

April 1999

To the Depository Institutions in the
Second Federal Reserve District:

It is my privilege to send to you the *Eighty-Fourth Annual Report* of the Federal Reserve Bank of New York. In the "Report from the President," I review the Bank's major achievements in 1998, giving particular emphasis to our roles in stabilizing markets, providing supervisory guidance, and maintaining secure and reliable payments systems. My report also discusses the challenges before the Bank to improve productivity, efficiency, and the quality of service delivery to our customers. In addition, the *Annual Report* presents detailed tables, with extensive notes, on the Bank's financial condition.

During 1998, I spoke publicly about the need for financial institutions to improve the management and control of risk, especially credit risk. In "Issues for the Basle Accord," an address I delivered in London, England, before the Conference on Credit Risk Modeling and Regulatory Implications, I reviewed the status of the 1988 Basle Capital Accord and discussed the importance of risk measurement and capital requirements. The text of that address is reprinted in this *Annual Report*.

I hope you find this *Annual Report* informative and interesting.



William J. McDonough
President