Texas, was reappointed by the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1981.

During the year, George V. Smith, Sr., President of Smith Pipe & Supply, Inc., Houston, Texas, was appointed by the Board of Governors to fill a vacancy created by the resignation of Granville M. Sawyer, former President of Texas Southern University, Houston, Texas.

San Antonio Branch Board Lawrence L. Crum, Professor of Banking and Finance at The University of Texas at Austin, Austin, Texas, was reappointed to the San Antonio Branch Board by the Board of Governors for a three-year term beginning January 1, 1981.

John H. Garner, President and Chief Executive Officer of the Corpus Christi National Bank, Corpus Christi, Texas, was reappointed by the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1981.

Federal Advisory Council Member T. C. Frost, Jr., Chairman of the Board of Cullen/Frost Bankers, Inc., San Antonio, Texas, was appointed by the Board of Directors of the Federal Reserve Bank of Dallas for a one-year term as a member of the Federal Advisory Council to represent the District, succeeding James D. Berry, Chairman of the Board and Chief Executive Officer of the Republic of Texas Corporation, Dallas, Texas.

Officers

Head Office Official changes during 1980 at the Head Office included:

C. J. Pickering, Vice President, resigned.

Larry J. Reck was promoted to Vice President to succeed Pickering, with general supervision of the Payments Mechanism Department.

T. E. Spreng, Assistant Vice President, retired.

Jack A. Clymer, Assistant Vice President, resigned.

Larry N. Hill was elected Assistant Vice President to succeed Clymer, with direct supervision of the Cash Department.

Official changes at the Head Office effective January 1, 1981, included:

Ernest T. Baughman, President, retired.

Robert H. Boykin was appointed President to succeed Baughman.

William H. Wallace was appointed First Vice President to succeed Boykin.

Neil B. Ryan was promoted to Senior Vice President, with senior supervision of the Data Services Department.

Anthony J. Montelaro was promoted to Vice President, with general supervision of the Holding Company Supervision Department.

Sammy T. Schulze was promoted to Vice President, with general supervision of the Bank Supervision and Regulations Department.

Robert Smith, III was promoted to Vice President and Secretary, with general supervision of the Department of Communications, Financial and Community Affairs.

El Paso, Houston, San Antonio Branches There were no official changes during the year at the Branch Banks.

Statement of Condition

ASSETS	December 31 1980	December 31 1979
Gold certificate account	$ 572,000,000	$ 450,831,600
Special Drawing Rights certificate account	132,000,000	86,000,000
Coin	30,095,361	28,887,272
Loans and Securities:		
Loans	46,000,000	134,386,000
Federal agency obligations	518,678,981	447,637,724
U.S. Government securities	7,080,419,784	6,336,266,736
Total loans and securities	7,645,098,765	6,918,290,460
Cash items in process of collection	1,369,860,780	1,519,720,827
Bank premises	13,018,792	11,942,766
Other assets	452,076,422	280,592,123
Interdistrict settlement account	401,190,103	329,175,362
TOTAL ASSETS	$10,615,340,224	$9,625,440,410

LIABILITIES	December 31 1980	December 31 1979
Federal Reserve notes in actual circulation	$ 7,198,598,251	$5,959,282,609
Deposits:		
Member bank—reserve accounts	2,314,199,783	2,460,524,294
U.S. Treasury—general account	0	84,941,583
Foreign	21,004,000	17,342,000
Other	18,735,579	60,748,932
Total deposits	2,353,939,362	2,623,556,809
Deferred availability cash items	789,839,285	797,770,170
Other liabilities	125,908,126	110,011,322
TOTAL LIABILITIES	$10,468,285,024	$9,490,620,910
CAPITAL ACCOUNTS		
Capital paid in	73,527,600	67,409,750
Surplus	73,527,600	67,409,750
TOTAL CAPITAL ACCOUNTS	$ 147,055,200	$ 134,819,500
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$10,615,340,224	$9,625,440,410

Earnings and Expenses

CURRENT EARNINGS	1980	1979
Loans	$ 12,247,609	$ 13,324,291
U.S. Government securities	716,797,931	536,863,656
Foreign currencies	7,082,798	3,982,165
All other	208,715	116,308
TOTAL CURRENT EARNINGS	$736,337,052	$554,286,420

CURRENT EXPENSES	1980	1979
Current operating expenses	43,597,663	36,462,330
Federal Reserve currency	5,143,576	4,572,524
Total	48,741,239	41,034,854
Less reimbursement for certain fiscal agency and other expenses	2,838,359	2,549,037
NET EXPENSES	$ 45,902,880	$ 38,485,817

PROFIT AND LOSS	1980	1979
Current net earnings	$690,434,172	$ 515,800,603
Additions to current net earnings:		
All other	5,712,009	700,943
Total additions	5,712,009	700,943
Deductions from current net earnings:		
Loss on sales of U.S. Government securities (net)	11,293,644	8,182,764
Loss on Foreign Exchange (net)	0	211,829
All other	1,676,670	308,331
Total deductions	12,970,314	8,702,924
Net additions or deductions (-)	-7,258,304	-8,001,981
Assessment for expenditures of Board of Governors	3,699,800	2,947,500
Net earnings before dividends and payments to U.S. Treasury	679,476,067	504,851,122
Dividends paid	4,268,321	3,931,557
Payments to U.S. Treasury (Interest on F.R. notes)	669,089,896	496,323,565
Transferred to surplus	6,117,850	4,596,000
Surplus, January 1	67,409,750	62,813,750
Surplus, December 31	$ 73,527,600	$ 67,409,750

Volume of Operations

Federal Reserve Bank of Dallas
Head Office and Branches Combined

	Number of Pieces Handled[1]		Dollar Amount	
	1980	1979	1980	1979
Loans	933	1,304	9,568,441,000	11,464,646,798
Currency received and counted	456,848,939	424,689,000	4,735,618,800	4,213,271,372
Coin received and counted	824,247,000	914,461,000	144,261,450	132,104,450
Checks handled:				
U.S. Government checks	41,224,274	42,696,000	30,987,141,817	26,356,606,850
Postal money orders	10,206,307	9,575,000	729,451,882	624,066,833
All other[2]	1,029,521,059	965,591,705	562,044,154,137	450,507,988,798
Collection items handled:				
U.S. Government coupons paid	121,221	147,338	69,977,814	80,430,250
All other	221,363	126,110	444,520,817	236,480,530
ACH items handled:				
Commercial	2,413,192	1,040,378	3,490,117,432	535,990,240
U.S. Government	12,032,472	10,383,094	5,095,868,466	3,969,835,754
Issues, redemptions, and exchanges of U.S. Government securities	13,193,520	14,631,773	116,572,999,441	96,349,953,257
Transfers of funds	3,280,834	2,682,553	4,333,641,843,277	3,378,483,145,280
Food stamps redeemed	159,066,000	99,903,373	608,931,613	447,965,294

[1] *Packaged items handled as a single item are counted as one piece.*
[2] *Exclusive of checks drawn on the F.R. Banks.*

Bank Holding Company Activity

Number of bank holding companies, bank and nonbank subsidiaries.

	December 31	
	1980	1979
Companies		
One-bank Holding Companies	**260**	170
Multibank Holding Companies	**44**	43
Total Bank Holding Companies	**304**	213
Subsidiary Banks		
One-bank Holding Companies	**257***	169*
Multibank Holding Companies	**341**	319
Total Subsidiary Banks	**598**	488
Nonbank Subsidiaries		
One-bank Holding Companies	**51**	50
Multibank Holding Companies	**178**	145
Total Nonbank Subsidiaries	**229**	195

* *These figures adjusted to reflect ownership of the same subsidiary bank by two bank holding companies.*

Deposit data for subsidiary banks of bank holding companies in the Eleventh Federal Reserve District.

	December 31	
	1980	1979
Domestic Deposits in Subsidiary Banks (Millions)		
One-bank Holding Companies	**$ 9,348**	$ 4,829
Multibank Holding Companies	**45,722**	39,667
Total	**$55,070**	$44,496
Subsidiary Banks, Percent of District Deposits		
One-bank Holding Companies	**11.0**	6.5
Multibank Holding Companies	**54.0**	53.7
Total	**65.0**	60.2

Officers

Federal Reserve Bank of Dallas

Robert H. Boykin
President

William H. Wallace
First Vice President

Joseph E. Burns
Senior Vice President

George C. Cochran, III
Senior Vice President

Harry E. Robinson, Jr.
Senior Vice President

Neil B. Ryan
Senior Vice President

Tony J. Salvaggio
Senior Vice President

Robert A. Brown
General Auditor

Anthony J. Montelaro
Vice President

Larry J. Reck
Vice President

George F. Rudy
Vice President and General Counsel

Sammy T. Schulze
Vice President

Robert Smith, III
Vice President and Secretary

E. W. Vorlop, Jr.
Vice President and Controller

Uzziah Anderson
Assistant Vice President

Forrest E. Coleman
Assistant Vice President

Billy J. Dusek
Assistant Vice President

Larry N. Hill
Assistant Vice President

Richard D. Ingram
Assistant Vice President and Assistant Secretary

Mary M. Rosas
Assistant Vice President

Thomas H. Rust
Assistant Vice President

Jesse D. Sanders
Assistant Vice President

Phillip E. Sellers
Assistant Vice President

E. A. Thaxton, Jr.
Assistant Vice President

Carla M. Warberg
Assistant Vice President and Assistant Controller

Millard E. Sweatt, Jr.
Assistant General Counsel

C. L. Vick
Assistant General Auditor

El Paso Branch

Joel L. Koonce, Jr.
Vice President in Charge

Robert W. Schultz
Assistant Vice President

Houston Branch

J. Z. Rowe
Vice President in Charge

Vernon L. Bartee
Assistant Vice President

Sammie C. Clay
Assistant Vice President

C. O. Holt, Jr.
Assistant Vice President

San Antonio Branch

Carl H. Moore
Vice President in Charge

Thomas C. Cole
Assistant Vice President

Thomas H. Robertson
Assistant Vice President

January 1, 1981